

Part I CRM: Conceptual Foundation

1 Strategic Customer Relationship Management Today	3
1.1 Overview	3
1.2 An Introduction to Strategic CRM	3
1.3 Why Managing Customers Is More Critical than Ever	6
1.3.1 Changes with Respect to Consumers	6
1.3.2 Changes with Respect to the Marketplace	11
1.3.3 Changes with Respect to Data Storage Technology	12
1.3.4 Changes with Respect to the Marketing Function . .	13
1.3.5 Implications	15
1.4 The Benefits of the Customer Value Management Approach	15
1.5 Evolution and Growth of CRM	16
1.5.1 Timeline of CRM Evolution	16
1.6 CRM and the IT Revolution: The View from the Industry	18
1.7 Further Growth of the CRM Industry	19
1.7.1 Factors Driving the CRM Industry	19
1.8 Summary	19
References	20
2 Relationship Marketing and the Concept of Customer Value	21
2.1 Overview	21
2.2 The Link Between CRM and Database Marketing, and the Importance of Customer Value	21
2.3 Satisfaction-Loyalty-Profit Chain	25
2.3.1 Issues to Consider	26
2.3.2 What Does It All Mean?	29
2.4 Summary	29
References	30

- 3 Strategic CRM 35
 - 3.1 Overview 35
 - 3.2 Strategic CRM 35
 - 3.2.1 Customer Management Orientation 36
 - 3.2.2 Integration and Alignment of Organizational Processes 37
 - 3.2.3 Information Capture and Alignment of Technology 38
 - 3.2.4 CRM Implementation 39
 - 3.3 Steps in Developing a CRM Strategy 41
 - 3.4 Case Study: CRM Implementation at IBM 46
 - 3.4.1 CRM Implementation Process Objectives 47
 - 3.4.2 CRM Implementation Process Stages 47
 - 3.4.3 CRM Implementation 48
 - 3.4.4 Case Summary 50
 - 3.5 Summary 51
 - References 53
- 4 Implementing the CRM Strategy 55
 - 4.1 Overview 55
 - 4.2 Elements of a CRM System 55
 - 4.3 Return on Investment of CRM 57
 - 4.3.1 Costs Associated with a CRM Implementation 58
 - 4.3.2 Financial Benefits from a CRM Implementation 59
 - 4.3.3 Computing the ROI of CRM Initiatives 60
 - 4.4 CRM Implementation 61
 - 4.4.1 Operational Projects 62
 - 4.4.2 Analytical Projects 62
 - 4.4.3 Deploying Operational and Analytical Outputs (To Improve Marketing Decisions and Customer Relationships) 64
 - 4.5 CASE STUDY: Customer Relationship Management at Capital One (UNITED KINGDOM) 65
 - 4.5.1 Case Background 66
 - 4.5.2 Industry Background 67
 - 4.5.3 Capital One Company Background 71
 - 4.5.4 Customer Relationship Management Practices at Capital One (UK) 71
 - 4.5.5 Future Challenges 81
 - 4.6 Summary 82
 - 4.7 Exercise questions 83
 - References 85

5 Customer Analytics Part I	89
5.1 Overview	89
5.2 Traditional Marketing Metrics	90
5.2.1 Market Share	90
5.2.2 Sales Growth	90
5.3 Customer Acquisition Metrics	91
5.3.1 Acquisition Rate	91
5.3.2 Acquisition Cost	92
5.4 Customer Activity Metrics	92
5.4.1 Average Inter-Purchase Time	93
5.4.2 Retention and Defection Rate	94
5.4.3 Survival Rate	97
5.4.4 Lifetime Duration	98
5.4.5 P(Active)	99
5.4.6 Comprehensive Example of Customer Activity Measures	100
5.5 Popular Customer-Based Value Metrics	101
5.5.1 Size of Wallet	101
5.5.2 Share of Category Requirement	102
5.5.3 Share of Wallet	103
5.5.4 Transition Matrix	106
5.6 Summary	106
Appendix	108
References	109
6 Customer Analytics Part II	111
6.1 Overview	111
6.2 Strategic Customer-Based Value Metrics	111
6.2.1 RFM Method	111
6.2.2 Past Customer Value	120
6.2.3 Lifetime Value Metrics	121
6.2.4 Customer Equity	125
6.2.5 Comprehensive Example	125
6.3 Popular Customer Selection Strategies	126
6.3.1 Profiling	127
6.3.2 Binary Classification Trees	128
6.3.3 Logistic Regression	130
6.4 Techniques to Evaluate Alternative Customer Selection Strategies	133
6.4.1 Misclassification Rate	134
6.4.2 LIFT Analysis	134
6.5 Summary	137
Appendix I	139
Appendix II	139
Appendix III	140
References	141

