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Data: The Weakest Link or the Core Strength in CRM Strategy

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This report was produced during 2004 when the Research Forum was directed by Dr Moira Clark in association with the Cranfield School of Management.

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1. Management Summary

This section provides a management summary of the key findings from within each of the main sections of the report.

Introduction

This contains a brief overview identifying the importance of data to CRM.

- Data, and the tools, systems and competencies necessary to the collecting, processing, analysing and applying the outputs, should be viewed today as part of the core infrastructure of organisations intent on implementing a CRM strategy. As such this infrastructure will need adequate and continuous investment in order to achieve (CRM) goals.
- Data management needs to be viewed as a board level responsibility.

CRM strategy

This section explores the extent to which CRM represents an enterprise wide strategy, and the implications in terms of attitudes towards data that this implies.

- 'CRM' is not always a defined strategy. Organisations may well be enacting some or all of the key components of a CRM strategy, but without using that term.
- To deliver maximum benefits to all key stakeholders (especially customers), organisations need to think of CRM as an enterprise wide strategy rather than simply part of the marketing strategy.
- At whatever level the CRM strategy emerges, to be successful at an enterprise level will require board level commitment.
- Data to support and facilitate CRM is generated at many separate points, managed by different functions and collected for varying prime, and often operationally focussed, reasons within most companies. Organisations therefore need a defined enterprise wide corporate level CRM strategy and appropriately focussed culture in order to ensure that data issues do not become a major inhibitor of progress.

Data management strategy

Having identified the extent to which organisations take an enterprise wide perspective on CRM, this section discusses the need to support this strategy with a structured business related framework for managing data.

- The research suggests that any strategy for data tends to lag behind the decision to implement CRM.
- A comprehensive, enterprise wide data strategy is probably still rare.
- A data, or information, enterprise wide strategy that has top level commitment is vital to the success of CRM. This needs to be aligned with, or an integral part of, CRM strategy. A key part of this strategy is to ensure that the current situation can be adequately identified and that there are appropriate measures in place to track progress.

Identifying data needs to support CRM

Key to the success of CRM strategy is to identify the data that is needed to facilitate this strategy.

- Organisations need effective business focussed frameworks to help identify the data that is essential to delivering CRM goals and to assist in justifying the investment in data. Two such tools are described in this section.

Addressing data quality issues

Data to support and facilitate CRM strategy needs to be 'fit for purpose'. This section identifies why data quality needs to have a high priority within the overall information strategy.

- The research clearly identifies the high costs and lost revenue opportunities that organisations will face unless data quality issues are adequately addressed at enterprise level.
- Data quality is a business, rather than IT issue, and should be managed from a business perspective.
- A dedicated data quality team, reporting to top management, is recommended in order to achieve progress.
- A business case for data quality is essential. This will need to clearly address the 'fit for purpose' needs within the organisation. A business case approach will keep the process goal-focussed and enable appropriate measures of progress to be identified (e.g. improved productivity, reduced costs, increased revenue, retention etc).

Database strategy

This section explores the database structure needed to support CRM, and the issues that need to be addressed in order to gain maximum value from the investment.

- Despite the increasing use of enterprise data warehouses, CRM strategy will require data-marts to support separate applications with differing needs for content, data quality, updating and disaster recovery.
- The need for, and benefits of, 'real-time' data must be carefully assessed.
- Specialist data analysts are a costly and scarce resource. Organisations need to ensure that the needs for analysis, analytical tools and competencies are adequately assessed within the overall information management/CRM strategy.

Categories of data

CRM tends to require a rich variety of data inputs in order to build mutually beneficial relationships with customers. This section identifies the data sources that help achieve this goal, and some of the issues that organisations face when attempting to integrate different types of data to develop detailed profiles of customers and then apply this enriched information in operational processes.

- CRM strategy, unlike many other areas of the organisation, requires 'soft' and 'derived' data in addition to 'hard' factual data. This presents additional challenges to data management.
- Attempts to merge 'hard' and 'soft' data to create enriched segmentations of customers have met with mixed success.
- More successfully, market research derived 'soft' data is used to measure the progress of the CRM strategy and provide information to develop and improve relationships with customers.

Using data to support operational activities and inform management

This section builds on the previous one and briefly explores how organisations apply their data. It also covers how CRM related information, for example to track progress in achieving goals, needs to be effectively communicated within the organisation.

- Increasingly organisations are seeking to create systems that provide 'real time' customer information to support customer contact teams in call centres and retail outlets.
- CRM strategy needs to ensure that the enterprise, at all levels, receives appropriate information that clearly communicates progress and identifies necessary actions.

Following this section is a detailed case study clearly illustrating the opportunities for developing added value for customers and the organisation by using customer related data effectively.

- Gaining the maximum value from customer related data requires commitment at all levels, skilled resources plus imaginative and creative thinking.

Challenges in data management

The research identified a number of issues that organisations are facing in managing their data strategies.

- Several of the key issues underline the need to ensure that an effective information strategy is developed and implemented as vital first steps in the overall CRM plan.

Future priorities

The final section describes the data related goals that organisations are aiming to achieve over the next few years.

In many cases, the priorities identified will not be satisfactorily achieved without a structured approach to data management and commitment from across the organisation.

2. Introduction

*'Managers wishing to fail at CRM or sabotage a CRM project need look no further than 'Data' to find the **weakest** link in the CRM project'.*

This quotation, from Nick Siragher, (Carving Jelly, 2001) underlines the importance of data – the beating heart of any CRM programme. It also implies that some employees may have a hidden agenda and see this as a way to frustrate or derail the ambitions of their organisation as it engages in a programme of significant change from product to customer focus.

When responsibly managed and creatively used, data about customers can provide organisations with significant differentiation from competitors and transform their relationship with the marketplace. However, by failing to develop and implement effective strategies for data management organisations are likely to underachieve within their sector and suffer from higher, and costly, levels of customer churn. The availability of customer data, the granularity of this data coupled with the opportunities to use the data to create differentiated value propositions for different types of customer was highlighted within the initial Cranfield CRM Forum research programme (Clark, McDonald & Smith, 2002). Understanding the data flows available to an organisation is a key factor in identifying, firstly, whether CRM is a viable strategy for an organisation, and secondly, the most appropriate CRM strategy to adopt.

Also, as demonstrated by the Institute of Direct Marketing (IDM)/Royal Mail survey, conducted by Strathclyde University Business School in 2002 (Mouncey P. et al), many organisations are still failing to gain maximum value from their investment in a customer database – particularly as a strategic asset. Sean Kelly, a leading expert on data management, points out that data enables organisations to simply ***record*** events. The pay-off starts to emerge when an organisation has the competencies to turn this data into information as this leads to the ability to ***respond*** to customer needs and market conditions. However, the real bonus, to the organisation and their customers, comes from generating the knowledge from this information that enables organisations to anticipate events and thereby act ***pro-actively***. To reach this higher plane requires vision, commitment and creativity. These are the attributes of a 'listening' organisation, one that has its ear to the ground to provide insight; is highly responsive to market needs; has an innovation led culture that is highly responsive to changing market needs; has the agility necessary to rapidly delivering what the customer wants – and to achieve this with an acceptable return on capital employed. This is the new consumer marketing model described by Susan Baker (Baker, 2003).

Larry English (English, 1999) provides ample evidence of the cost, often highly significant, to organisations of poor data management. It is not simply that organisations have no, or an inadequate, strategy for managing their data, it is much more fundamental than that. It is as if these organisations suffer from poor 'data literacy', a type of 'black hole' within their culture – and 'data literacy' is a pre requisite of a successful CRM strategy, or programme. For example, poor quality of data was cited by respondents within the IDM survey (ibid) as the key factor that inhibited the value and application of their customer databases. Any organisation that has substantial numbers of customer records that cannot be included within marketing programmes due to data quality issues, or inaccurate targeting, is sacrificing substantial future flows of revenue – rather like having half the production line out

of action, or the shop shut at times of peak demand. Records which are inaccurate or lack key data items lead to dissatisfied customers, inappropriate offers being made, and could potentially contravene the principles of the UK Data Protection Act (1998).

In addition to struggling with data quality issues, organisations also quickly discover that the allied challenge of integrating data captured through a disparate range of sources also creates numerous problems. For example, how can (if at all) data collected through traditional market research surveys, a rich source of customer profiling and the essential 'why' (attitudinal & behavioural) information, be combined with the narrowly focussed transaction records commonly the main basis for a customer database? And, what are the legal and ethical boundaries that organisations face when attempting to integrate personal level data obtained from a variety of internal and external sources. The challenge increases exponentially as organisations implement increasingly complex multi-channel strategies as a key part of the CRM programme, particularly if 'real-time' information becomes key. Organisations also tend to forget that data is generated through business processes, and process mapping therefore needs to be a key competency in the CRM data strategy toolbox.

A further dilemma faced by organisations is that they have no real framework for identifying the ROI for the data that they hold or need. Whilst individual items of data can be stored at relatively low cost, to this must be added the more substantial ongoing investment in collecting or acquiring the information, and keeping it up to date. Organisations need a framework that can identify the core data essential to achieving their business goals and that also enables them to demonstrate the added value created by this data. Tools such as the Information Supply Chain or the Benefits Dependency Network, described within this report, can help organisations build a convincing business case to address this issue.

Organisations increasingly talk about 'customer (or consumer) insight' instead of marketing research, but unless there is a structured approach to knowledge management to underpin CRM, then real insight will not be achieved. A key tool used to drive insight is customer segmentation, but this needs to be tailored to the data available to the organisation, the market sector and be multi-dimensional. In some sectors, such as travel and personal computing, a customer-managed segmentation maybe more appropriate. The real high fliers, from a data management perspective, have moved beyond this and into the mass customised zone – practising 'one-to-one', or 'segment of one' marketing.

There is obviously the role of technology – throughout the 'information supply chain', that facilitates data capture; provides a store to hold the data; includes the tools to extract value and further tools that facilitate the deployment of the knowledge gained from the data within operational activities. Customer data, the database platforms and integration systems, tools, and deployment technologies are all now key components within the core infrastructure of many organisations, requiring constant investment – 'best practice' CRM is a complex, enterprise wide iterative journey rather than a one-off functional project, with data at the core. Data needs to be viewed as key corporate asset.

Evidence from the rich databank compiled by QCi, part of the Ogilvy group, comprising audits of over 5,000 companies using their CMAT benchmarking tool (Woodcock, 2000) clearly indicates, however, that despite the undoubted importance of information, technology and processes, the three key factors that make the difference within CRM strategy are to do with the people (culture, training etc), measuring what happens and the customer management practices devised by the organisation. QCi advise that these three should be

the priority for attention, and that the former cluster should be developed to support the overall business model – not the other way round. They conclude that:

'Companies who manage customers well using sensible, observable, well implemented business practices are likely to be best in class performers. Conversely, companies who do not set up good customer management practices are likely to be poor performers.'

(Mark Say, QCi).

Finally, a global survey of 600 CIOs and IT directors undertaken in 2001 (PWC, 2001) posed six questions that CEOs need to consider in deciding whether the organisation is paying sufficient attention to data issues and at the right level within the company structure:

- Have we suffered significant problems, costs or losses in any area because of data quality?
- In two years' time will more of our business depend on automated decisions and processes based on electronic data?
- Are we paying sufficient attention to data issues at board level?
- Who is ultimately responsible for the quality of our data?
- Do we have a data management strategy – or just a series of fragmented policies?
- Do we trust the quality of our own data – or of anyone else's?

The same survey showed that effective data management had led to the following important benefits for companies interviewed:

- Reduced processing (59% of companies interviewed)
- Increased sales through improved prediction (35%)
- Winning a significant contract (32%)
- Increased sales through better analysis (43%).

