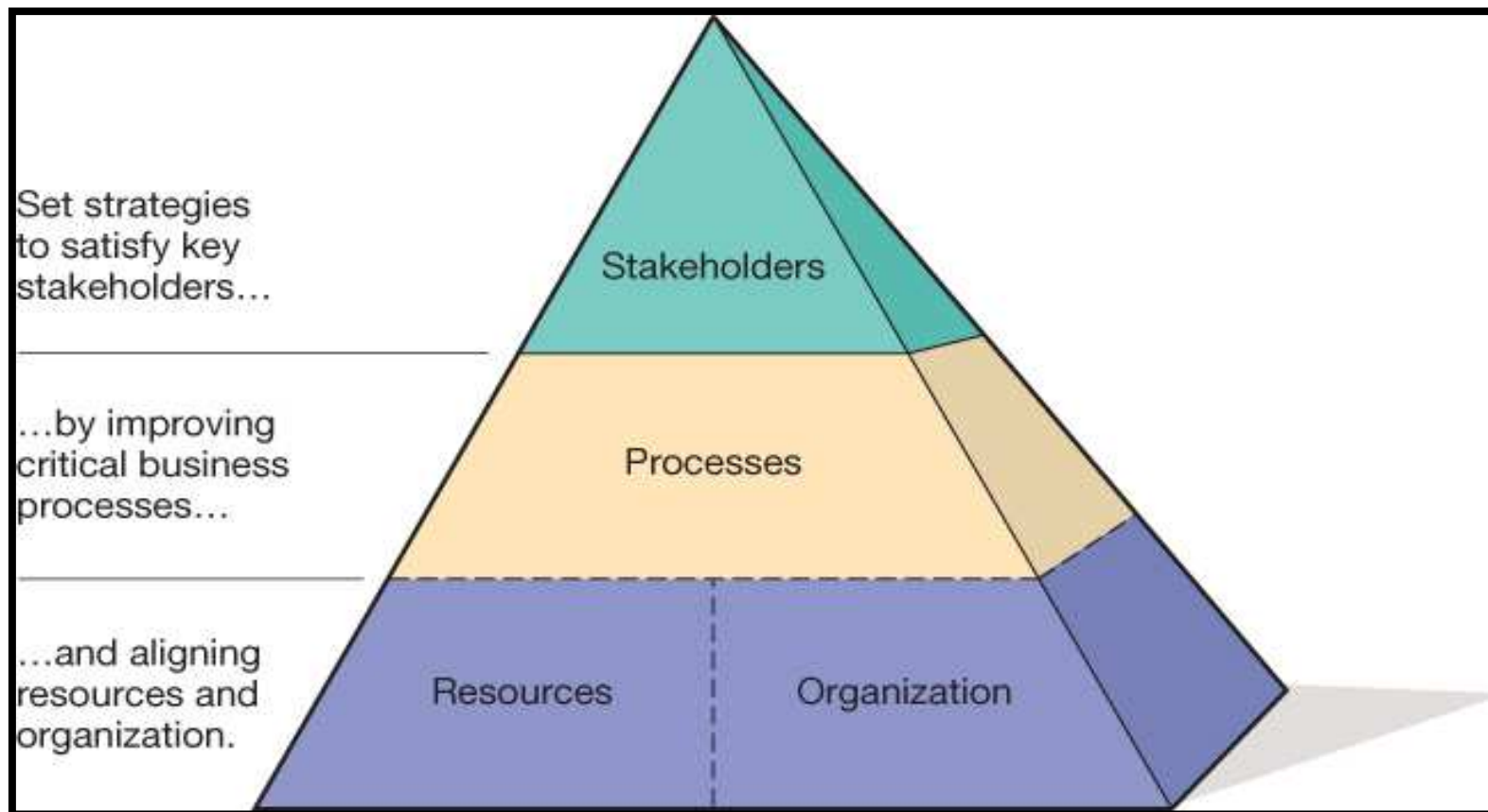


International Relationship Marketing

Strategic focus of International
Relationship Marketing

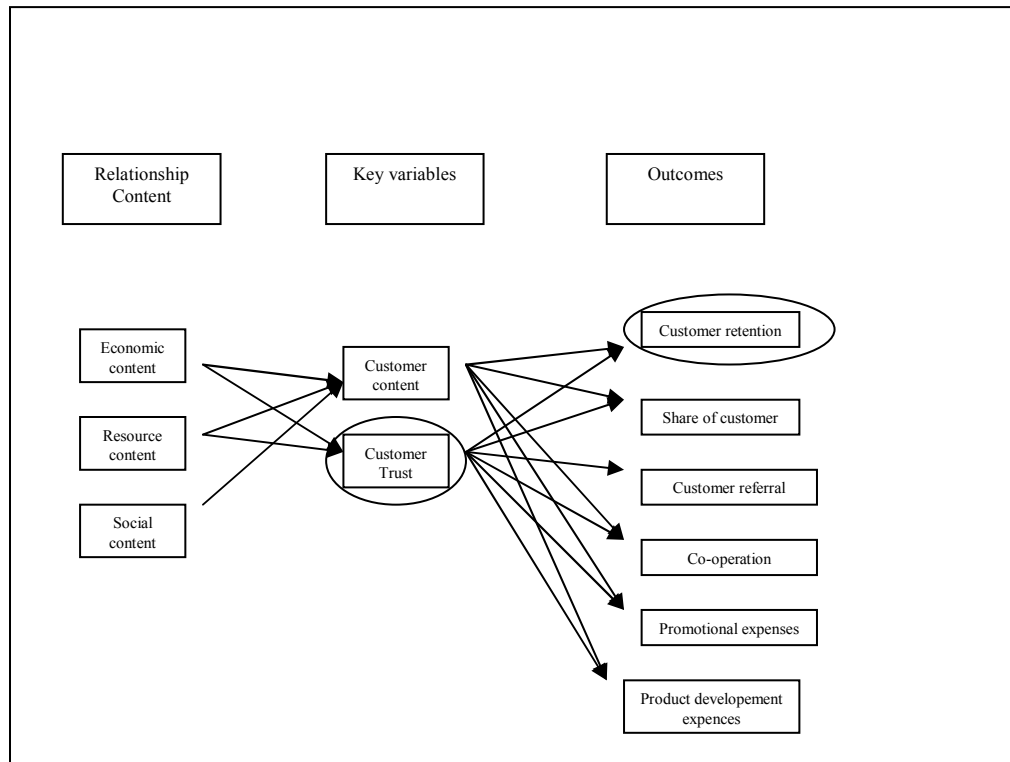
Topics Discussed

- CRM Perspectives
- The Components of Strategic CRM
- Steps in developing a CRM strategy
- Case Study: CRM Implementation at International Business Machines, Inc. (IBM)