7	Data Mining	143
7.1	Overview	143
7.1.1	The Need for Data Mining	143
7.1.2	The Business Value of Data Mining	144
7.2	The Data-Mining Process	144
7.2.1	Define Business Objectives	147
7.2.2	Get Raw Data	150
7.2.3	Identify Relevant Predictive Variables	153
7.2.4	Gain Customer Insight	156
7.2.5	Act	157
7.3	Summary	162
	References	163
8	Using Databases	165
8.1	Overview	165
8.2	Types of Databases	165
8.2.1	Categorization Based on the Information Included in the Databases	166
8.2.2	Categorization Based on the Nature of the Underlying Marketing Activities	169
8.2.3	Categorization Based on the Database Technology	170
8.3	The Benefits of Marketing Databases	171
8.3.1	The Ability to Carry Out Profitable Segmentation	171
8.3.2	Retained Customers and Repeat Business	172
8.3.3	The Ability to Spot Potentially Profitable Customers	172
8.4	The Uses of Marketing Databases (Jackson and Wang 1994)	172
8.4.1	Uses that Directly Influence the Customer Relationship	172
8.4.2	Uses that Directly Influence Other Business Operations	172
8.5	Summary	173
	References	174

Part IV Operational CRM

9	Software Tools and Dashboards	177
9.1	Introduction	177
9.2	CRM Implementation Options	177
9.2.1	Developing Software In-House	177
9.2.2	Buying Licensed CRM Software	178
9.2.3	Outsourcing a Managed Service	179
9.3	CRM Software and Applications	180
9.3.1	Stage-Wise Implementation Versus an Enterprise Wide CRM Solution	180
9.3.2	Relationships and Flows Between CRM Modules	180
9.4	Summary	180
	References	182

10	Loyalty Programs: Design and Effectiveness	183
10.1	Overview	183
10.2	What Is Loyalty? Behavioral Versus Attitudinal Loyalty	184
10.3	What Is a Loyalty Program? Definition and Key Objectives	184
	10.3.1 Building True Loyalty	185
	10.3.2 Efficiency Profits	185
	10.3.3 Effectiveness Profits	186
	10.3.4 Value Alignment	186
10.4	Loyalty Programs: Increasing in Popularity	187
10.5	Problems with Loyalty Programs	191
10.6	Design Characteristics of Loyalty Programs	192
	10.6.1 Reward Structure	192
	10.6.2 Participation Requirements	194
	10.6.3 Payment Function	195
	10.6.4 Sponsorship	195
	10.6.5 Cost and Revenues of LPs	196
10.7	Drivers of Loyalty Program Effectiveness	196
	10.7.1 Loyalty Program Design Characteristics	197
	10.7.2 Customer Characteristics	197
	10.7.3 Firm Characteristics	197
	10.7.4 Achieving a Competitive Advantage	198
10.8	Empirical Evidence on Loyalty Program Effectiveness	200
10.9	Loyalty Programs, Shackle or Reward: And to Whom?	200
10.10	The Seven-Point Checklist for Successful LP Design and Implementation	200
10.11	Summary	201
	Appendix I. Key Studies of LPs with Notable Empirical Findings	204
	References	206
11	Campaign Management	207
11.1	Overview	207
11.2	Campaign Management	208
11.3	Campaign Planning and Development	209
	11.3.1 Setting Objectives and Strategies	209
	11.3.2 Identifying Customer Segments	210
	11.3.3 Developing the Communication Strategy	212
	11.3.4 Developing the Offer	215
	11.3.5 Campaign Budget	216
	11.3.6 Testing	223
11.4	Campaign Execution	227
	11.4.1 Implementation and Coordination	227
	11.4.2 Monitoring, and Fine-Tuning	228
	11.4.3 Problems to Take into Account	229

11.5	Analysis and Control	230
11.5.1	Measuring Campaign Results	230
11.5.2	Response Analysis	231
11.5.3	Profile Analysis	231
11.6	Campaign Feedback	231
11.7	Summary	232
	References	234
12	Impact of CRM on Marketing Channels	235
12.1	Overview	235
12.2	CRM and Marketing Channels	235
12.2.1	The Role of Channels in Customer Relationships	237
12.2.2	Multichannel Trends and CRM	242
12.3	CRM and Multichannel Design	247
12.3.1	Attributes of Multichannel Designs	247
12.3.2	Designing Optimal Multichannel Offers	249
12.4	CRM and Multichannel Management	251
12.4.1	Managing Multichannel Systems: Integration Versus Separation	251
12.4.2	Managing Multichannel Shoppers	253
12.4.3	Managing Research Shoppers	256
12.5	Summary	257
	References	259
13	Customer Relationship Management Issues in the Business-To-Business Context	261
13.1	Overview	261
13.2	CRM and Sales Force Automation	262
13.2.1	What Is SFA?	262
13.2.2	SFA Benefits	264
13.2.3	Conditions for Realizing Benefits	264
13.3	CRM and Key Account Management	265
13.3.1	What Is KAM?	266
13.3.2	Implementation of the KAM Program	266
13.4	CRM and the Shift from Goods to Services	271
13.4.1	What Are Hybrid Offerings?	272
13.4.2	Advantages and Disadvantages of the Shift to Hybrid Offerings	273
13.4.3	Rules for Successful Shifts	274
13.5	Summary	276
	References	277
14	Customer Privacy Concerns and Privacy Protective Responses	279
14.1	Overview	279
14.2	Customer Privacy Concerns	280
14.2.1	Customer Privacy	280