Key points

- Data, and the tools, systems and competencies necessary to the collecting, processing, analysing and applying the outputs, should be viewed today as part of the core infrastructure of organisations intent on implementing a CRM strategy. As such this infrastructure will need adequate and continuous investment in order to achieve (CRM) goals.
- Data management needs to be viewed as a board level responsibility.

3. Research Programme

3.1. Objective

The objective of this research project was to identify how organisations address the issue of data within their CRM programmes, and deal with the challenges described above. This includes the need to try and identify what constitutes 'best practice', and, learn from organisations that are either still in the early stages of their journey or who have taken one or two wrong turns along the way.

3.2. Research

The research to date has comprised a literature search together with a small number of in-depth interviews with either managers responsible for CRM strategy and programmes within their organisations, or, experts in this field.

A key requirement was to explore the strategies and processes used to manage data within organisations that have developed and are implementing CRM programmes.

3.3. Deliverables

The key deliverable from the research is this detailed report and presentation to members of the Research Forum.

4. Structure of the Report

This report reviews the evidence that has emerged from the research and draws some conclusions that will hopefully help organisations developing and implementing CRM strategy. In particular, the remainder of this report is structured to provide some answers to the following key questions:

- What is the **relationship between CRM and data strategies** – if an organisation has a defined CRM strategy, or programme, is there an appropriate supporting strategy for data;
- What are the most important **categories of data** – what types of data are the most important in driving the CRM strategy;
- How is data used to **support operational activities and inform management** – the applications that rely on the development of knowledge to aid effective decision making;
- What **challenges are organisations facing** in managing their data – the inhibiting factors or hurdles;
- What are the **future priorities** – the data needs within the medium term CRM strategy.

5. The Relationship Between CRM and Data Strategies

This section explores the extent to which organisations have addressed the issue of data management within their CRM strategies and whether the importance of data, especially data quality, is recognised as a key foundation of CRM. The start point is to understand the scope of the CRM strategy within an organisation, and whether this strategy is at corporate level or simply a marketing activity.

5.1. CRM strategy

Many organisations claim to have a CRM strategy, but the positioning of this within the enterprise provides clues as to whether CRM is the underlying focus of corporate strategy, or a tactic employed to achieve the overall business goals. This positioning is important as it is likely to affect the extent to which there is a 'data literate' culture within the organisation. In other words, is the vital role played by data recognised throughout the organisation as key to achieving corporate goals, or is this a functional responsibility devolved to, or assumed by, those wishing to use the data in achieving their own localised objectives.

CRM as such appears to feature very rarely, if at all, as a named key corporate business strategy or focus. CRM type strategy can emerge, for example, as almost a tactical response to addressing poor levels of customer service within a particular business unit that then becomes a blueprint for the wider enterprise – 'CRM by stealth', as described by a senior marketing manager within a leading global manufacturer of health and safety products (Mouncey, McDonald & Ryals, 2004).

In comparison, a leading global telecommunications company initially developed and implemented its CRM strategy within one key local market through a director with that named role. However, this was because CRM was seen as an effective way in that market place to achieving the goals defined by the international parent, rather than as part of a stated global level CRM strategy.

Within the local Asian geographic operation of a leading American manufacturing and retail conglomerate, the strategy is based around a loyalty programme developed within just one of the retail chains in the group. There is no mention of CRM at all in the strategy, but all the components of a 'listening' organisation and the new marketing model described above are in place. The programme is now being rolled across other chains within the group locally, across other Asian markets and with other partners.

The definition and impact of 'CRM' also differs within a sector. For one financial services provider, CRM is the title given to the customer retention team within sales and marketing – primarily focussing on direct channels. For a leading mutual in this sector, a customer focus is seen as the core strategy in creating real differentiation from incorporated competitors. Whilst CRM as such is 'owned' by marketing, a focus on customers permeates the entire organisation and has steadily become the basis of corporate culture – increasingly 'the way we do things around here'.

Finally, according to QCi Assessment Ltd (QCi, 2002), only 9% of the organisations assessed through their Customer Management Assessment Tool (CMAT) audit process (Woodcock, 2000) in 2002 had developed effective business cases for CRM that would

enable progress to be tracked over time. This has major implications for the extent to which issues to do with data are recognised and actively addressed within the overall strategy ('what gets measured gets managed'). These are dealt with in the next section.

Key points

- 'CRM' is not always a defined strategy. Organisations may well be enacting some or all of the key components of a CRM strategy, but without using that term.
- To deliver maximum benefits to all key stakeholders (especially customers), organisations need to think of CRM as an enterprise wide strategy rather than simply part of the marketing strategy.
- At whatever level the CRM strategy emerges, to be successful at an enterprise level will require board level commitment.
- Data to support and facilitate CRM is generated at many separate points, managed by different functions and collected for varying prime, and often operationally focussed, reasons within most companies. Organisations therefore need a defined enterprise wide corporate level CRM strategy and appropriately focussed culture in order to ensure that data issues do not become a major inhibitor of progress.

5.2. Data management strategy

The previous section examined whether organisations have a defined CRM strategy. The extent to which organisations who have invested in CRM express dissatisfactions with their investment, or who even feel that the strategy has to a greater or lesser extent failed, have been well documented in recent years. The Gartner group, who have published several estimates, have cited ignoring customer data as the number one reason for the failure of CRM investment (Nelson and Kirby, 2001). The survey conducted by PWC (PWC, 2001) found that only 40% of 'traditional' (excluding dot.coms) organisations had a formal and board level approved data strategy and 57% of boards only occasionally, rarely or never discussed data issues.

According to QCi (QCi Assessment Ltd., 2002), organisations implementing CRM tend to invest heavily in technology without sufficient investment in data management. Out of the 260 best practices covered by the CMAT audit process used by QCi to audit organisations customer management capabilities, no fewer than 140 require evidence of the effective management and use of customer data (Foss et al, 2002). Organisations are acquiring increasing quantities of data, but the objectives for doing this are often unclear and in addition, the problem of how to maintain the data is not being adequately addressed. The result is what QCi call 'data chaos'. Based on their in-company assessments, 'best practice' CRM companies:

1. Have recognised the implications of EU data privacy legislation and are improving the accuracy and understanding of the data they hold;

2. Are increasing the visibility of customer related data and making it accessible to customer-facing staff, business partners and intermediaries;
3. Are displaying a more trusting and mature attitude towards their customers by increasing the visibility of customer data, thus enabling these customers to gain a measure of control over their relationship with the organisation and maintain the information held about them (usually resulting in a higher level of accuracy).

A key problem facing organisations developing and implementing an enterprise CRM programme is that existing processes and data are fragmented and uncoordinated across and between traditional business silos or functions – sales, marketing, customer service, call centres, retail outlets, web sites etc, etc. Front office and back office systems are not effectively linked together. For example, the call centre support system may not be directly linked to the customer database and therefore agents are denied access to contacts and transactions through other channels – or these updates are not sufficiently frequent to provide a 'real-time' picture. Local systems designed to meet purely local needs. In addition, organisations are often dependent upon 'legacy systems' as key sources of data, but the processes and definitions used for data may be poorly documented. This was mentioned by one organisation in the research as a ongoing problem due to the continual acquisition of other companies.

The key question is the extent to which organisations have strategies for data management in place that can help resolve these types of issues and support the overall CRM strategy. The evidence from the research suggests two issues:

- Any strategy for data tends to lag behind the decision to implement CRM
- A comprehensive, enterprise wide data strategy is rare. QCi believe, for example, that few organisations (4% in 2002) have an enterprise-wide information strategy or plan.

Data to support CRM maybe sourced from many different points within the organisation. Data may also be obtained from external sources, such as business partners or information providers (e.g. Experian, Claritas etc). Overall, this diversity creates problems of ensuring consistency; integrating the different feeds; overcoming resistance from data owners and conflicting business objectives across the enterprise.

Issues that arise in this situation can include the metrics that drive operational units, such as call centres, where an emphasis on productivity conflicts with any requirements from other areas of the business to either update existing customer data or collect new data items. These issues can only be resolved by either having an enterprise wide strategy for data, where everyone understands the importance of accurate and comprehensive data in achieving business goals, or where there is a process in place that requires a cost/benefit case to be made identifying the enterprise wide opportunities that particular data might provide.

A case study based on a leading telco (Reid and O'Brien) describes the outcome where inadequate processes and data quality issues had not been addressed leading to the initial attempt by the organisation to build a single customer view as having 'failed to model anything close to a real-world customer entity'. The authors conclude that:

- Organisations should not assume that data held in dispersed databases will be of a similar format
- Data from secondary sources maybe out of date

- Organisations need to engender a culture where data is viewed as being for the greater good of the whole enterprise rather than for the exclusive use of a business unit or in a single operational process.

For example, within the organisation where CRM is a retention strategy owned within part of the sales and marketing team, difficulties are experienced whenever this team try to gain the support of other teams who collect and process customer data – such as the call centres. In the Asian example, where everything hinges on the accuracy of the data collected within a questionnaire completed in-store by new customers, there are specially trained customer service staff within each shop that help ensure the necessary information is obtained by focussing on the subsequent benefits that can then be enjoyed by the customer and their household. Despite this emphasis, there are still residual data quality issues.

Within a 'telco', the responsibilities for CRM have been devolved into the business units and there is no longer a board role with this title. However, despite their being a senior CRM champion, the initial strategy did not lead to a true 'data literate' culture across the constituent parts of the overall business unit. To help address this 'black hole', an Information Management Steering Board has now been formed with the responsibility for creating a corporate data strategy covering this business.

Despite the emphasis on the customer within the mutual financial services organisation interviewed within the research, marketing have historically been carrying the metaphorical torch for data quality as a group wide issue. However, the changing external regulatory framework for the industry sector as a whole is now driving data strategy onto the corporate agenda. New standards for integrating and reconciling data have been introduced and the increased requirement for ensuring quality may well lead to a main board member having data strategy added to their portfolio of responsibilities.

Key points

- The research suggests that any strategy for data tends to lag behind the decision to implement CRM.
- A comprehensive, enterprise wide data strategy is probably still rare.
- A data, or information, enterprise wide strategy that has top level commitment is vital to the success of CRM. This needs to be aligned with, or an integral part of, CRM strategy. A key part of this strategy is to ensure that the current situation can be adequately identified and that there are appropriate measures in place to track progress.
- Organisations need effective business focussed frameworks to help identify the data that is essential to delivering CRM goals and to assist in justifying the investment in data. Two such tools are described in the report.

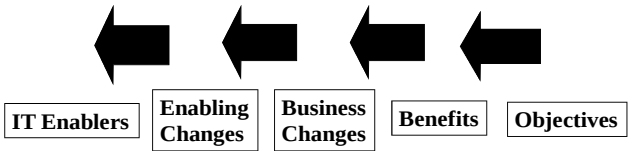
5.3. Identifying data needs to support CRM

The key issue is that organisations soon discover the limitations to what they will achieve through CRM, or a focus on the customer, if they do not address the issue of data management. The answer could be to map out what the anticipated goals will be for the CRM strategy, and then ensure that a key supporting strategy is devised and implemented

to handle data issues. As with CRM, if this is to be affective as an enterprise wide strategy it will need senior management sponsorship and a change in culture. One solution could be to use a version of the Benefits Dependency Network (BDN) as a tool to link data needs to CRM strategy.

The Business Dependency Network was developed by the Cranfield Information Systems group to help organizations match IT solutions to business objectives.