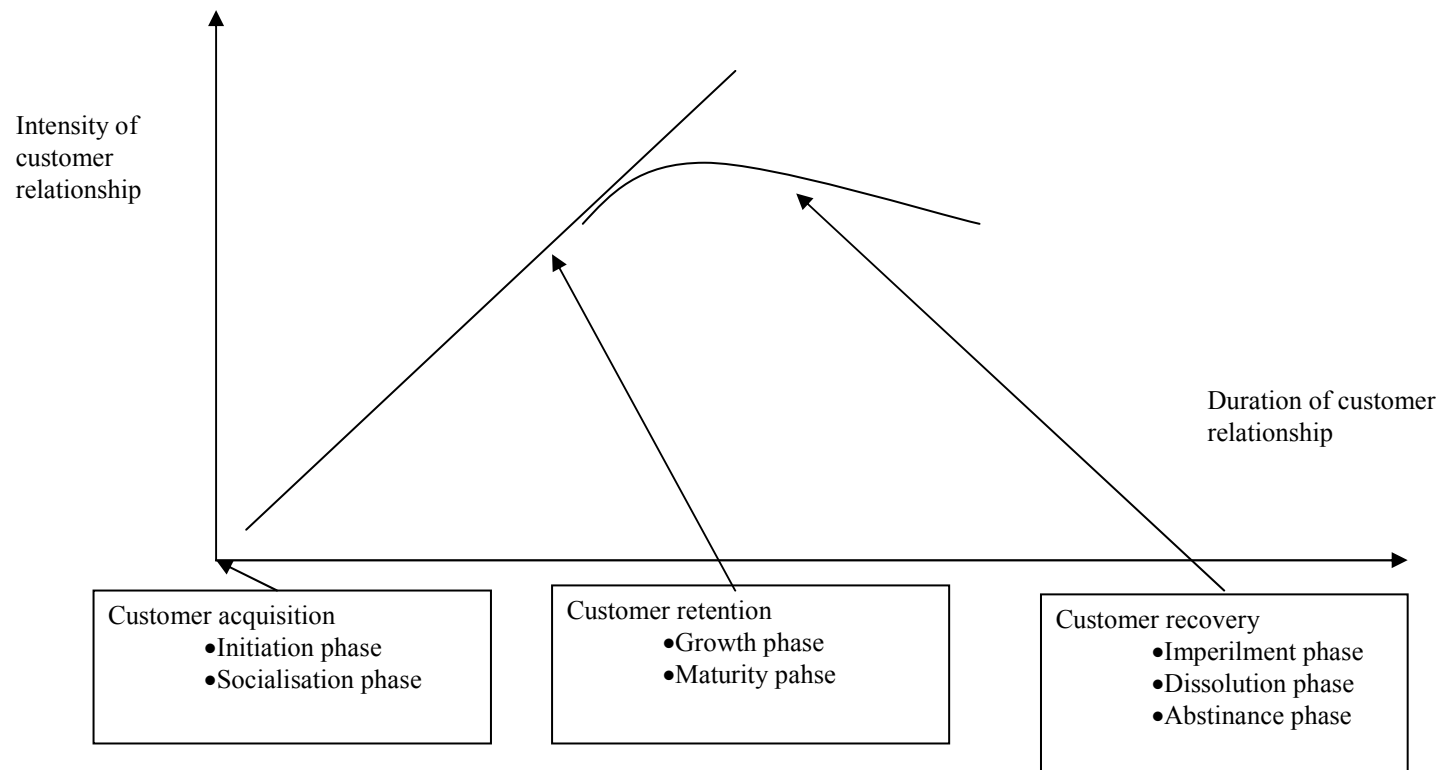
The strategy chip

Typ	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Business Strategie	Feld Penetration Developing Deversifikation	Stimulation Preferencial Price/quantity	Subdivision Mass market Segmentation	Areal Local Regional National Multinational International Global	Advantage Brand Quality Innovation Cost/price Time
Partner Strategie	Customer Undifferentiated Differentiated One to one	Employee Undifferentiated Differentiated One to one	Share holder Undifferentiated Differentiated One to one	Competitor Avoiding Cooperation Conflict adapting	
3 R Modell	Acquisition Stimulation conviction	Retention Ligation Loyalty	Recovery Compensation Advancement		

