

HOW CRM HAS CHANGED MARKETING

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CRM has changed the face of marketing for ever. Old school marketers simply wouldn't recognize marketing in 2004. Nineteen eighty four was a different era, a stone age of wild, undisciplined and unaccountable customer management practices in comparison to today's technology-enabled silicone age.

We may be celebrating Marketing magazine's 20th anniversary, but CRM hasn't been around that long. CRM really got going in the early 1990s when Tom Siebel, founder of the eponymous CRM giant, Siebel Systems, developed some relatively simple software to help salespeople manage their opportunity pipelines. CRM itself has changed beyond recognition over these last ten years. Today's CRM solutions offer an exhaustive selection of front-office functionality that enables companies to manage sales, marketing and service activities more effectively and efficiently. Not only that, but CRM solutions can be integrated with back office technologies, to ensure that accounts, operations, procurement and human resources are aligned with a company's customer focus. Even further, CRM has now gone extra-enterprise as it enables alignment with partner organisations such as resellers and distributors.

Although CRM, as an idea in its own right, was unknown pre-1990, there were a number of technologies that did CRM-like things. There were contact management systems, customer databases and call centres. CRM became more popular in part because of technology-push, but also because of customer-pull. Technological advances in database design, analytics, systems integration, marketing automation, e-commerce and computer-telephony integration created opportunities for early adopters of CRM to innovate in customer management. The penetration of technologies such as the Internet, broadband and mobile telephony into people's homes and workplaces has encouraged companies to adopt CRM. Over time these technologies have become more reliable and easier to use.

At the same time, customers demanded higher levels of, and more consistent, customer experience. Customers benchmarked their experiences across sectors. They'd want to know why their courier service could tell them where their in-transit package was at any moment in time, but their airline could still lose their checked baggage. Their experiences in one sector influenced their expectations in others, creating a vortex of accelerating anticipation. They'd be frustrated at the different levels of service offered face-to-face in branches, on-line at over the phone. Put simply, customers were looking for their suppliers to know their histories and requirements well enough to service them excellently whatever the channel or touch-point. As suppliers shifted to a multi-channel form of operation, this became a massive technological and cultural challenge. How could a retailer with high street, catalogue, Internet and TV shopping channels ensure consistent customer experience without the support of CRM? It wasn't possible.

Early adopters of CRM were banks and telecommunications firms. These large corporations had huge amounts of customer-related data, often stored in product or channel silos that were incapable of talking to each other. The CRM solutions they acquired were installed on their own servers, supported by third party consultants and vendors, and cost, in some cases, millions of

inbound.

Traditional marketing goals are built on sales targets such as market share. CRM-style marketing objectives often differ. Because of the availability of customer data, objectives can take a more qualitative turn. Market share might still be important, but the question is asked – which customers shall we target to generate this market share? CRM tends to be much more focussed. The most sophisticated CRM-lead businesses have a clear idea of which customers they want to serve, and what share of customer spending they want to win. The aim is share of wallet rather than share of market. One UK financial service company for example is First Direct. By conventional measures the company has failed. It only has a 3% share of the current account market. However, the company has attracted the particular 3% that it want and is steadily building its share of those customers' spending on financial services.

Marketers have long been censured – justifiably - for their lack of accountability. Data-based marketing is putting an end to that criticism. CRM-enabled marketing employs customer data intelligently in a plan-do-measure-learn cycle. Campaigns can be run across subsets of customers and companies can learn quickly about what works and what doesn't. Marketers can measure the ROI from a single campaign in next to no time. Different approaches to event-based (trigger) marketing can be tested. For example, when a customer contacts a call-centre to enquire about the current rate of interest on an account, this might be indicative of a high propensity to switch to a new service provider. A bank could experiment with different responses to this event – for example, diverting the call to a specialist 'saves' team in the call centre, or following up with a mailed offer of an interest-free 'holiday' from payment.

CRM makes marketers think more deeply about, and to plan, customer life-cycles. CRM focuses attention on three specific customer-life-cycle questions which many marketers still ignore: which customers do we want to acquire, which do we want to retain and which do we want to develop? Conventional marketing plans conveniently ignore these questions. Most are technique-based plans, built around tools such as advertising and sales promotion. They don't specifically address these 3 questions. Because CRM-enabled marketing allows companies to measure – sometimes very accurately – which customers or segments are profitable, or valued in other ways, a cleverer approach can be taken. Specific budgeted and resourced plans can be developed for acquisition, retention and development KPIs. Whereas there was just one undifferentiated marketing plan, there might now be three! The number of companies having Customer Acquisition managers and Customer Retention Managers with different, but related briefs and funding, is growing.

The 4Ps, much beloved by traditional marketers is reaching the end of its life-cycle. It simply is an irrelevant idea in many markets. Business-to-business and service organisations have dumped the 4P architecture. Even in contexts where it is still relevant, no longer are these marketing variables mixed at arm's length from customers. Today, CRM's interactive technologies allow for customization and, in some cases, personalization, of all elements of the value proposition – product, service, logistics, out-bound communications – in collaboration with customers. Dell, Nike, Levi's, Amazon, the Financial Times all enable customers to design products and services that satisfy their individual requirements. Some financial service providers are even able to offer credit at a price that is unique to each customer, based on that customer's risk profile, propensity to buy and potential life-time value. The days of a one-size-suits-all approach to marketing are coming to an end.

Traditionally, marketing has been very brand focussed. CRM, because it enables collaborative interaction between organizations, has signalled the importance of networks to business success. Companies will need to develop more expertise at managing business networks, not just brands. In these networks are suppliers, investors, partners and employees. Ensuring that they all understand and are committed to the goal of acquiring, retaining and developing carefully defined customers or segments is a huge challenge. One benchmark organisation that excels at network management is Tesco, the UK-based retailer. Tesco already had a very large share of UK household spending on grocery. Driven partly by declining margins on food, the company

developed a non-food retailing strategy. Realising that they had no competencies in this area, they developed partnerships with a number of specialist organisations. Royal Bank of Scotland, for example, is their banking partner. Direct Line is their insurance partner. It is through partnering that Tesco has been able to build its share of customer wallet.

Finally, CRM's goal of creating and maintaining profitable customer relationships has seen the emergence of new roles for marketers. There are now more opportunities for Customer Relationship managers, Segment managers, Account managers where the objective is to nurture profitable longer-term relationships with customers. This doesn't signal an end to brand and product management, but even traditionally product-centred organisations such as banks are beginning to organise around customer groups. Customer managers will become even more important in the future as they become responsible for the customer insight that underpins marketing success.

Marketing has changed under the influence of CRM, and will change even further, as CRM competencies are developed by companies that have traditionally been more product-, or operations-focussed.

Marketing has had two roles in companies. The first is to influence customer demand using the marketing mix toolkit. The second is to take a leadership role in helping companies develop a stronger focus on customers – to create a customer orientation. CRM advances marketing's mission on both fronts. CRM brings a results-oriented discipline to the management of customer demand. Experimentation, learning and change are the hallmarks of this form of CRM-enabled demand management. CRM also supports the effort to become more customer focussed. CRM enables companies to create and share deep customer insight within and beyond the company. Properly implemented, this new intimacy will ensure that the right value propositions are created and the right customers are recruited, retained and developed.