Figure 1: Identifying the role for IT: Benefits Dependency Network

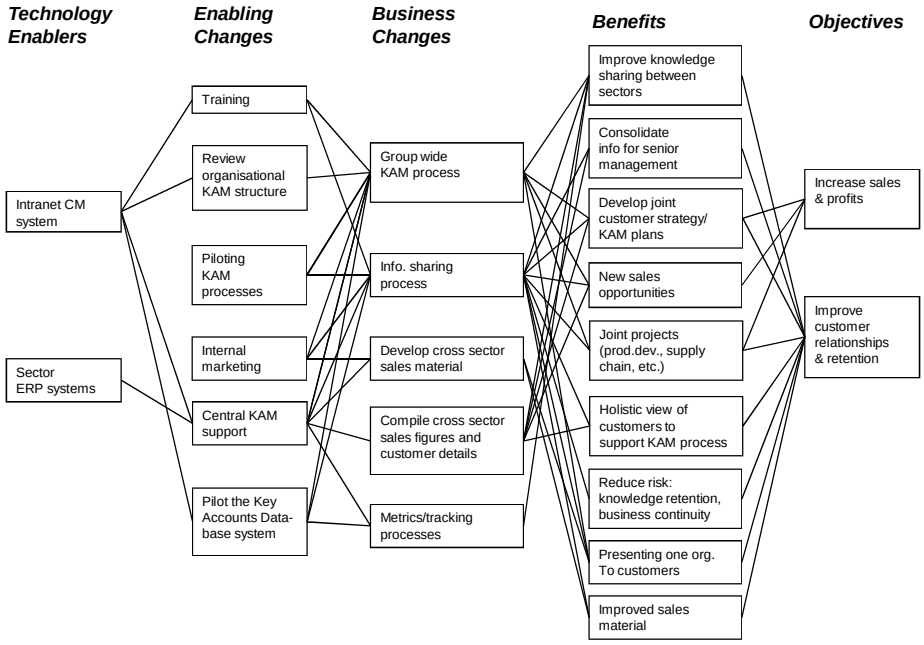


The general application of this model to marketing related IT applications is fully described in 'The New Marketing' (McDonald & Wilson, 2002) and a CRM related adaptation is described by the Hewson Group (Sistrum, 1999). The above diagram provides a simplistic representation of this model.

The process is based on holding cross-functional workshops to develop and refine a detailed BDN 'map'. The start point is a listing of the key relevant business ***goals or objectives***; these are followed by listing the ***benefits*** that will accrue through these objectives for the organization, its customers and any other stakeholders; next, the ***changes*** that will be necessary within the business to achieve the desired goals (e.g. new processes and procedures to improve data quality); followed by the other ***changes*** necessary to ***enable*** the business changes to be successfully implemented (e.g. training call handlers in the new data collection procedures); the final step is to list the potential ***IT enablers***, or solutions, that will support or facilitate the overall process. What this simplified version does not show is that the model also needs to include the links between the detailed sub-processes within the final 'map', as shown in the actual example described below.

Figure 2, below, illustrates a completed BDN 'map' for a leading international manufacturer, derived within a recent research programme at Cranfield that investigated the role played by IT in supporting and facilitating key account management.

Figure 2: Benefits Dependency Network for a leading global manufacturer



In this particular example, the organization had already invested in a CRM database system that recorded details of customers, for management information purposes. However, the company was finding it difficult to gain commitment from the sales team to use the tool to record information on customers. Firstly, the benefits of doing so were not widely recognised, and secondly, the process for recording data was additional to the normal methods used for managing the sales process. In addition, management were finding that the system did not fully meet their requirements. Attempts by the database manager to resolve these issues had proved unsuccessful.

Instead of simply applying the BDN model to help identify ways to improve the ROI of the existing tool, the decision was taken to check out the overall appropriateness of this solution by starting with the overall objectives of the organization's key account strategy, shown on the right in Figure 2, and work through the various steps to derive the ideal IT solutions. The benefits underpinning the overall KAM strategy were identified and these were then linked to the individual objectives. Five key changes to current business processes were identified as being necessary if the benefits were to be realized. This identified six important 'enablers' that would be needed to ensure that the changes to the business processes were effective, and the links between them established. Finally, two potential IT enablers were identified as potential solutions to support and facilitate the processes and benefits required to achieve the overall KAM strategy. These were linked to the appropriate 'enablers'. The BDN process clearly identified to the company that the current product could not easily meet the needs of the key account strategy. As a result of this new thinking, the decision was taken to replace the existing tool and invest in a lower cost intranet based customer management solution by utilizing the existing intranet software. In addition, the BDN model also provided a detailed roadmap of the issues that

needed to be addressed in order to ensure success. In particular, the model helped identify the key people, or functions, throughout the organization that must be represented on the implementation project team – a further benefit of the BDN model.

In the organization concerned, the key members of an implementation team were identified as needing to comprise:

- Sales director representing one of the main market sectors
- Executive sponsor
- IT/data strategist
- Member of the sales team
- Project manager.

Organizations within the KAM Research Club confirmed that the key benefits of using the BDN model were:

- **Economic** – establishing whether, and where, the project will add value;
- **Political** – obtaining funds, winning hearts and minds;
- **Change management** – early identification of issues (eg feasibility, desirability, resources, ownership, organizational impact);
- **Control** – establishing project measurement criteria (eg benefits, costs, resources etc).

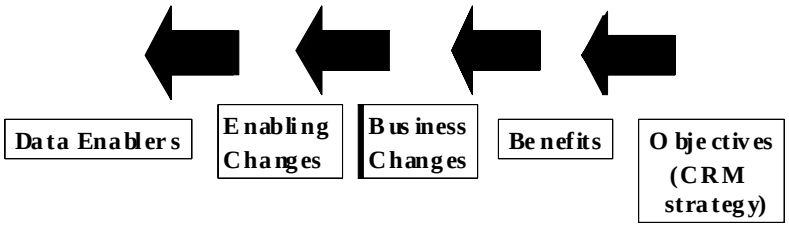
'The BDN helped us work through the requirements needed to implement a new system that was more appropriate to our business than the previous one. Looking at the objectives first and working through the benefits and the requirements in detail was very beneficial. Looking at the graphical representation helped to visualize and work through some of the changes required.' (Global manufacturer)

'It enabled us to understand better, what we were actually trying to achieve'

(Global information company)

The changes necessary to this generic model are shown below.

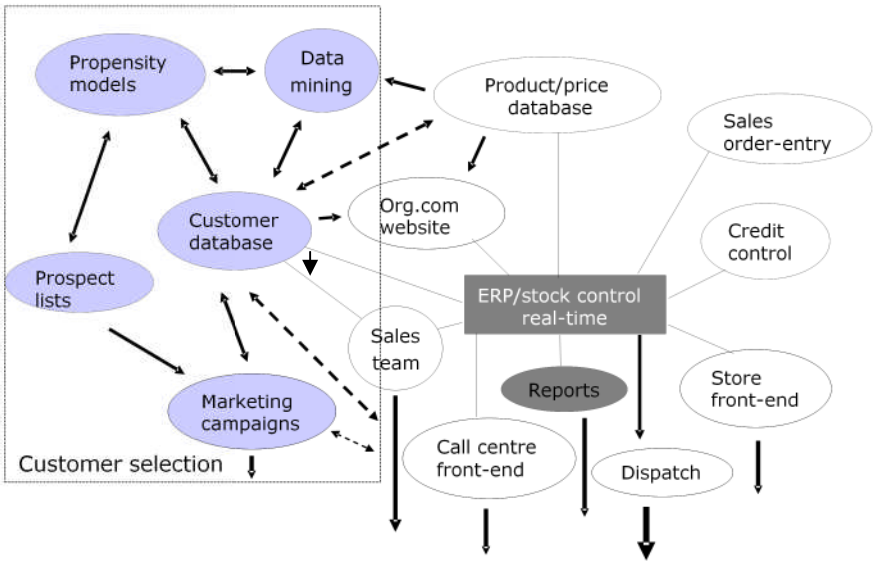
Figure 3: Identifying the role for data: Benefits Dependency Network



In order to apply this process within a 'data' context, the ***'IT enablers'*** end point would be replaced by ***'Data enablers'*** with any necessary IT tools and solutions being moved to within ***Enabling changes***. Within the research, one organization interviewed was implementing a process to link customer value to treatment within the contact centre. This would have been identified as a key ***objective*** within the overall CRM strategy. A potential ***benefit*** to customers would be recognizing their value to the organization when they contact the customer service centre; a ***benefit*** to the organization might be to reduce the overall cost to serve. The next step would be to identify the ***business changes*** necessary to both identify the value of each customer and deploy this information within operational areas. Within ***enabling changes*** would be factors such as amending processes, IT tools and system upgrades (e.g. additional data fields within customer records, new data feeds, modeling tools, amendments to customer facing data collection and deployment systems), training of customer facing staff and content of internal communications. Finally, the ***data enablers***, or data items needed, identified throughout the discussion would be reviewed and finalised.

The following diagram shows the 'data map' for a leading UK vendor of office computer equipment. It illustrates the issues and complexity that needs to be addressed in identifying the data that is necessary to support an enterprise-wide CRM strategy.

Figure 4: Data Flows: UK office computing equipment vendor

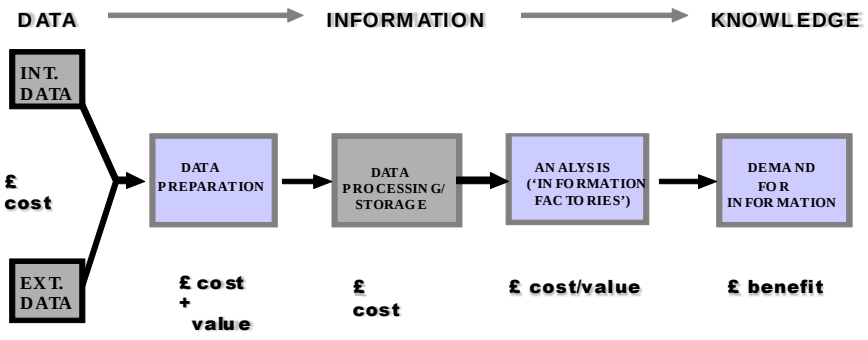


(Source: Mouncey, McDonald & Ryals, 2004)

One of the customer related benefits that this company provides to its larger customers are consolidated reports (shown above) analyzing procurement by all departments and business units etc.

Establishing a cost/benefit led approach to data acquisition seems rare, despite the opportunities for prioritizing resources that this might offer. One approach is the concept of a 'data supply chain':

Figure 5: Information supply chain



(Peter Mouncey 1998)

Similar to the BDN, the start point is to identify the ***likely value or benefits*** from a financial perspective that might be derived from collecting and synthesising a particular item of data. Set against this financial value are the likely costs of acquiring, processing the necessary data and converting it into a usable form.

The following hypothetical scenario illustrates the key points in the above model. The marketing department of a car breakdown service organization decides that retention could be improved by factoring in the number of cars in the household. This piece of data would enable a differential pricing strategy to be introduced and additional up sell opportunities to be introduced into the retention cycle. It would also help segment customer value more effectively which would be reflected in reducing the marketing effort directed at low value customer segments. Marketing therefore create a business case for collecting this data by estimating the increased financial contribution to the business comprising additional revenue and reduced costs. Against this revenue is offset the estimated costs of obtaining the data and the costs incurred in turning this into knowledge. In this case, the business had the option of either purchasing the data from a lifestyle database company or collecting it internally through call handlings contacts with customers and revised application forms. Due to the significant costs by either route, a test is quickly set up using a small quantity of external data. This test identifies that the figures in the business case are achievable and the decision is taken to collect the data internally. Due to having developed a business case, the impact on the current productivity levels of call handling can be shown to be a relatively small price to pay compared with the positive overall return to the organization. This helps "sell" the new requirement to call handling management.

The key message is that data acquisition must be business led.

Key point

- Organisations need effective business focussed frameworks to help identify the data that is essential to delivering CRM goals and to assist in justifying the investment in data. Two such tools are described in this section.