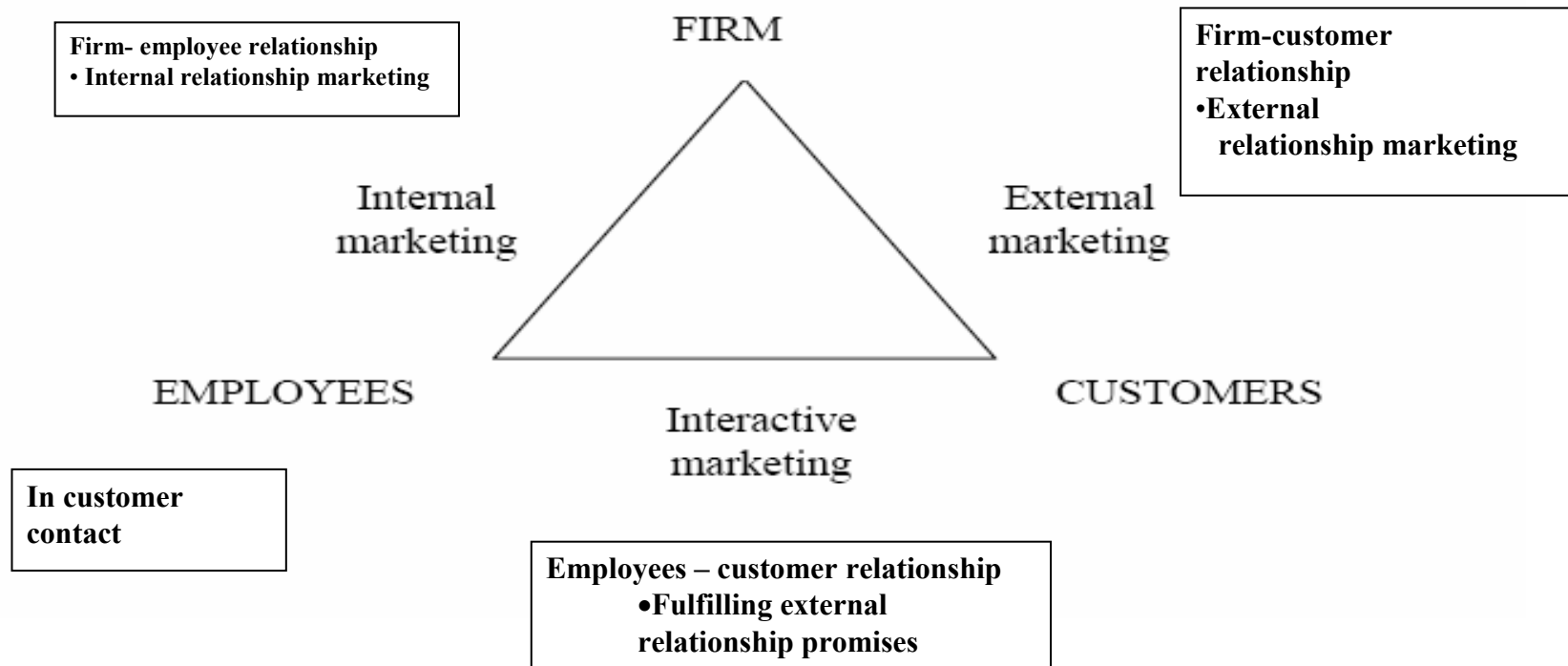


Relationship model of customer retention programs

customer relationship lifetime cycles



Relationship triangle



Strategic focus of International Relationship Marketing

- CRM at the Functional level
 - Set of processes to execute marketing functions like sales force automation or mktg. campaign management
- CRM at the Customer-facing level
 - Set of activities that provide a single-view of the customer across all contact channels
 - Customer intelligence obtained is available across all customer-facing functions
- CRM at the Organizational level - Strategic CRM
 - Knowledge about customers and their preferences have implications for the entire organization

Strategic focus of International Relationship Marketing

BRAND CAMP

by Tom Fishburne

THE "PRODUCT HAS NO CLOTHES" PHENOMENON

POOR CONCEPT SCORES
BUT THE TESTING
WAS FLAWED

LIMITED MEDIA SUPPORT
BUT THE PRODUCT WILL
SELL ITSELF

IT'S NOT VERY
STRATEGIC BUT WE
CAN SHIP NEXT QUARTER

IT MISSED OUR
FINANCIAL HURDLE
BUT WE CAN TWEAK
THE ASSUMPTIONS

WE RUSHED
DEVELOPMENT
BUT THE SHORTCUTS
MADE IT BETTER

SOUNDS STRATEGIC
TO ME - SHIP IT!