14.2.2	Drivers of Customer Privacy Concerns	280
14.3	Regulations to Protect Customer Privacy	287
14.3.1	United States: Customer Privacy Protection Based on Industry Self-Regulation	288
14.3.2	Germany: Customer Privacy Protection Based on Governmental Legislation	289
14.3.3	Safe Harbor Provision	290
14.4	Customer Privacy Protective Responses	292
14.5	Privacy Paradox	294
14.6	Consequences of Privacy Protective Responses	295
14.7	Implications for Companies	295
14.8	Summary	296
	Appendix I (Petlier, Milne, & Phelps, 2009)	297
	Appendix II	299
	References	299

Part V Advances in CRM Applications

15	Applications of CRM in B2B and B2C Scenarios (Part I) . . .	303
15.1	Overview	303
15.2	Measuring Customer Profitability	304
15.2.1	Computing CLV	304
15.2.2	Drivers of CLV	306
15.3	The Lifetime-Profitability Relationship in a Noncontractual Setting	306
15.3.1	Background and Objective	306
15.3.2	Conceptual Model	309
15.3.3	Research Methodology	311
15.3.4	Empirical Findings	314
15.3.5	Implications	318
15.4	Model for Incorporating Customers' Projected Profitability into Lifetime Duration Computation	318
15.4.1	Background and Objectives	318
15.4.2	A Dynamic Model of the Antecedents of Profitable Lifetime Duration	319
15.4.3	Research Methodology	321
15.4.4	Determining Profitable Customer Lifetime Duration	321
15.4.5	Analysis	322
15.4.6	Results	323
15.4.7	Technical Appendix: Estimation of P(Alive) . . .	327
15.5	Model for Identifying the True Value of a Lost Customer	328
15.5.1	Conceptual Background	328
15.5.2	Modeling the Effects of Disadoption on the Value of a Lost Customer	330

15.5.3	The Key Determinants of the Value of a Customer	330
15.6	Summary	331
	References	332
16	Applications of CRM in B2B and B2C Scenarios (Part II) . . .	335
16.1	Overview	335
16.2	Optimal Resource Allocation Across Marketing and Communication Strategies	336
16.3	Purchase Sequences Analysis: Delivering the Right Message to the Right Customer at the Right Time	338
16.4	The Link Between Acquisition, Retention, and Profitability: Balancing Acquisition and Retention Resources to Maximize Customer Profitability	339
16.5	Preventing Customer Churn	341
16.6	Customer Brand Value	344
16.6.1	What Is Customer Brand Value?	344
16.6.2	Linking Customer Brand Value to Customer Lifetime Value	345
16.6.3	What Are the Managerial Benefits of Linking Customer Brand Value to Customer Lifetime Value?	345
16.7	Customer Referral Value	346
16.7.1	What Is Customer Referral Value?	346
16.7.2	How Can Compute Customer Referral Value Be Computed?	347
16.7.3	How Can Customer Referral Value Be Linked to Customer Lifetime Value?	349
16.7.4	What Are the Managerial Benefits of Linking Customer Referral Value and Customer Lifetime Value?	349
16.7.5	What Should the Focus Be on: Customer Referral Value or Customer Lifetime Value?	352
16.8	Summary	353
	References	355
17	Future of CRM	357
17.1	Overview	357
17.2	Social CRM	358
17.2.1	Popular Social Media Channels	359
17.2.2	Consumer-to-Consumer Interaction: A New Marketing Portal	361
17.2.3	Social CRM Strategies: How to do it?	365
17.2.4	Sentiment Analysis	366
17.2.5	A Final Word on Social CRM	367
17.3	Global CRM (GCRM)	367
17.3.1	Informational Technology Needs	367
17.3.2	Global Diffusion	368

17.4	Database CRM	369
17.4.1	Introduction	369
17.4.2	Cloud Computing	369
17.4.3	Privacy Issues and Concerns	371
17.5	Summary	371
	References	372
Index	373