5.4. Addressing data quality issues

These two 'tools' described above may help establish the need for data and the value to the organization in achieving its CRM related goals, but as illustrated earlier on in this section many organizations have to date either under estimated the importance of data quality or have failed to address this as an enterprise wide issue. As mentioned earlier in this report a survey of companies commissioned by the IDM (Mouncey et al, 2002) found that data quality was the top mentioned barrier that limited the role of the customer database, even in those organizations claiming to be gaining high value from their database.

According to QCi, 39% of organizations have no data quality standards in place and 56% have no capability for tracking whether their data quality is improving or not. QCi have

several examples within their 'Data Roll Call of Shame' that illustrate the consequences of inadequate standards of quality:

- A mailing of 20,00 mugs where 5,000 were returned as undelivered or 'goneaway':
- A holiday company specializing in holidays for women did not include a title field in their file sent to a mailing house who inserted a default of 'Mr';
- Counter staff at a bank using the name field to flag customers that they suspected of fraud by adding '(Care fraud)' after the surname. As the direct marketing team were unaware of this practice, a mailing was sent out including letters addressed to customers with '(Care fraud)' printed after their name;
- Due to an incorrect look up table, court offenders were sent letters requesting payments for the wrong offence.

In terms of personal data held about customers, examples such as those above could lead to these organizations having breached the Data Protection Act 1998 principles covering accuracy and being up to date. Privacy, Law & Business an advice service on data privacy believe from their survey data that many leading organizations are failing to take this legislation seriously enough – a significant minority transferring personal data to third parties without the permission of the data subject (Privacy, Law & Business International, E News). The cost to business of inadequate data quality is high – some experts put this as being between 15-25% of operating profit (Cooper & Murray, 2004).

The following example, based on a real calculation made in the late 1990s, may not be up to date but provides a graphic illustration of the revenue lost as a result of poor data quality. The table shows the predicted loss of revenue from the inability to contact customers through direct mail methods due to:

- '**Goneaway' markers** – records suppressed for mailing due to mail being returned by the Royal Mail marked as no longer at that address (i.e. no up to date address for that customer);
- **'Do not mail' markers** – records suppressed either due to Mail Preference Service markers, other requests not to mail, poor internal processes that lead to such markers being applied for other non related reasons;
- **Missing or incorrect data items** – markers indicating that key personal identifiers, or product holding details are missing from the records or known to be incorrect.

	Number of customers		
	1,000	**100,000 (revenue over 1 year)**	**1 million (revenue over 5 years)**
	£	£	£
Value of lost gross revenue:			
Sales of core product	80,000	800,000	4,000,000
Lost cross/upsell opportunities	4,000	400,000	2,000,000
Total lost revenue	84,000	1,200,000	6,000,000

As also described earlier, two organizations interviewed within the research were actively engaged in implementing a 'top-down' approach to addressing the issue of data quality but

subsequent to adopting CRM, rather than as part of the initial strategy. Senior management commitment is essential, preferably at board level if there is to be enterprise-wide impact.

Organisations need to formally audit the extent to which information is being effectively managed to support CRM strategy, identify the gaps, develop an improvement plan and measure progress over time. Without this they will be unable to pin down either the costs of poor quality or identify the benefits that will flow from a programme of improvement. This analysis will also help identify the budget necessary to achieving the desired level of quality required to achieve business goals.

Defining what is meant by data quality is a key issue. 'Fit for purpose', rather than absolute quality should be the aim. For example, some gaps and inaccuracies maybe acceptable within a dataset used for modeling, but the standard would need to be much higher where transactions data and records of customer contact history, through all channels, is used in real-time to support a service call centre or a self-service web site. 'Fit for purpose' may also be defined by needs to meet regulatory (Basel 2 within financial services organizations) and legal (data protection legislation - keeping data accurate and up to date, meeting subject access requirements, being able to differentiate between SMEs and domestic customers or differentiating personal data from non personal data held about business contacts etc; safety legislation - being able to contact car owners to recall vehicles to rectify safety defects etc) requirements. For example, according to Privacy Law & Business, many organizations are failing to take data privacy issues seriously, and QCi (QCi Assessments Ltd, 2002) found in 2001 that only 37% of the companies they had assessed had adequate plans in place to meet the requirements of the 1998 Act. Finally, 'fit for purpose' considerations also apply to the issues effecting the capture of source data and the user situation. For example, the competence of employees involved in the capture of data and those who have access to it need to be taken into account.

Data quality also covers the need to ensure that critical data items are identified and appropriate strategies are developed to ensure that any deficiencies are addressed. For example, an American insurance company (Pula et al, 2003) identified that 'roof year' (the date that a new roof is put on a building) was a key data item in assessing risk within buildings insurance. Subsequent analysis of their database showed that:

- 7% of records contained a null value for this item;
- Many records held 'default' years – 1900, 1908;
- Nearly two thirds of values were for 1997 as a result of a major data file conversion in that year as any record with a null value or a roof year equal to the building's date of construction was assigned the 1997 default to ensure policyholders were not penalized due to incorrect information;
- Varying and inconsistent business rules for assigning a 'roof date';
- The assumption (proved wrong) that the new system introduced in 1997 was built and maintained to a higher quality in terms of data than earlier systems. In fact, it was discovered that no data cleansing of source files for the new system had been undertaken as part of the migration process.

Similarly, the data quality programme at the Bank of Scotland (Clark, 1998) discovered that a very high proportion of customers were shown as being the same age as the current 20th century calendar year. This was due to 1900 having been used as the default for this field if the date of birth was unknown.

Other examples of data poor data definitions include 12 different spellings of the colour 'beige' (AA roadside services database) and 37 reasons for canceling an insurance policy (Pula et al, 2003).

A key lesson here is that the costs associated with inadequate historic processes for handling data may be extremely high and that information planning needs to try and minimize this in the future by creating a direct link between corporate strategy and likely data needs.

Rigby & Ledingham in their recent Harvard Business Review paper (Rigby & Ledingham, CRM Done Right, 2004) underline the point that perfect data comes at a cost – in terms of processes, systems and the actions that maybe necessary to respond to it. The extra accuracy may deliver little or no real incremental added value to either the company or its customers. They describe why a leading global printer equipment manufacturer opted for real time information to stem a growing tide of customer dissatisfaction with the service provided by their call centre. The paper describes the impressive results in terms of increased call centre productivity, lower training costs, reduced call waiting times, lower product returns, and, increased insight into customer needs and behaviour that can be used to target customer communications more effectively. The key point is that the pay-off could be measured, and that the benefits were more widespread that initially anticipated. This paper also includes a framework for identifying the true value of information and addressing the key questions:

- How good is the information
- What is it good for
- What are the costs
- Which results matter most.

Further case studies that identify the competitive advantage of data management can be found within the Cranfield report on how IT can be applied to supporting key account management (Mouncey, McDonald & Ryals, 2004):

- **Global Healthcare Exchange (GHX)** – the reduced procurement costs by creating a unified catalogue of medical product descriptions;
- **Firepond.com** – the reduced lead-to-order cycle, differentiation and customized solutions created by linking detailed customer needs to product specifications at the sales point;
- **Leading UK supplier of office IT equipment** – producing tailored MIS reports to each key customer. As described above for the printer manufacturer, the call centre is also used as a key resource in identifying the needs of customers and this has become a major source of ideas for new products and services.

English (English L, 1999) describes one method to assess the current state of information management within an organization and the associated criteria for measuring progress, the Information Quality Management Maturity Grid, adapted from the methodology for assessing quality management devised by Philip Crosby. This methodology maps six stages in information strategy maturity against six measurement criteria, describing the factors for each cell within the matrix. Such a framework can held a board identify the current position, develop an effective strategy and then measure progress towards the defined goals. Definitions or rules need to be agreed for factors such as:

- Accuracy (including the level of confidence)
- Matching/integration
- Updating
- Archiving
- Discarding
- Compliance (with any sector regulations, legislation)
- Fit with business goals
- Setting markers covering usage.

A key initial step in the quality process is to audit all the ways that the organization collects initial information from new customers or prospects – application forms, call centres, web sites, third parties such as agents, retailers, business partners, data providers etc. to ensure that common format for collecting core customer details is in place. A further step in the overall audit process is to ensure that checks are regularly undertaken to ensure that agreed standards are being adhered to, and that processes deliver the required level of quality. For example, the AA commissioned a market research agency to undertake a survey of members to assess the accuracy of data held about them prior to de-mutualisation in order to estimate the likelihood that voting papers would be received by its members.

Particularly in the early stages of implementing strategy there needs to be a dedicated data quality team. Within a telco interviewed within the research, this responsibility was a defined role within the central customer insight team, that reports to the marketing director. The Bank of Scotland (Clark K, 1998) appointed a manager and supporting team to solve the problem of data quality at branch level when developing a central customer database to support marketing activities.

The responsibility for defining and implementing a data strategy must be business owned, rather than being left to the IT department. The same applies to any team put in place to manage data quality – this must be business unit led. The tools described within this section are designed to be used by business units. The IT specialists will play an important role in supporting the business units achieve their, and have tools and solutions available to help facilitate the implementation of the agreed data strategy. In addition, the data quality programme must also be business led. The key criteria for the data quality business case should include:

- Productivity improvements (e.g. shorter duration ‘phone calls)
- Reduced costs (e.g. reduced errors in the order process, fewer complaints to resolve)
- Increased revenue (e.g. cross/upsell, improved LTV)
- Reduced customer churn.

Proving the business case for the improved quality of information over time may also be incorporated within the measurement of the incremental value generated by the CRM programme. For example, Vauxhall Motors measured the incremental effectiveness of their overall CRM programme (Boothby K, 2002) by having a representative control cell of 10% of the overall customer and prospect base that received no communications from the company. Control samples could also be applied to measuring the value of improved data management processes in terms of the impact on revenue, customer satisfaction and image.

Key points

- The research clearly identifies the high costs and lost revenue opportunities that organisations will face unless data quality issues are adequately addressed at enterprise level.
- Data quality is a business, rather than IT issue, and should be managed from a business perspective.
- A dedicated data quality team, reporting to top management, is recommended in order to achieve progress.
- A business case for data quality is essential. This will need to clearly address the 'fit for purpose' needs within the organisation. A business case approach will keep the process goal-focussed and enable appropriate measures of progress to be identified (e.g. improved productivity, reduced costs, increased revenue, retention etc).

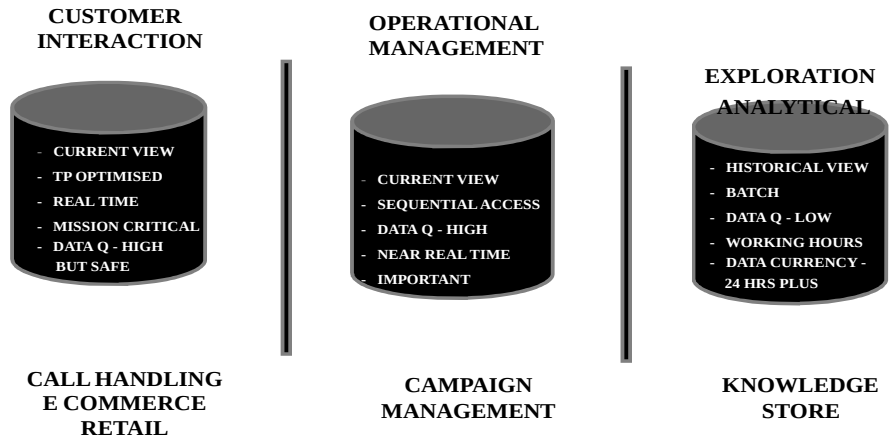
5.5. Database strategy

A key issue facing organizations is deciding the most appropriate structures for ensuring data is appropriately available to meet the three key applications:

- Analysis and query management
- Driving 'back office' marketing tools (e.g. campaign management systems)
- Supporting 'front office' customer contact systems (web sites, call centres, retail outlets).