© 4/21/03

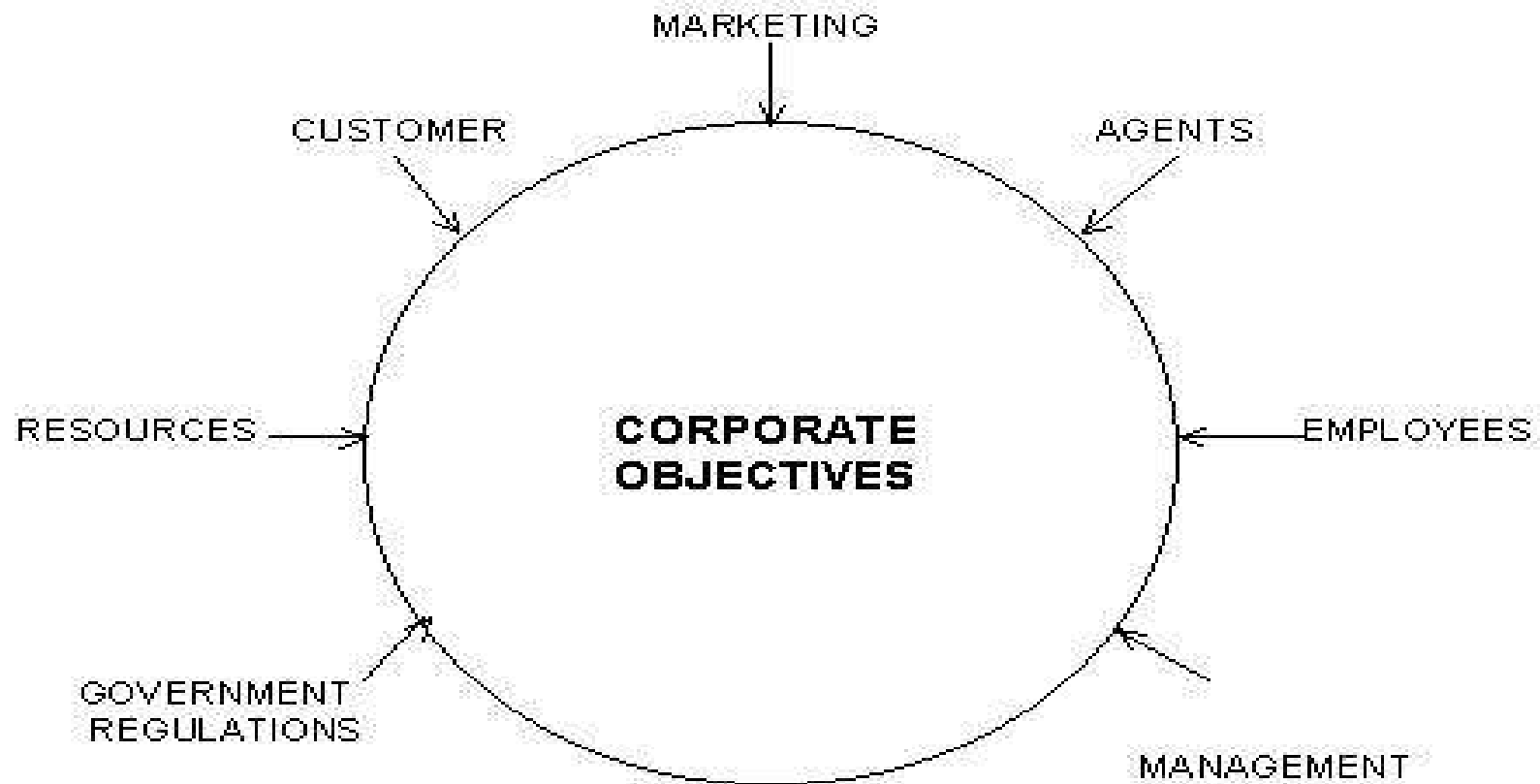
SKYDECKCARTOONS.COM

Strategic focus of International Relationship Marketing

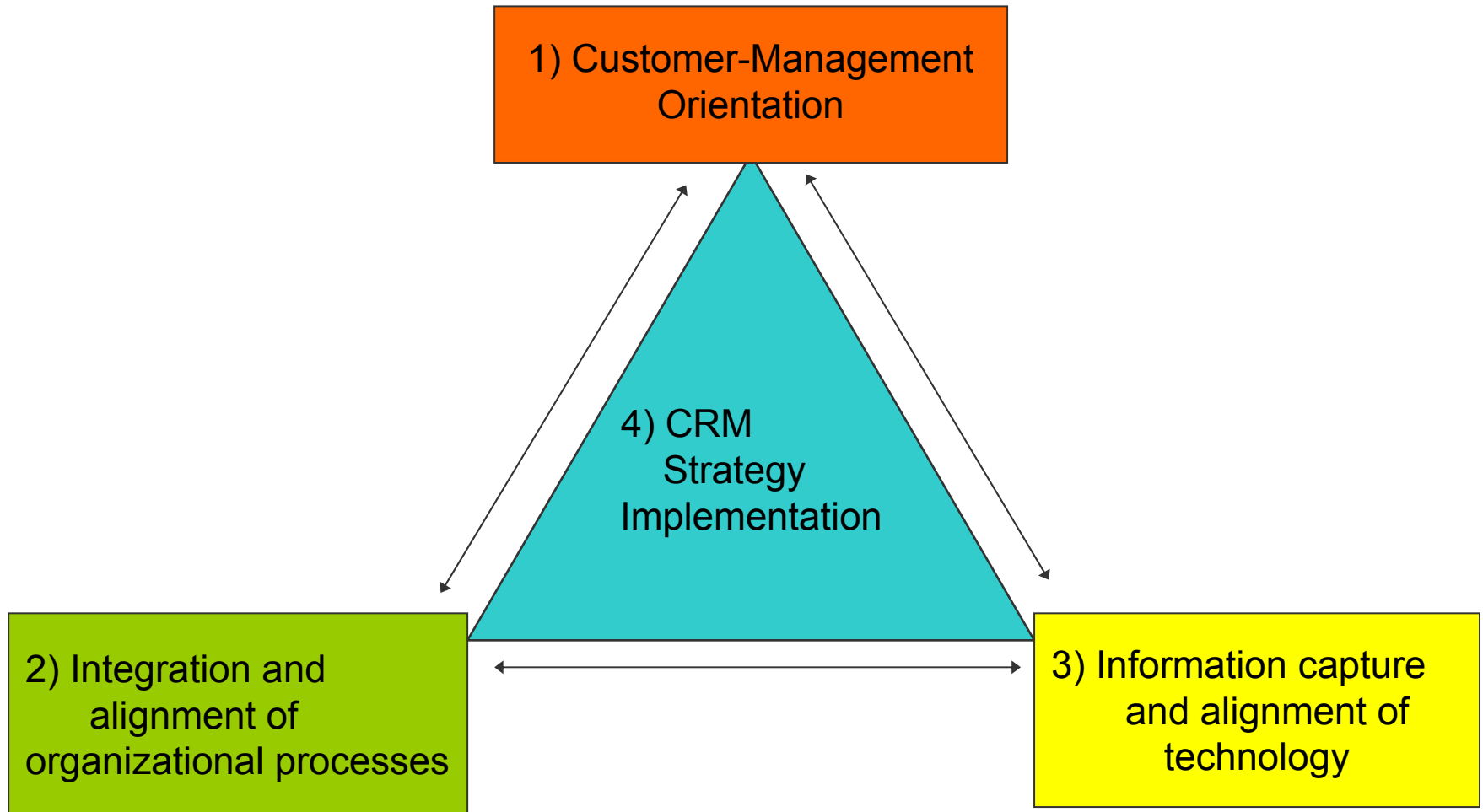
- Successful strategic CRM is a complex set of activities that together form the basis for a sustainable and hard-to-imitate competitive advantage
- Shapes interactions between company and customers to allow maximization of lifetime value of customers
- Recognizes differences between customers with respect to their economic value to the firm as well as their expectations from the firm

Strategic focus of International Relationship Marketing

Conventional Organisation Structure



Strategic focus of International Relationship Marketing



Strategic focus of International Relationship Marketing

- Defined as the set of organizational values, beliefs, and strategic actions that enable the implementation of customer management principles
- Characterized by a top management belief and commitment that the customer is at the center of activity
- Recognizes that customers are heterogeneous in needs and value to the firm and reflects a readiness to treat different customers differently
- Considers the fact that a longer-term view of revenues from customers needs to be taken into account

Case Study: CRM Business Model

- Capital One

- Capital One in Falls Church, Virginia, one of the fastest growing financial corporations in the U.S., was founded in 1988 and has witnessed phenomenal growth. How?
- *Business model founded on the premise that*
 - Every customer carries a specific and unique credit **risk** and potential revenue profile, which determines his risk-return profile from the company's point of view
 - The better the company can understand and assess a customer's specific risk, the better it can manage it

CRM Business Model

- Capital One (contd.)

- The better the company understands the customer, the more it can tailor its products to his needs
- Thus, low risk and high returns for the company on the one hand, and high satisfaction for the customer on the other hand can ideally go hand in hand
- Management and employee evaluation is, amongst others, tied to customer retention and customer profitability measures

Strategic focus of International Relationship Marketing

Integration and Alignment of Organizational Processes

- Comprises organization wide creation and synchronization of processes, systems, and reward systems enabling implementation of customer management principles
- Strategic CRM works best for organizations that are organized around cross-functional processes rather than functional silos
- Firmly incorporates needs of the customer and goals of the firm into product and service delivery

Strategic focus of International Relationship Marketing

Integration and Alignment of Organizational Processes (contd.)

- Characterized by an understanding that value provided to target customers should be what drives all processes
- Individual processes work in sync with common goal of attracting and retaining target customers
- Customer management compatible incentives drive employee and organizational goals simultaneously
- Processes are designed in such a manner that they automate a feedback

Strategic focus of International Relationship Marketing

Inter-functional Alignment Example: Capital One

- Strong alignment of organizational process with the customer-focused strategy forms the backbone of its CRM success
- The Operations Department cooperates closely with Marketing and Analysis Department (M&A) in the new product introduction process
- Information on customers used to craft strategy is obtained from the front-end people
- Information from Operations is used to improve the NPV (Net Present Value) models that serve as decision-making aids

Information Capture and Alignment of Technology

- Comprises all the necessary technology and processes to collect, store, and process relevant and timely customer information
- Characterized by the capability of leveraging data to actionable information
- Makes customer management processes not only more efficient but also more effective
- Helps to create entirely new processes and channels based on online and mobile applications
- Firms that are able to generate intelligence and act on it will derive competitive advantage

CRM Implementation Matrix

		Customer dimension		
		Acquisition stage	Growth and retention stage	Decline and exit stage
Management Dimension	Analytical CRM			
	Operational CRM			

Each cell in the matrix corresponds to a specific implementation activity or process

Customer dimension: captures influence of changing phase of a customer-firm relationship

Management dimension: constitutes analytical and operational aspects of CRM

Strategic focus of International Relationship Marketing

Characteristics of Marketing-Driven CRM Implementation

- Activities and processes that constitute analytical CRM
- Activities and processes that constitute operational CRM
- A firm's ability to understand the value of the customer to the firm and the variety of needs different customers have
- An acquisition and retention process that continuously aligns the offering with customer needs and values
- An ability to continuously improve what the company offers by learning about its customers