The following diagram illustrates the criteria for each of these applications that necessitates the need for separation.

Figure 6: Database criteria for CRM applications

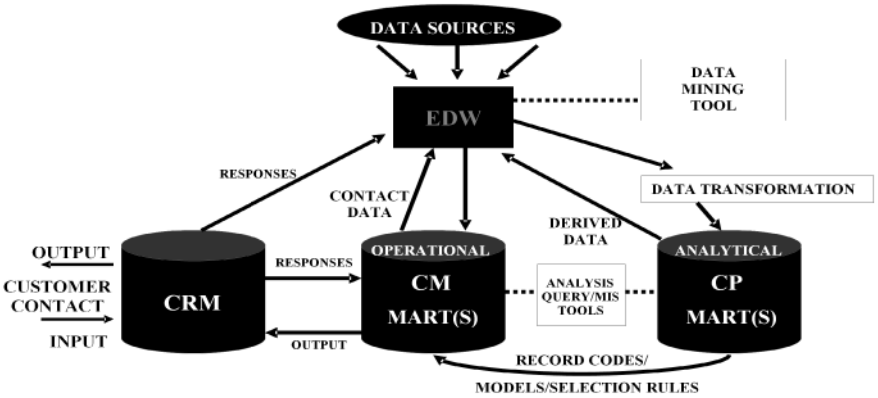


As can be seen, the criteria for the analytical database is radically different from those needed to support a customer contact database. One organization interviewed in the research blended 18 months of marketing data and 13 months of transactions to support 'customer contact' applications. Increasingly, this is becoming a 'real time' tool continuously updated – whereas the analytical database can be updated in batch mode, daily or even weekly/monthly. Each of these also has different requirements for data quality. 'Real time' data in particular has, as described earlier within the section on data quality, a high cost attached to it and organizations need to think carefully about the extent to which this will be worth the investment. For example, as pointed out by Rigby & Ledingham (ibid) real-time information priorities are driven by real-time business opportunities and that each organization will need to identify its own individual priorities.

Therefore, a financial services organization deciding to incorporate real time data on customer contacts and transactions needs to carefully weigh up the costs of this (for example does the input data require checking prior to making it available) against the projected number of occasions that degree of immediacy will be really necessary. The analytical database may contain incomplete records and categories of data held for only a small number of variables. In comparison, the customer contact database needs to contain high quality data, and a mechanism to either prevent the use of suspect quality data and prompts for agents to gain updated information from the customer whenever necessary or appropriate to do so. Similarly in terms of disaster recovery policy, the contact system is mission critical whereas the analytical mart is much less important. The campaign management system is likely to be a separate tool, driven by a database and analytical facilities that is built around campaign related data only. Organisations also pointed out that the analytical tools provided with some of the contact and campaign management systems were inadequate for the more complex analysis that was necessary to support CRM strategy. The healthcare insurance provider used their policyholders database for analysis work to support retention activity and develop parameters for mailing selections. These criteria were then submitted to the group customer database team, at the parent company, where the actually selections for campaigns are generated.

The following diagram provides a simplified view of the data flows between these 'datamarts' and the main data warehouse.

Figure 7: Data Driven Solution: Integration and Implementation Issues



Increasingly, the enterprise data warehouse (EDW) is becoming the key data repository for the company's hard data. However according to one industry expert, CRM related activities may be only a relatively minor application for the EDW, compared to other key strategic needs such as supporting the supply chain and finance. Therefore, there may still be the need for a traditional customer database supporting marketing activities containing the mix of hard, soft and derived data necessary for marketing, and supported by the EDW. A further key issue faced by many organizations, including a telco interviewed in the research, is the integration of data from older legacy systems or from other companies acquired through acquisition.

The following example shows the need for organizations to consider the advantage of a single repository for customer data, even if this then drives other applications:

A recent report (Information Age, 2005) includes a comparison between the mobile 'phone manufacturer, Nokia, and Barclays bank. It cites the 120 separate databases within Nokia containing customer data – 'a patchwork built up by its different divisions for their own purposes (very legitimate) as the company has grown at breakneck speed'. The structure includes, for example, individual data marts for:

- *Analysing the performance of mobile operators*
- *Tracking third party resellers*
- *Logging end customers who registered their product.*

Overall the situation has led to high levels of data duplication, effort and confusing 'multiple versions of the truth'! It means that Nokia has problems answering such questions as:

- *How many active customers are there (rather than 'phones shipped)*
- *Who are the most profitable customers and their profiles*
- *How loyal are Nokia customers*

- *Which sales are primarily for business use.*

Barclays, on the other hand, has taken three years to solve similar problems by building an enterprise data warehouse to improve the interaction with its 12 million customers. This has led to a saving of £10m. in its annual marketing budget by improved targeting, but Barclays claim other economies as there are fewer systems to support or maintain – estimated as around £1.1m. per mart within a large organization (including software licences).

The objectives for an enterprise warehouse are cited as:

- *Single version of the data*
- *Single view of the customer*
- *Improved data quality (one source for cleansing and ensuring accuracy)*
- *Accessible by users throughout the organization*
- *Quicker response to changing business needs*
- *More frequent updates*
- *Enhance regulatory compliance.*

Organisations within the research tended to confirm the need to ensure that different applications are supported by appropriate database structures.

Finally, there is the need to ensure that the right tools are in place to support the differing needs to interrogate the database and analyse the data. For example, a Cranfield Key Account Management (KAM) Research Club syndicate comprising representatives from leading companies concluded that the following items of data were considered essential in supporting contacts with customers (Mouncey, McDonald & Ryals 2004):

- Details of the last contact with the customer
- Trends over time (order volumes etc)
- Suggestions/options to identify appropriate future courses of action with that customer.

These principles could apply within b2c and b2b situations. They imply the need to ensure that the necessary data can be integrated and key points clearly identified. In addition, possible future options will be probably based on predictive modeling.

Organisations therefore need to ensure that the appropriate tools and competencies are in place to support these needs. In the example above, KAM team members might be provided with a ROLAP tool to enable them to undertake basic queries; MIS reports built from data mining analysis might provide trends, perhaps accessed over an intranet; the models to identify options will be built by specialists. The following chart illustrates the need to define analysis needs and ensure that the right resource is in the right place.

Figure 8: Supporting CRM: Right skills in the right places?

	WHY?	WHEN?	HOW?	*WHERE?	WHO?
•	QUERIES	'REAL TIME'	ROLAP	CM/DM	MARKETING TEAM
•	MIS	'REAL TIME'	ROLAP	CM/DM	MARKETING TEAM
•	MODELLING	'HISTORICAL'	SAS/SPSS	CM/DM	MARKETING ANALYSTS
•	DATA MINING	'HISTORICAL'	ENTERPRISE MINER, ETC	DM	MARKETING ANALYSTS

*CM = Campaign Management Database
DM = Warehouse linked analyst mart.

Despite the large range of query tools on the market, two leading organizations had yet to invest in these meaning that scarce, and expensive, analytical resources were being used to handle basic queries. A further issue is to decide whether analytical activities will be outsourced to specialist consultants, rather than building internal expertise. This may depend on the extent to which this is seen as a core competence of the enterprise, which in turn may depend on the status of CRM within the organization.

Key points

- Despite the increasing use of enterprise data warehouses, CRM strategy will require data-marts to support separate applications with differing needs for content, data quality, updating and disaster recovery.
- The need for, and benefits of, 'real-time' data must be carefully assessed.
- Specialist data analysts are a costly and scarce resource. Organisations need to ensure that the needs for analysis, analytical tools and competencies are adequately assessed within the overall information management/CRM strategy.

6. Categories of Data

This section covers the types of data that organizations use to support their CRM strategies, and the sources used to obtain the necessary information. In this context, some categories can be defined as **'hard'** factual data (e.g. name/address, transaction details etc), others as **'soft'** data, such as attitudes and behaviour. Data captured through internal financial systems usually generates 'hard' data, whereas traditional survey research based data is classed as 'soft'. Most customer databases and data warehouses contain primarily 'hard' data. A third category used to support CRM is **'derived'** data generated through analysis E.g. customer value) and modeling software, such as propensity models that are used to generate selections for direct marketing campaigns. Whilst of considerable value to marketers, derived data that, for example, attempts to predict the value of a customer to the organization over some projected period of future time (life time value) does not usually find favour with management accountants. Similarly, there is no recognized accounting methodology that allows the customer base, and the knowledge held about them, to be treated as some form of 'capital' asset.

Key data for most organizations comprises data that can identify the customer together with some form of transaction information. Typical customer related data that is critical to CRM programmes includes:

Data	Hard	Soft	Derived
Customer contact details	X		
Geodemographic code			X
Segment	x	x	X
Sales/transactions (all channels/products)	X		
Product/service usage	X	X	
Payment methods	X		
Retention/churn	X	x	
Loyalty	x	x	X
Contacts (& reason) all channels	X	x	
Campaigns	X	x	x
Satisfaction		X	X
Channel preference	x	x	X
Profile	x	x	X
Acquisition source/cost	X		
Current value/profitability	x		X
Future value/profitability	x	x	X

The primary type of each data item is shown by an '**X**', and subsidiary types by 'x'. This indicates the importance of firstly, analytical/modeling tools and associated competencies in order to create the 'derived' variables and secondly, 'soft' data in gaining a comprehensive picture of customers.

IBM also divides data by appropriateness (Foss et al, 2002):

- **Static** – how well the data represents the customer (linked to accuracy);
- **Dynamic** – whether the data is suitable for predicting future behaviour, and, whether it matches the strategic future needs of the organization.

The following example summarises the key 'hard' data fields of value to a leading telco (B2C):

- Subscriber details
- Services subscribed to
- Call data (voice/text patterns)
- Payment type (pre-paid & contracts
- Use of customer services
- Promotional history
- Tenure
- Value (weekly spend)
- Acquisition source
- Tariff
- Deal.

The customer 'phone number provides the key field to link data items. This data is used to develop age, value and tenure based segmentations. These are then used within call centres and retail outlets for cross-up sell purposes, to drive promotional messages via mail/SMS/e mail/pictures, to match calibre of call centre agent to customer value and to decide on investment levels for different groups of customers. Propensity models are also used to predict customer churn rates and support retention activities. Overall, CRM strategy is driven by tenure, value, acquisition source, tariff and deal.

6.1. Segmentation strategies and the use of 'soft' data

This section explores the customer segmentation strategies employed by organizations, and the role played by 'soft' data (traditional market research surveys and other uses of questionnaires) in aiding the understanding of customers, and how this is applied within the business.

A healthcare insurance provider uses age, claims history and premium paid (risk and package based) to build an actuarial based customer value model, where each individual covered by the policy is scored. This produces a simple three segment 'traffic' light score for each policyholder:

- Red (no potential longer term profit prospects)
- Amber (low profit prospects)
- Green (high profit prospects).

This is used to support retention and up-sell activities.

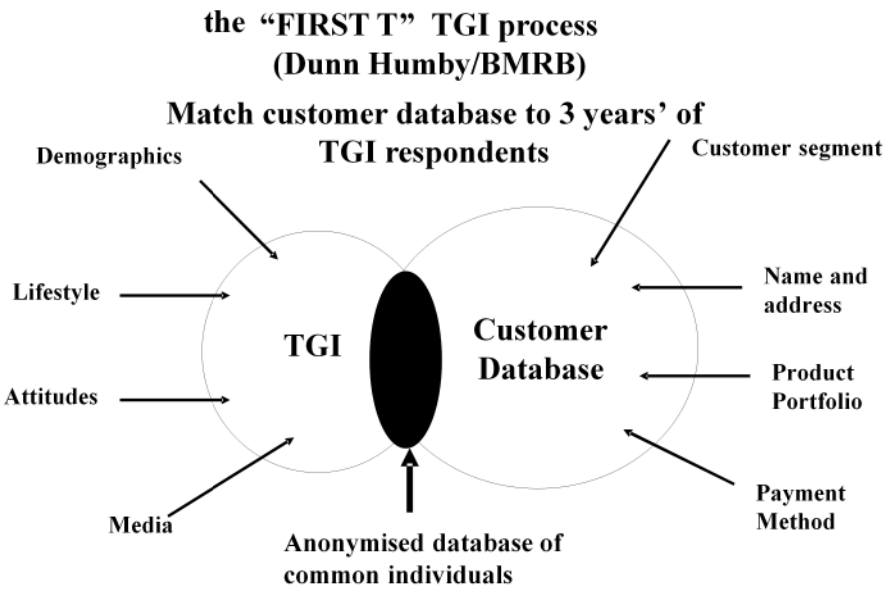
However, organisations are increasingly looking at ways to create increased depth and breadth by blending 'soft' data into their segmentation models, but are achieving varying levels of success. One leading telco has used market research in order to develop a six cluster needs (what matters to their business) and value (total wallet) based segmentation of their b2b market place. The analysis has also identified how these needs, and therefore the relative sizes of each segment, differ by size of business. Using modeling techniques the results have been used to segment the full customer database. The next step will be to identify and build in channel preferences as a further layer to the segmentation.

The experience of the healthcare insurance company mentioned above illustrates some of the issues that may confront organizations deciding to develop this approach. The company worked with a market research company to build the segmentation. However, it then proved impossible to directly link the segments to data held within the database. To overcome this problem, five key questions were developed from the research that call centre agencies could ask callers the answers to which would enable each customer to be allocated to one of the segments. Initial analysis of the results showed that disproportionate proportions of callers were being allocated to the segments compared to the survey results. Further research indicated that callers thought that the questions were linked to their renewal premium rating and were therefore providing answers that they perceived would create a favourable outcome. In addition, contact occasions were too infrequent to make this a viable way to rapidly profile the full database.

The leading financial services mutual interviewed within the research had used an external agency to merge survey data from their market research programme with the customer database. Whilst this has provided some benefits, it has not provided a major break-through in understanding customer motivations and behaviour. In particular, it did not identify a 'supervariable' that could be held on the customer database and used by call centres, branches and marketing to define individual customers.

The concept of matching survey research data to a customer database is not particularly new, but successful examples seem to be few. The principle is illustrated in the First T product developed by Dunn Humby in association with BMRB. Each year BMRB interview 25,000 individuals for the Target Group Index. Launched in the 1960s, it is a leading source of detailed information that links product purchasing and media exposure in the UK. Analysis of TGI data was also the first commercial application to demonstrate the power of geodemographics (ACORN) as a discriminatory variable. The questionnaire also collects attitudinal and lifestyle data, enabling respondents to be clustered into behavioural segments. First T is a process that matches three years of interviews (75,000 respondents) against a customer database. Wherever there is a name and address match, a new record is created that combines the TGI data with the customer record. This new enriched database of a few thousand records is then anonymised before being passed to the client in order to conform to the requirements of the Market Research Society Code of Conduct and the Data Protection Act 1998. This database can then be used for modeling purposes and gaining a wider and deeper understanding of customers.

Figure 9: Data Matching & modelling example



Examples of organizations that have used the First T process include AA, Barclaycard, Centrica, Littlewoods and Sky. The AA used this methodology to add depth and colour to an existing segmentation of roadside service members. Littlewoods developed a new segmentation of customers though this technique.

The market for this type of process has not, however, developed in line with early expectations. Possible reasons include:

- The market is limited to organizations with large databases and the availability of large scale, available, research surveys
- 'Lifestyle' surveys can provide a higher volume of matches and be more useful as the resulting data set is not anonymised. However, this may provide a less representative 'survey' sample
- Cost related to perceived value
- A reluctance by the market research industry (and clients) to invest in either products of this type or the expertise to maximize the value to clients
- Whilst the technical issues of matching and anonymising the data are relatively simple, significant data preparation maybe necessary by the client.

One issue facing organizations in developing effective segmentations is the availability of appropriate data. Retailers may be potentially highly data rich in terms of product transaction data, but without some way of linking this to the customers, the value of this data as real knowledge to aid marketing and CRM remain very limited ('data rich, knowledge poor'). The Clubcard scheme provides this link for Tesco; the Nectar card provides a similar link for the organizations within this scheme. In comparison, the customer 'touchpoints' available to franchised car dealers have declined as technical advances by the manufacturers have led to longer intervals between services and fewer breakdowns. At the luxury end of this sector, the timeline maybe very protracted between the initial interest shown by a prospective

customer, the decision to buy and delivery of the vehicle – two years or more in total. Over this period the challenge is to keep in contact with the prospective customer and target available marketing budgets appropriately to ensure that the final order is secured.

A leading expert on segmentation issues, Richard Webber, recommends that segmentation should be considered at a sector, rather than generic level, in order to take into account the differing types and flows of data normally available to a typical organization, and other factors relevant to decision making by customers within a given sector. The following chart illustrates this concept, comparing a car manufacturer and a petrol brand:

CRM and segmentation

		5 - high	1 - low	BMW	BP
1	Access to names	Yes	No	5	1
2	Renewability of contracts	Renewed	Ongoing	1	1
3	Billing strategy	Regular	Whenever	1	1
4	Credit terms	Yes	No	4	1
5	Competitive position	Shared	Sole	2	5
6	Transaction types	Fr/low value	Hi value	1	4
7	Preconditioned purchase	Yes	No	3	3
8	Cross sell opportunities	Many	Few	1	1
9	Product codes	Many	Few	2	1
10	Channels	Many	Sole	2	1
11	Contexts	Multiple	Sole	3	1
12	Emotive product	Yes	No	5	1
13	Emotive purchase	Yes	No	5	1
14	Visibility	High	Low	5	1
15	Uncertainty	High	Low	2	1
16	Ethics	Important	Assumed	3	5

(Richard Webber, 2003)

The sixteen factors are common to any sector. Each organization is then scored between 1-5 for each factor. This produces a profile for each sector, and individual organizations within that sector. For example, BMW and their dealers know the identity of their core customers – either as car buyers or users of the servicing and repair facilities. They therefore score 5/5 for ‘Access to names’. In comparison, BP may know some customers, through for example a loyalty scheme, but not for the majority – hence the score of 1/5. Total, for example, have a loyalty card scheme that is mainly used to reward customers through issuing vouchers for leading retailers in exchange for points. However, the information about the extent to which card holders use a particular site is also used to inform customers via mail about site developments, for example, advising when a site is to be temporarily closed for re-furbishment and when it is about to be re-opened, including incentives to try out the extended facilities.

The second example compares the profiles for two retailers in order to demonstrate the extent to which broad sectors, such as ‘retailing’ need to be sub divided:

CRM and segmentation

		5 - high	1 - low	TESCO	IKEA
1	Access to names	Yes	No	3	3
2	Renewability of contracts	Renewed	Ongoing	2	2
3	Billing strategy	Regular	Whenever	1	1
4	Credit terms	Yes	No	1	3
5	Competitive position	Shared	Sole	3	4
6	Transaction types	Fr/low value	Hi value	4	1
7	Preconditioned purchase	Yes	No	4	1
8	Cross sell opportunities	Many	Few	4	2
9	Product codes	Many	Few	5	2
10	Channels	Many	Sole	3	1
11	Contexts	Multiple	Sole	3	1
12	Emotive product	Yes	No	1	3
13	Emotive purchase	Yes	No	2	4
14	Visibility	High	Low	2	3
15	Uncertainty	High	Low	1	4
16	Ethics	Important	Assumed	3	1

(Richard Webber, 2003)

Despite the challenges faced by organizations in using merged ‘hard’ and ‘soft’ data to segment customer databases, the research underlined the significant role market research surveys play in helping organizations understand their customers and develop strategy. For example, one senior marketer believed that a particular study which explored customers’ expectations about the information held about them, and how they expect the organization to use it, was fundamental in developing the organisations strategy for compiling and implementing a single view of the customer.

Key continuous survey projects conducted to support CRM strategy identified in the research included:

- Monitoring customer satisfaction (measuring ‘moments of truth’);
- Benchmarking across the market against the performance of competitors – using established survey based research tools such as the Conversion Model, TRIM and the Customer Delight Index;
- Interviewing new customers;
- Interviewing defectors.

The results from these surveys might be used to identify service and product improvements (e.g. bill format) or to help develop defection/churn models.

Benchmarking: the Conversion Model™

One example of a survey research tool that can help organizations segment their customer database based on loyalty factors is the Conversion Model™ developed by Dr. Jan Hofmeyr in South Africa (Hofmeyr, 2000), licensed to Taylor Nelson Sofres. This tool can be used to segment a customer data by loyalty, or to benchmark an organization against competitors

within a market sector. A Conversion Model™ survey and analysis process addresses four key issues:

- *How attractive are alternatives*
- *The extent to which needs are being satisfied*
- *The level of involvement in the category*
- *The intensity of ambivalence.*

Existing customers are segmented by their commitment to the brand into four groups through this process:

- ***Entrenched** – strongly committed customers who are unlikely to switch brands in the foreseeable future;*
- ***Average** – secure customers who are not likely to switch although they may not be adverse to the competition;*
- ***Shallow** – customers that exhibit weak commitment who may already be considering other options;*
- ***Convertible** – the most vulnerable customers, potentially on the threshold of change.*

Similarly, non users of the brand can also be segmented based on commitment to the brand(s) currently used:

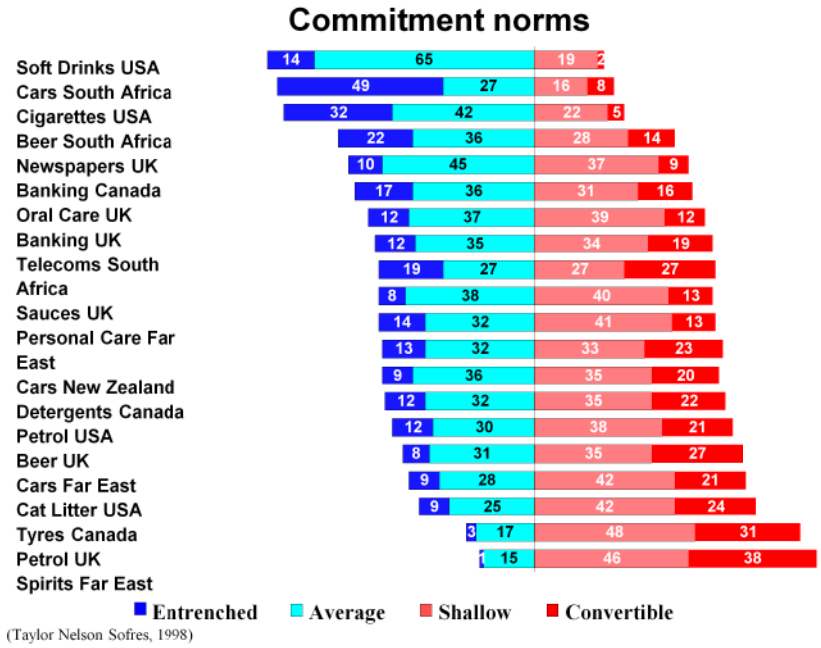
- ***Available** – consumers who prefer other brands, and which one(s), to the one currently used;*
- ***Ambivalent** – equally attracted to another brand(s) and the one currently used;*
- ***Weakly unavailable** – some preference to alternatives, but not to a great extent;*
- ***Strongly unavailable** – a preference to their current brand and very unlikely to be interested in other brands.*

Using the results from a survey, the following examples of business issues can be addressed:

- *How big is the **Convertible** segment in my customer base, are these the type of customers I want to fight to keep and what do I need to do to keep them;*
- *Are those who are **Available** interested in my brand, are they of interest to me in terms of their profile and are there enough of them out there for me to cost-effectively pursue;*
- *What sort of messages might be successful in luring **Available** consumers;*
- *What are the differences between my **Entrenched** customers and those of my main competitor;*
- *The profile of my **Entrenched** customers is highly attractive – are there more like them out there that are at all **available** to me.*

As the following chart shows, commitment norms vary substantially for different market sectors, and in different geographic areas for the same product sector:

Figure 10: Conversion Model™

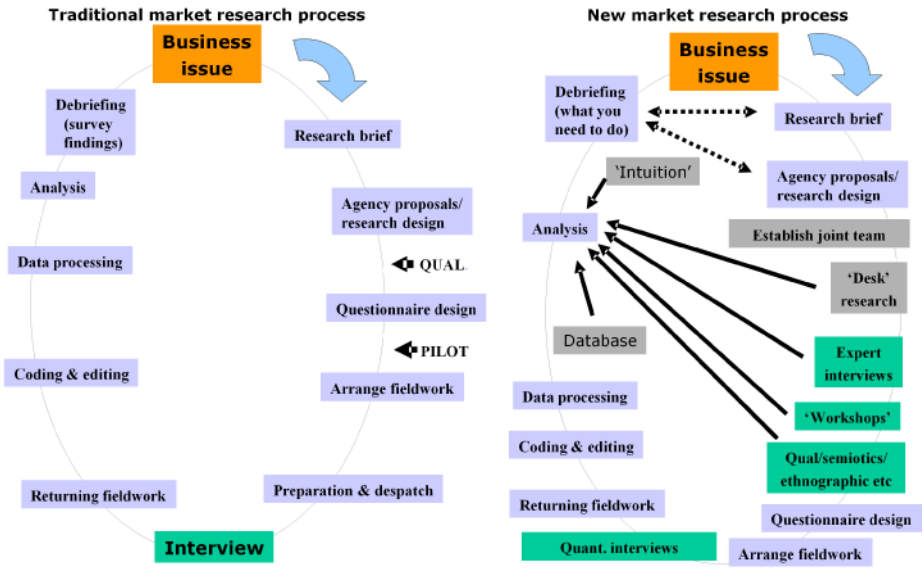


(Source: TNS, 1996)

TSB, now part of the Lloyds bank group (Moore, 1998), segmented their customer base by profit and then profiled these segments by conducting a sample survey of customers using the Conversion Model™. This identified that over half of their unprofitable customers were uncommitted. However, the most committed customers showed the least likelihood of taking out further products, whilst the converse was true for the least committed segment. The results were initially used to develop new communication and relationship building strategies. As part of these strategies, the TSB launched a customer magazine tailored to reflect different customer groups and this opportunity was also used to collect Conversion Model™ on a wider basis through a reply-paid card. This was positioned with customers as data enhancement and was not conducted as confidential survey research. This data was appended to the customer database and used to build predictive commitment models and add commitment scores to customer records. The impact of the new customer strategies was measured over the first year.

However, additional value can be extracted from market research projects to support CRM without resorting to the data matching model described above in Figure 9. Organisations need to 'blend' the results of their surveys with other sources of information and introduce a more collaborative approach into the development and management of market research projects, as illustrated below.

Figure 11: New market research: Adding real value



(Peter Mouncey, December 2004)

As can be seen, the recommended new process requires a more significant input prior to the main survey stage and these inputs need to be fed into the analysis and debrief phase in order to provide management with a clearer view of the options for action and the resulting implications. Overall, this process require a more holistic approach to the research prcess that is closely tied to clearly defined business goals, rather than simply providing survey data as the key deliverable. The research also explored the use made of questionnaires by organisations to help fill informational gaps in profiling customers, such as identifying 'share of wallet', customer value and likely future product needs. These do not constitute surveys in the market research sense, the response, or completion, rates are likely to be extremely low and unrepresentative of the overall customer base, but when merged with 'hard' data they also provide a basis for modeling, and targeting of marketing activity. For example, one organization included My Profile pages on their web site for this purpose.

However, the research identified one example of an organisation where detailed knowledge of the customer, including questionnaire sourced 'soft' data, is used as the primary vehicle to drive a business forward on several dimensions and deliver added value to customers and the company. As such it provides an excellent illustration of how customer data can be used to support a CRM strategy. This is described below in section 8 of the report.

Looking to the future, neuroscientists such as Baroness Greenfield, Professor of Synaptic Pharmacology at Oxford University pose new challenges in understanding consumer behaviour based on the latest understanding of how the human brain functions. For example, an increasing need to individualise the consumer experience, stimulate the brain and understand a customer's 'state of mind'.

Key points

- CRM strategy, unlike many other areas of the organisation, requires ‘soft’ and ‘derived’ data in addition to ‘hard’ factual data. This presents additional challenges to data management.
- Attempts to merge ‘hard’ and ‘soft’ data to create enriched segmentations of customers have met with mixed success.
- More successfully, market research derived ‘soft’ data is used to measure the progress of the CRM strategy and provide information to develop and improve relationships with customers.

7. Using data to support operational activities and inform management

The survey undertaken by the IDM in 2001 indicated that many organisations were still considering their customer database as a resource that is of value in supporting a relatively narrow range of activities, with direct mail remaining the main usage.

Figure 12: Customer databases: Applications

Compiling mailing lists	4.84
Customer profiling	4.30
Contact management	4.12
Measuring retention	4.07
Measuring campaign effectiveness	4.02
Segmentation	3.98
Measuring customer value	3.88
Measuring customer acquisition	3.81
Lead generation	3.63
Customer care/service	3.56
Prospecting	3.46
Billing	3.08
Call centre scripting	2.58
Ordering	2.28

1=Not at all Useful;
5=Extremely Useful

(Source: IDM Strathclyde 2001)

However, as the case study in the previous section demonstrates, organizations need to become increasingly sophisticated in using customer related data to support operational activities if they are to gain real competitive advantage. Customer databases are being used to drive campaign management tools and IT systems supporting customer facing staff. One telco displays the customer segment as part of the contact screens in call centres and retail outlets. This data is used to identify opportunities for up/cross selling in sales situations and ensure that high value customers are routed to the more experienced agents where the call is service related.

Within the leading financial services mutual interviewed in the research, a front end system linked to the customer database was implemented in 2001 to support branch and call centre staff. This enables staff to see a full picture of recent customer contacts and transactions through all main channels. This data is used to prompt staffs' conversations with customers – rather than provide fixed and inflexible scripts. Customer value is also used to drive these conversations. For example, whilst an objective for the organization is to encourage all customers to use the lower cost service channels, such as ATMs and on-line, the customer value indicator would prompt differing conversations within a branch about the benefits of these channels depending on whether the customer was classified as high or low value. Increasingly, the data will be 'real time' based to ensure that any contact between a customer and staff is supported by fully up to date information. This will also support on-line services. A new campaign management system is planned that will be fully integrated with

the front end to improve the timing of messages, match product offers to identified customer needs and take into account channel preferences.

The research also indicates that despite the wide availability of query tools that enable marketing teams to undertake a basic level of analysis, organizations still rely heavily on high level analysis tools, such as SAS, requiring specialist analysts to access and manipulate the data. This can mean that marketers remain relatively remote from the available knowledge about customers and are very dependent upon the analyst to assist them in using data to support decision making. It also means that expensive, and relatively scarce, analysts spend a significant amount of time dealing with basic queries rather than undertaking more detailed analysis or model building. Two leading organizations lacked basic query tools, but both saw the shortage of specialist analysts – especially those with good communication skills – as a key issue.

A further finding from the IDM survey was the limited use made of knowledge drawn from the customer database to inform the whole organization, as shown below. The implications from this table are that board level management and finance are not significant recipients of information about customers within many organizations, whilst human resources – responsible, for example, for recruiting staff that can relate to customers are highly unlikely to have information about customers available to aid their activities. Overall, the findings indicate that knowledge about customers was not widely used to support decisions about business strategy.

Figure 13: Customer database as a source of management information

Information Users	Amount of information received
Marketing department	4.66
Sales department	3.88
Customer service dept.	3.45
Managing Director	3.21
Accounting/Finance	3.14
R&D department	2.89
IT department	2.40
Production department	2.16
HR department	1.56

1: Very little;
5: Substantial
(Source: IDM Strathclyde 2001)

The latest research indicate that this situation may now be changing. However, board level feedback appears to comprise key indicators only. One telco provided high level CRM related metrics for the b2c and b2b sectors to the board covering:

- Customer satisfaction (as index scores)
- Churn rates (high value customers only)
- Product holdings
- Average revenue per user.

In the healthcare insurance company, whilst the marketing director received comprehensive analysis of retention levels by groups of policyholders, only overall retention levels were reported at board level.

One automotive manufacturer has developed a CRM Metrics Dashboard that summarises key measures on a single slide covering:

- Mailing volumes
- Total number of contacts through the CRM programme
- Volume of mailable records
- Test drives generated by the programme
- Leads generated for dealers
- Effect on brand consideration
- Impact on relationship (with brand & dealer)
- Sales & profit data/incremental profit.

A second telco uses menu driven screens on its intranet to enable product and market sector teams to identify appropriate channel strategy. The data supporting the screens includes customer needs/segmentation, business requirements, channel capabilities and financial measures (e.g. expense to revenue ratio).

McGovern et al (McGovern et al, 2004) recommend that a simple dashboard type representation of a few key metrics is recommended for reporting marketing activities at board level. According to McGovern these should cover:

- The main drivers of the business (e.g. trends in average revenue per retained customer, retained customers' average lifetime value, market share/share of wallet, average likelihood that a customer will renew their contract etc);
- Pipeline of growth ideas – projected contribution of new products/services from date of launch. The total from these can be used to help identify whether overall business growth targets will be attained;
- Marketing talent pool – the skills available and gaps that need to be filled in order to ensure that the agreed future strategy can be successfully delivered.

Key points

- Increasingly organisations are seeking to create systems that provide 'real time' customer information to support customer contact teams in call centres and retail outlets.
- CRM strategy needs to ensure that the enterprise, at all levels, receives appropriate information that clearly communicates progress and identifies necessary actions.

8. Maximising the Value of Customer Data: Singer (Sri Lanka) Case Study

The following case study provides a detailed illustration of how a leading company in an Asian market is using customer related data as a foundation to building strong growth.

The company, based in Sri Lanka, is a division of the USA based Singer international corporation, a manufacturing and retail operation most famous for the sewing machine that was invented by the founders of the original company in the late nineteenth century. In addition to this traditional business, the Sri Lankan subsidiary also manufactures a wide range of other electrical goods and has opened chains of super stores within the country, and other Asian markets. One chain, Singer Mega sells primarily electrical appliances, whilst Singer Home Shops sell furniture and furnishings.

Keen to expand the business within the six Mega stores and create a differentiated offer compared to competitors, Singer SL commissioned the UK direct agency Hothouse Advertising to develop a customer loyalty scheme based on the very successful programme developed by Hothouse for the Hilton International hotel group. The scheme devised by Hothouse is called the Mega Money loyalty programme – but this is far more than a traditional coupon based incentive scheme. In many respects it demonstrates the potential for using customer data to drive the development plans of the company and deliver valued benefits to each individual customer and their family through mass customization of communications and offers.

Collecting customer data

At the heart of the Mega Money programme, and its prime driving force, is a detailed six page questionnaire (see Appendix 1) containing 22 questions completed by new customers and prospects alike whilst in store.

Specially trained in-store customer service staff have the responsibility to ensure that each customer completes a questionnaire by focussing on the benefits that customers will gain from providing the information. Remuneration is related to correctly completed questionnaires.