Strategic focus of International Relationship Marketing

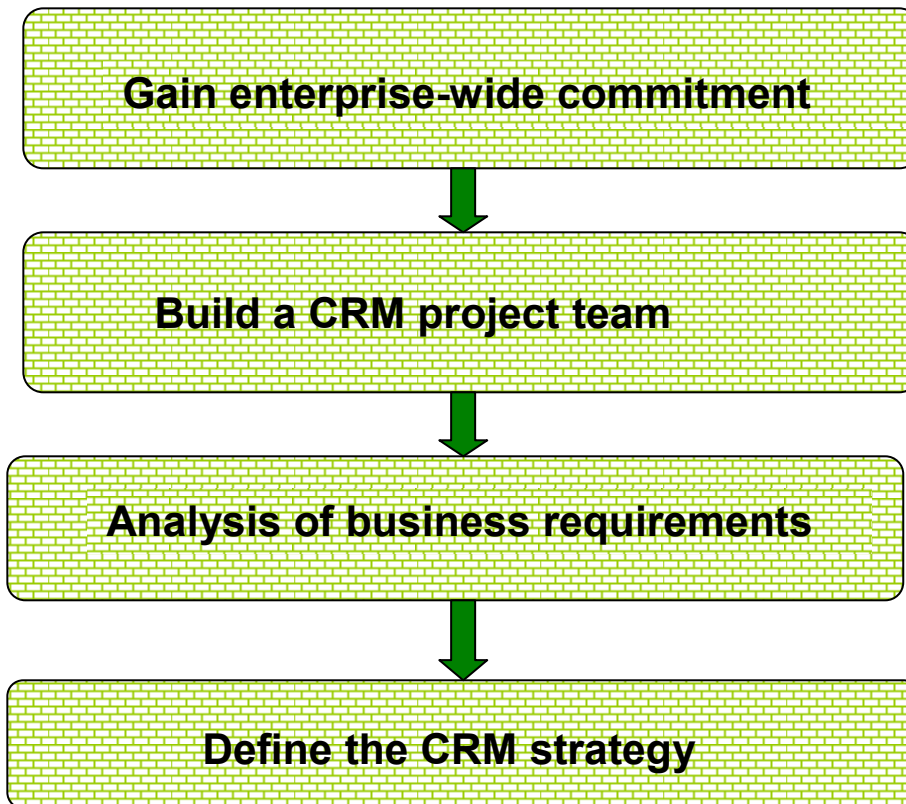
CRM at Work: Capital One Testing New Products

- Credit card business - uses “poking the bear” approach
 - learns what customer characteristics might be a predictor of their risk profile
 - adjusts its product offering to the customer’s risk
- Offering higher credit line might make customers with higher default risk respond more favorably thereby revealing their higher risk
- Hypotheses on customer characteristics are developed and used to run experiments to test what characteristics best correlate with utilization and risk profiles.
- Response rates and behavior during first months of using the card are carefully monitored - this data is used to determine the value of each mailing

CRM at Work: Capital One Testing New Products (contd.)

- As soon as the results of tests are clear, the viability of new products is assessed and the potentially successful ones are rolled out
- As product development is based on customer data and feedback, final products are mass customized
- Test results are integrated into the databases and used again to initiate the process of idea development and product design
- Result: This strategy led to an innovative product portfolio of more than 600 credit card products which are very well aligned with diverse customer needs

Steps in Developing a CRM Strategy



Step One: Gain Enterprise-wide Commitment

- Top-down management commitment
- Bottom-up buy-in from system users
- Dedicated full-time project team
- Budget allocation for the total solution

Step Two: Build A CRM Project Team

Obtain active representation from:

- Management - Provide leadership, motivation and supervision
- Information services/ technical personnel - Ensure CRM system compatible with existing software applications
- Sales, marketing and services groups - Evaluate usability of CRM system based on effectiveness, efficiency and satisfaction
- Financial staff - Provide critical analysis for assessment of increased sales productivity, evaluation of operating costs, estimated cost of system expansion and ROI projections
- External CRM expert - Provide a valuable source of objective information and feedback

Step Three-Analysis of Business Requirements

Gathering information to:

- Identify the services and products that are being supported
- Map current workflows, interfaces, and inter-dependencies
- Review existing technologies, features and capabilities
- Discuss the vision for the business and the operational plan
- Define business requirements

Step Three (contd.)

- Develop enhanced business workflows and processes
- Identify gaps in technology functionality
- Map functionality to business processes
- Develop a new technology and functionality framework
- Develop a conceptual design and prototype plan

Step Four: Define the CRM Strategy

A Defined CRM Strategy



- a. Value Proposition
- b. Business case
- c. Customer strategy
- d. Enterprise transformation plan
- e. Other stakeholders

The Value Proposition

- Multi-faceted package of product, service, process, price, communication, and interaction that customers experience in their relationships with a company

Areas to be addressed:

- What the customers value – what the company should focus on
- What the company saves it offers the customers

Business Case

- Directly link delivery of customer value with creation of shareholder value
- Ensure acceptable ROI
- Addresses:
 - Planned increase in economic value of customers over the duration of their relationship with the company
 - Reference and referral effects-increased investment in customer satisfaction resulting in increased customer acquisition
 - Impact of learning and innovation- reduce cost incurred through higher marketing effectiveness and improved products and services