However, this is but one channel used to gather information, and drive prospects into the stores, as cold direct mail, door-to-door and piggybacking other company's promotions are also used effectively. For example, a current initiative is to target 10,000 Lions Club International members with a reward of Rs500/- for each completed questionnaire being donated in "goods in kind" to their Tsunami relief effort.

The main topics covered in the questionnaire are a mixture of factual and 'soft':

- *The customer and their family*
- *Use of Mega stores*
- *Attitudes towards Mega stores*
- *Customer home improvements needs*
- *Shopping needs*
- *Interests, hobbies and lifestyle*
- *Media preferences.*

The first page clearly states how the information collected within the questionnaire will be used to deliver real benefits for individual customers:

- *Ensure that the range of products in store, and the floor space allocated to product groups, matches defined customer needs*
- *Designing shopping schemes (promotions & offers) to suit the needs of customers*
- *Keeping customers informed about the products they are interested in.*

In addition, the questionnaire helps inform customers about the products (and services) available in a Mega store.

This questionnaire not only provides a profile of the customer and their household (including occupations and income), it also provides an audit of relevant products already owned by the customer, and a list of the products that the customer thinks they will be likely to buy in the near future, or would consider buying if available in a Mega store. The database created from these questionnaires enables the current, and likely future value, of customers to be calculated in order to create a unique communications strategy for each customer. The database also holds information about actual product purchases (and services used, see below) by that customer and their family in the stores, price paid and payment method.

Using the data for the mutual benefit of customers and Singer

By matching customers (and their profiles) to defined needs not met by the current in-store offer, Singer Mega has been able to identify two major sources of additional revenue, and benefits for customers. Firstly, they have been able to attract other retailers or service providers to take space as 'implants' within the Mega stores in order to meet these needs – for example, hair-care and beauty salons, jewellery and lingerie. From the database, they can demonstrate the potential customer base of customers interested in each additional service, in order to promote the opportunity to prospective operators. Also, by providing this extended offer, customer either spend longer in the store, or return to specifically use these services. In either case footfall is increased and customers are likely to spend more within the main store over time. These 'implants' provide customers with a personal and customised service making them feel additionally 'rewarded' by the overall Mega store experience. Each Mega store has only one set of till points where customers pay for all goods/services from throughout the store so that Singer can identify total spend within the store, and the products/services bought/used.

Secondly, they can broaden the range of goods available within the store at minimal risk or cost by attracting suppliers and negotiating very favourable discounts, based on the projected sales levels. The risk, and profit, can be shared with the supplier through highly cost effective jointly funded promotions directed only at target customers (those who have expressed interest in such products). One such promotion, for example, trebled an implant's turnover within two weeks.

In both cases, information about customers is shared with the third parties. These two activities, driven by the customer database increase the return per square metre of retail space and create a highly differentiated image in the market…….'I wonder what is new for me and my family in my local store'.

The higher level of electrical goods purchases generated by the programme has also enabled more favourable prices to be negotiated with suppliers that can then be passed onto customers.

Currently, the database contains information on 50,000 customer households and is expected to double within 12 months.

The ROI in customer data is realised through sophisticated data mining techniques to drive the development of the in-store offer and the mass-customised marketing communications programme. The database is held and managed by Direct Solutions in Sri Lanka, using their own IT and analytical expertise. Direct Solutions is a joint venture between the MD of Hothouse and the leading database company in SL.

Marketing communications include a Christmas card with attached 24 page catalogue, tickets/invitations to events (external to the store, such as sporting events sponsored by Singer and invitations to free product familiarity/tuition classes. The latter are linked to where particular products purchased are being owned for the first time or are designed to encourage future up-sell. There is also a Valentine's Day mailing and New Year offers. In all cases, these communications can be tracked through response devices and the data added to the database. Every opportunity is used to capture data about customers, including 'refresher' questionnaires ('tell us about changing needs and family circumstances'). Even the impact of sponsorship on customer purchasing levels are tracked, through devises such as prize draws at the events to collect information.

The 2004 Christmas mailing contained identical catalogues, but with covering letters and the value of Mega Money vouchers (see below) customised depending on customer profiles and purchasing intentions. This mailing generated sales of R14m within the first week. The outcome is measured through voucher redemption.

Overall, the programme is based more on the principles of Customer Managed Relationships, rather than CRM, as the customer's view of the future in terms of needs etc drives the scheme.

Mega Money loyalty programme

The second thread within the overall programme is the loyalty scheme. This is composed of Mega Money vouchers, with values ranging from 30p-£5 (Rupee equivalent).

The value of Mega Money vouchers is linked to the value of goods purchased, the value of promoted goods, and, the value of the customer.

Mega Money is also used to incentivise prospects.

Each 'note' is lasered so that redemption can be logged on the database as each note is ascribed to a specific customer. Bar coding is now being implemented to speed up administration procedures

A card based scheme would not be appropriate within the current Sri Lankan economy, and cards can remain out of sight and out of mind in the wallet. However, cards may be introduced when the scheme rolls out as they are seen as aspirational in rural areas

The scheme, like the Tesco Clubcard, is not store dependent, even though many customers tend to shop in the same location.

Data privacy

Whilst there is no data privacy legislation within Sri Lanka, the programme is based on UK data protection principles and ethical standards. Data is shared with third parties only with

the consent (opt-in) of customers. This is a critical element as 99% of companies see their database as their property and are very concerned about data theft.

Issues

The overall success of the programme is affected by two categories of issues. Firstly, those endemic within Sri Lanka. Secondly, those related to the Mega programme.

Factors endemic within Sri Lanka include:

- *Universally poor customer service*
- *Shortages of goods*
- *An expectation that customers' loyalty can be retained without any investment in sustaining the relationship*
- *No geo-demographic profiling system or electronic electoral roll within Sri Lanka to aid either prospecting or the development of a generic customer classification.*

Factors related to the programme itself are:

- *In-store staff lack product knowledge*
- *Incomplete questionnaires*
- *Reluctance to provide household income and information on outgoings (concerns about data being passed to the tax authorities)*

These issues are being addressed through a mystery shopper programme and associated staff training.

Return on investment

The investment to date has been R15m (£75,000, the equivalent of £2m spend in the UK), reflecting set up costs including the installation of hardware and system links across all stores. The budget for 2005 is R40m covering marketing communications only.

The ROI is measured through the analytical software on a net revenue/margin basis. However, the real measure is the impact on turnover which has increased by 31% within 12 months.

The scheme is to be rolled out to cover 275 other Singer stores within the next 12 months and may then go international.

Key point

- Gaining the maximum value from customer related data requires commitment at all levels, skilled resources plus imaginative and creative thinking.

9. Challenges in data management

The issues faced by Singer in the Sri Lankan market and the problems faced by organizations in maintaining and utilizing analytical specialists have already been described. Other key hurdles identified in the research include:

- Organisational culture (.e.g. gaining cross-enterprise cooperation on data capture/quality)
- Developing a business case for data collection/management
- Inconsistency in data structures
- Operational factors in keeping data accurate and up to date
- Integrating/merging data from different systems/sources
- Defining appropriate benefits that encourage customers to provide information
- Re-structuring data into an appropriate format for analysis
- Understanding customers' channel preferences
- Creating a 'real time' database.

Many of these are related to the overall problem faced by organizations that either do not have sufficient commitment across the whole enterprise to the CRM strategy, or have yet to develop and implement an adequate data management strategy. However, the research also identified the challenges to CRM strategy and data integration posed by mergers and acquisitions. This may also create data protection issues in terms of whether consent is needed before customer data from the acquired organization can be transferred to, and used by, the new parent. For example, Privacy Law & Business estimate that 13% of FTSE 100 companies are sharing data with third parties without obtaining consumers' explicit consent (PL&B E Newsletter April, 2004). Data protection legislation also applies in terms of keeping customer related data accurate and up to date whenever necessary.

Two further key issues from the above list are, firstly, the problems organizations face in collecting data from prospects and customers where there is no formal need for customers to be identified, for example, certain types of mobile phone contracts. The Singer case study provides a vivid illustration of the need to ensure that customers perceive that the disclosure of personal information will deliver real, and valued, benefits. There is also the issue of staff training. The second challenge is identifying the channels that customers prefer to use. This may vary through a transaction (e.g. prefers to receive information by post, but responds via telephone or through a local branch), or by transaction type.

Key point

- Several of the key issues underline the need to ensure that an effective information strategy is developed and implemented as vital first steps in the overall CRM plan.

10. Future priorities

This section briefly describes organizations future plans for CRM and supporting data strategies.

In addition to rolling out the Mega Money programme across all super store concepts in Sri Lanka, and other Asian markets, the main plan is to strike deals with businesses in other sectors in order to widen the overall offer and increase data collection opportunities. In addition, as there is no electoral roll or geodemographics profiling in Sri Lanka, a further longer term objective is to set up a national syndicated 'lifestyle' survey within the country to help fill these gaps.

The goals for other organisations include:

- Encourage an enterprise wide approach to CRM
- Introducing a 'welcome' call programme
- Develop a 'real time' capability
- Ensure that individual customers can be recognized at contact points
- Increasing the ability to fully customize service related contacts
- Use data to increase the number of prompts, for example, to increase the benefits/perceived value delivered to high worth customers
- Integrate data from all channels – especially to link web site data into the customer database and front line systems
- Continue to build a holistic view of the customer – for internal use and for individual customers to access via the web site
- Identify channel preferences and link this to persona (e.g. personal and business related contacts by the same person)
- Introduce advocacy as a key brand measure and move towards customer rather than product focused measures of performance
- Improved process to identify outcomes
- Invest in query tools.

Many of the issues raised in the above list are addressed within other sections of the report. However, these goals underline the key message within this report that unless organizations implement a structured approach to data management, with the full support of top management, the items on this list will remain as dreams rather than reality, or the benefits will remain small incremental gains.

This list also implies a need to ensure that the culture of organizations creates a better balance between the needs of the organization and those of the customer. In addition, organizations have cited the shortage of analytical skills as a key inhibiting factor. Implementing query tools, and training marketing, CRM and operational teams to use them will reduce the load on the specialists, but other items in the list indicate a significantly increased roll for analysts in turning the increased flows of data into knowledge that can drive decision making or invest in software that can help automate this process. This list also implies increased integration of data, an issue that is also cited by organizations as a current challenge that still remains to be resolved. Finally, this list underlines the fact that the on-line channel has often developed in parallel with other channels and organizations need to build

effective strategies that bring this into the mainstream as it becomes an increasingly important route to market.

Overall, the desire, or need, to become an organization that has a listening and learning culture is underlined.

Key point

- In many cases, the priorities identified will not be satisfactorily achieved without a structured approach to data management and commitment from across the organisation.

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(Cran CRM RF Data PRM 10-03-05)

The Henley Centre for Customer Management

The Primary Objective of the Henley Centre for Customer Management is to promote Customer Focus and Service Excellence best practice through observing practice in leading companies and synthesising this into useful knowledge that helps members to improve their own Customer Management and Customer Service plans and implementations.

The Cranfield CRM Research Forum

The Cranfield CRM Research Forum was directed by Dr Moira Clark during the 2002 to 2005 period.

After her appointment to the chair of Strategic Marketing at Henley Management College, Moira created The Henley Centre for Customer Management to continue the work of the forum.

Members

Each year, the Centre aims to attract a membership of between 10 and 20 organisations, each a leader in their sector.

Members in 2004 were:-

- Extraprise
- Nationwide Building Society
- London Symphony Orchestra
- CAF (Charities Aid Foundation)
- Norwich Union Healthcare
- London Underground
- Vodafone Group Plc
- Boehringer Ingelheim Ltd
- Marks and Spencer Group plc
- Tarmac Group

The Henley Centre for Customer Management

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