Customer Strategy

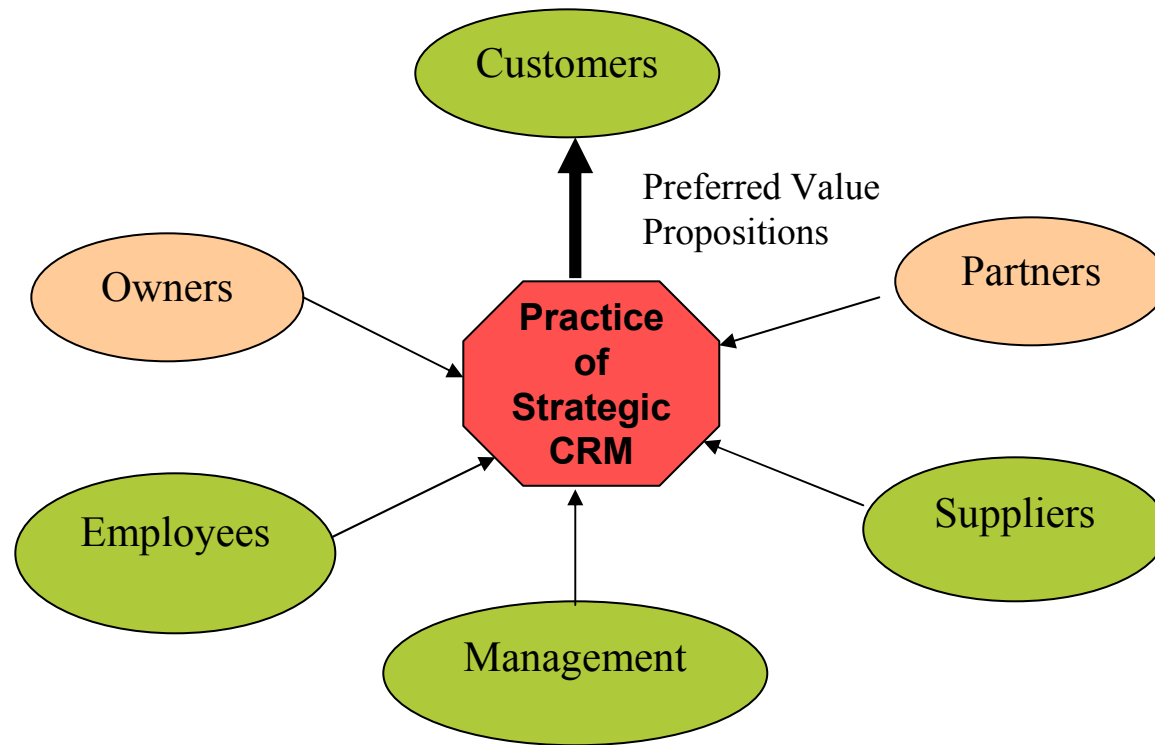
- Defines how the company will build and manage a portfolio of customers
- Covers:
 - Customer understanding - Customers benchmark expectations against past experience and best-in-class standards
 - Customer competitive context - awareness of competitor's services and how to increase customer share

Enterprise Transformation Plan

Covers:

- Business process
- Organization
- Location and facilities
- Data flows
- Application architecture
- Technology infrastructure

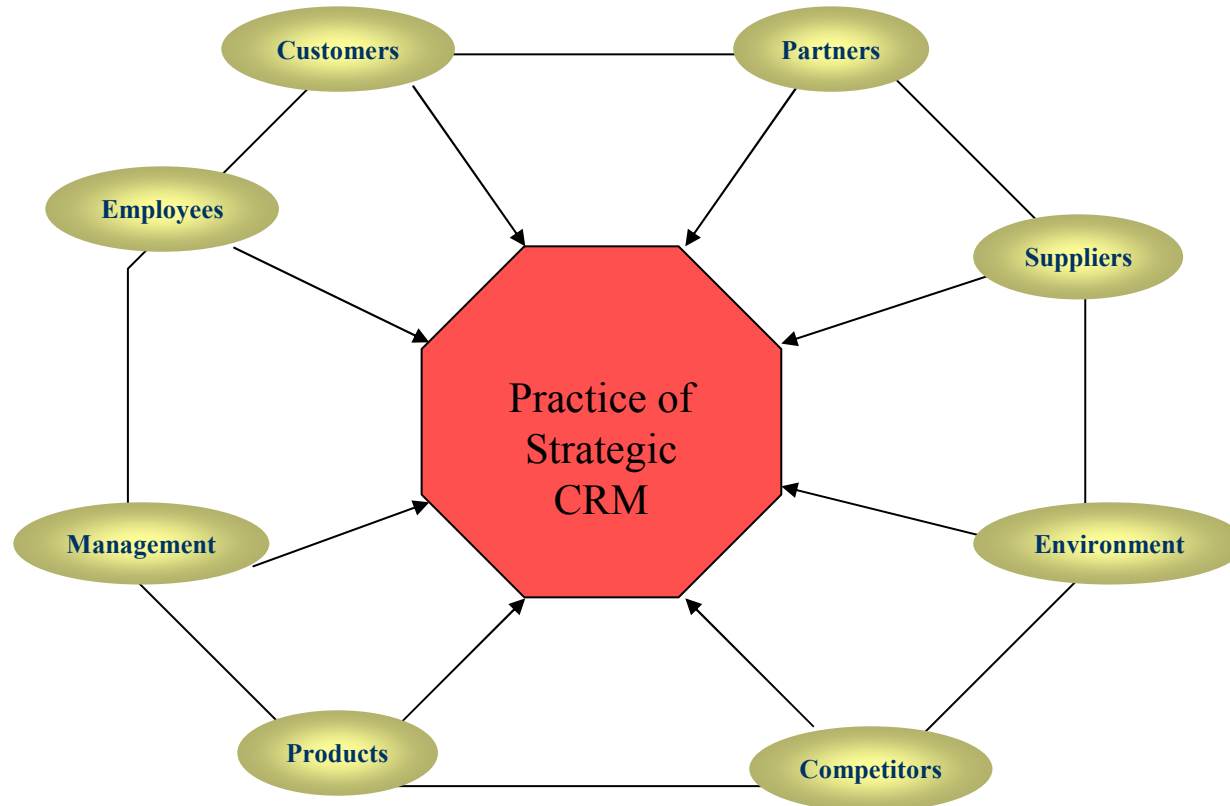
Key Stakeholders of Strategic CRM



Other Stakeholders

- Important stakeholders of a company : management, customers, suppliers, employees, and partners in addition to owners/stockholders
- Exceptions where the customer may not be the most important constituency:
 - In industries where customers derive satisfaction mostly by interacting with employees. such as airline and hotel

Strategic CRM Framework



Suppliers

- All those who contribute to a company's value chain, including suppliers of
 - Raw material
 - Components
 - Technologies
 - Money
 - People
 - Knowledge
- For total quality management, often strategic, long-term, and more interactive relationships with fewer suppliers

Suppliers (contd.)

- Benefits of relationship-oriented supply chain management
 - Improved communication, quicker problem resolution and closer cooperation, suppliers more responsive to purchasing companies' special needs
 - Reduced purchase costs due to elimination of cost for search of new suppliers
 - Reduced cost per transaction because of aligned information management system and simplified transaction process with strategic and long-term suppliers
 - More cooperation between companies and suppliers in terms of information sharing and development of new products

Owners/investors

- Options to increase long-term oriented investors:
 - Educate current investors
 - Shift investor mix toward institutions that avoid investment churn
 - Attract the right kind of core owner
 - Take the company into private ownership

Employees

- CRM Strategy is increasing employee satisfaction to increase customer satisfaction
- Internal Marketing (IM)-treating employees as if they were customers- involves:
 - Improving management style
 - Improving recruitment practices
 - Integrating all employees into the planning cycle
 - Refocusing training on interactive and service skills
 - Open communication lines and empowerment of front-line staff

CRM Implementation at IBM

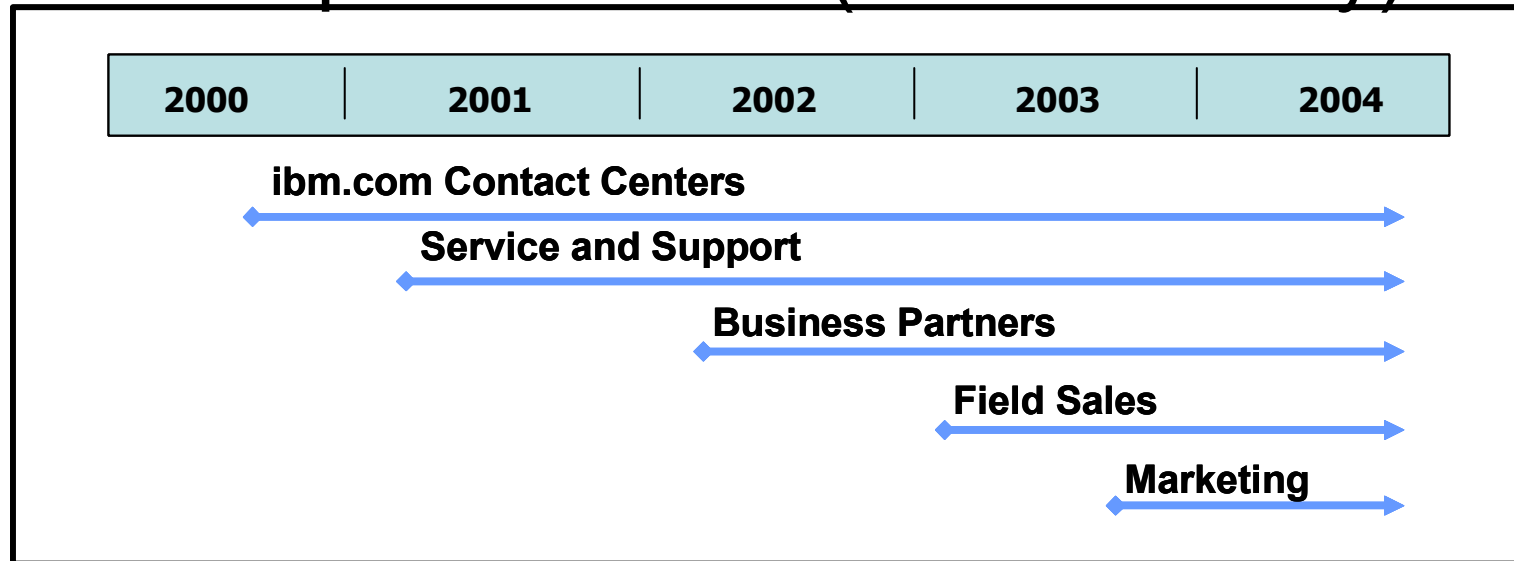
- Objectives:
 - Share information and collaborate easily internally and across the entire value chain
 - Focus on core capabilities while shedding less profitable or non-strategic business activities
 - Build a fully integrated IT infrastructure to support the business vision and reduce the total cost of operations
 - Streamline and integrate customer facing operations - sales, marketing and customer service
 - Strengthen the brand image across all lines of business
 - Offer full-scale solutions for the client, instead of multiple products

Implementation Stages

- Initial Stages –
 - Opportunity management (1993-2000)
 - Development of in-house application
 - Starting point- Opportunity management in customer acquisition phase of a sales cycle
 - Company developed 'Virtual Machine'-a host-driven IBM application
 - Identification of opportunities, ways of tracking them and storing information of winning conditions
 - Storage of data, such as pricing, inventory, and customer master record, provided by the Marketing department
 - Customer segmentation based on size of the company and industry, and customer needs and geography
 - Collected information used to drive marketing campaigns
 - Motivation of employees : E.g.: Training programs

Implementation Stages (contd.)

- Siebel Implementation (2000 – Today)



The modules of Siebel CRM software that IBM has implemented and is planning to implement are Sales, Call Center, Marketing, Field Service, Service, e-Channel, e-Marketing, e-Service, and General e-Business

IBM Case Summary



- Creation of On-Demand Operating Environment: competitive advantage facilitated by CRM
- Integrated process management through CRM: allows instant updates about inventory levels, customer complaints and latest recommendations



IBM Case Summary (contd.)

- IBM estimates that its internal CRM implementation has delivered benefits of \$2 billion cost reductions, 22% productivity improvement, significant IT cost avoidance, reduced sales staff requirements, and improved management reporting
- In 2004, IBM has implemented the worlds' largest CRM application with 60,000 users linked with Siebel
- In 2005, it is expected that more than 80,000 employees, thousands of business partners and millions of IBM customers, will use the system

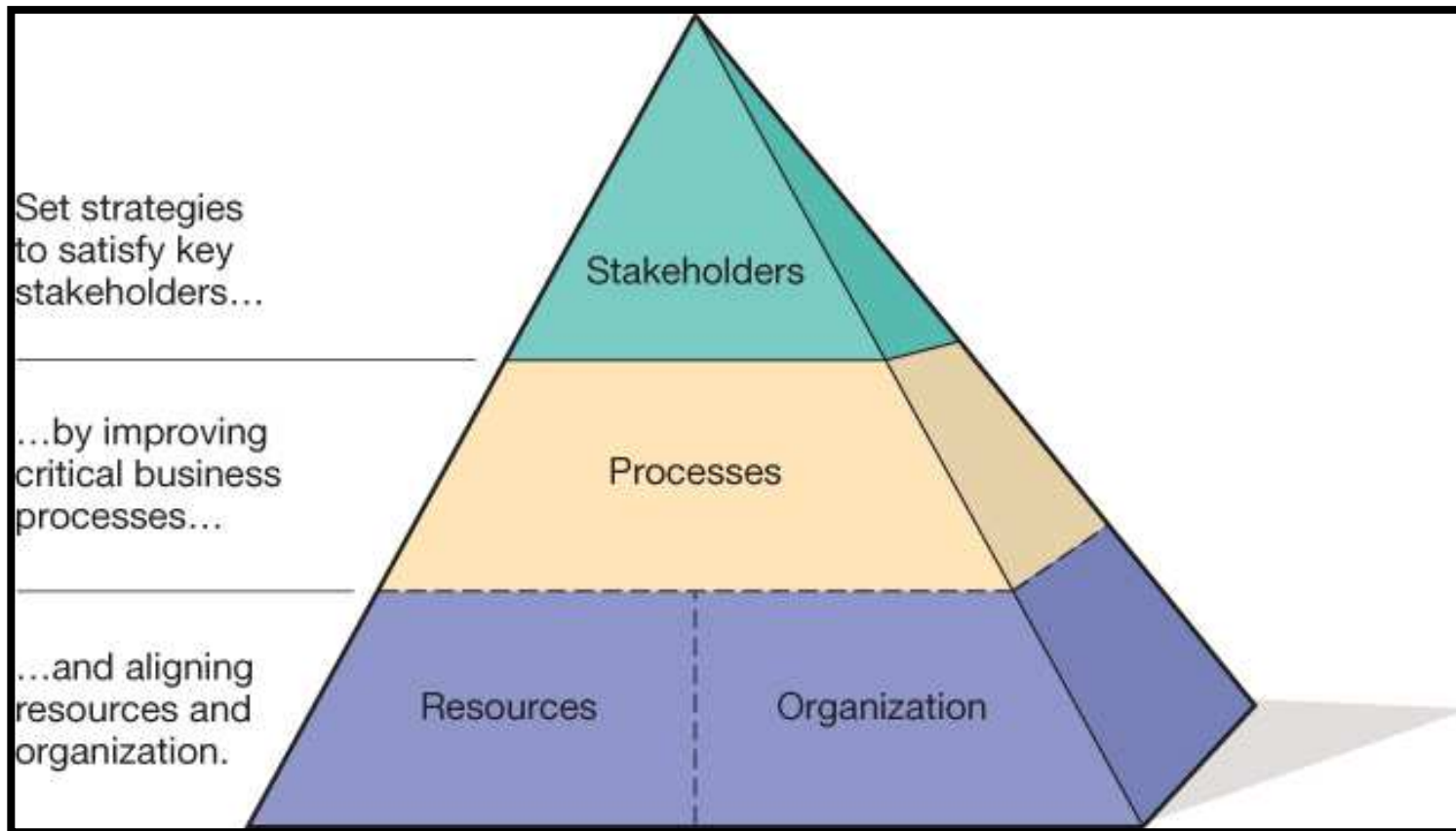
Key Lessons From IBM

- Genuine top-level support within the organization is essential
- Without the cooperation of each business unit, an enterprise-wide implementation like CRM is not possible
- Data cleansing at the initial stages of an implementation is crucial
- CRM training time should be planned well in advance, and managed carefully
- CRM implementations come with extensive business process reengineering and change management initiatives

Summary

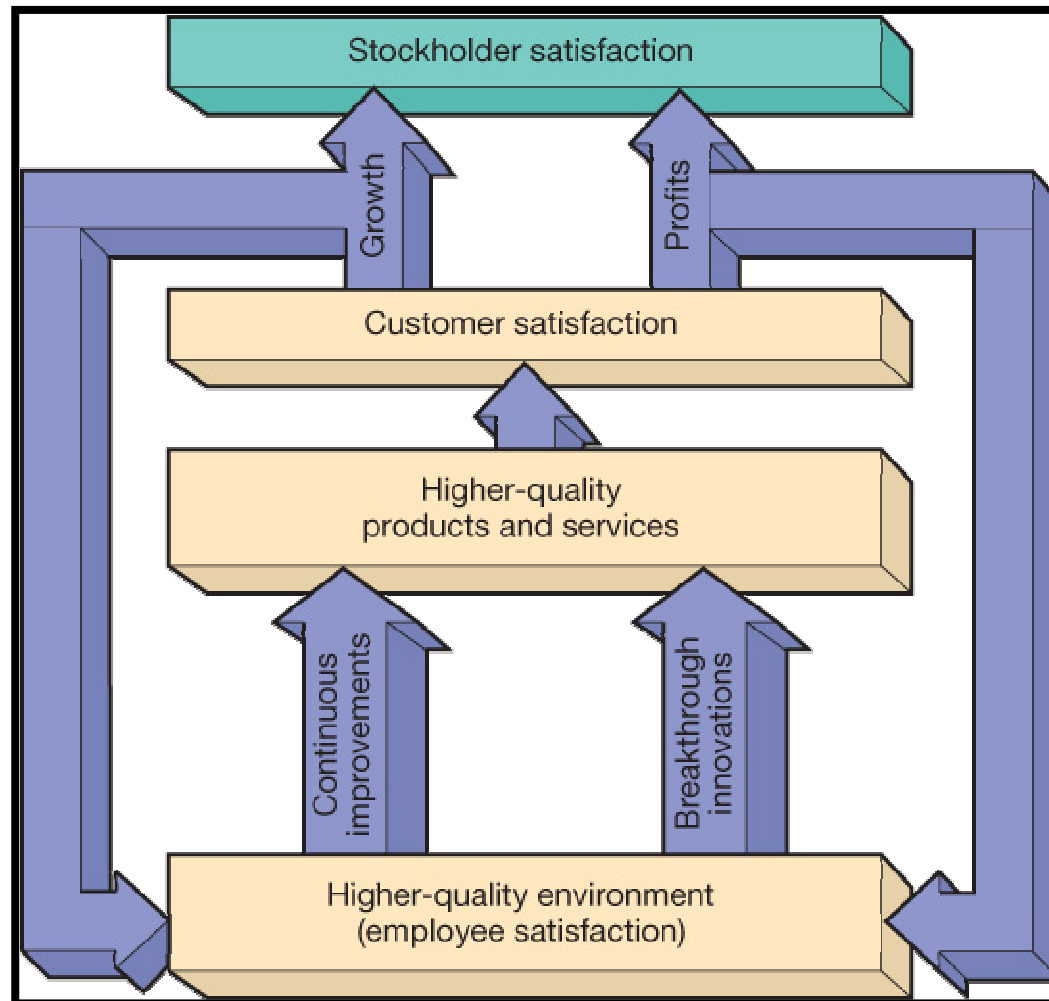
- Strategic CRM focuses on shaping the interactions between the firm and its customers in a way that facilitates maximizing the lifetime value of the customer to the firm
- Business case for CRM determines whether an investment in CRM meets its expectations by linking the delivery of customer value with the creation of shareholder value, or ROI
- CRM strategy calls for a transformation in business process, organization, location and facilities, data flows, application architecture and technology infrastructure

The High Performance Business



(Excerpted from the first quarter 1992 issue of *Prism*, the quarterly journal for senior managers, published by Arthur D. Little, Inc.)

Dynamic Relationships Among Stakeholder Groups in High Performance Businesses



(Excerpted from the fourth quarter 1992 issue of *Prism*, the quarterly journal for senior managers, published by Arthur D. Little, Inc.)

Corporate Strategic Planning

- Corporate headquarters sets planning process into motion
- Greater need for empowerment of employees
- Space industries are international and multi-cultural

Defining the Corporate Mission

- Mission is shaped by History
- Resources determine possibilities
- Mission should be based on distinctive competencies

Competitive Scopes

- **Industry** scope – range of industries that the company will consider
- **Products and applications** scope – range of products and applications in which the company will participate
- **Competencies** scope – range of technological and other core competencies the company will master and leverage

Competitive Scopes

- **Market-segment** scope – the type of market or customers the company will serve
- **Vertical** scope – the number of channel levels from raw materials to final product and distribution in which the company will engage
- **Geographic** scope – the range of regions, countries or country groups where the corporation will operate

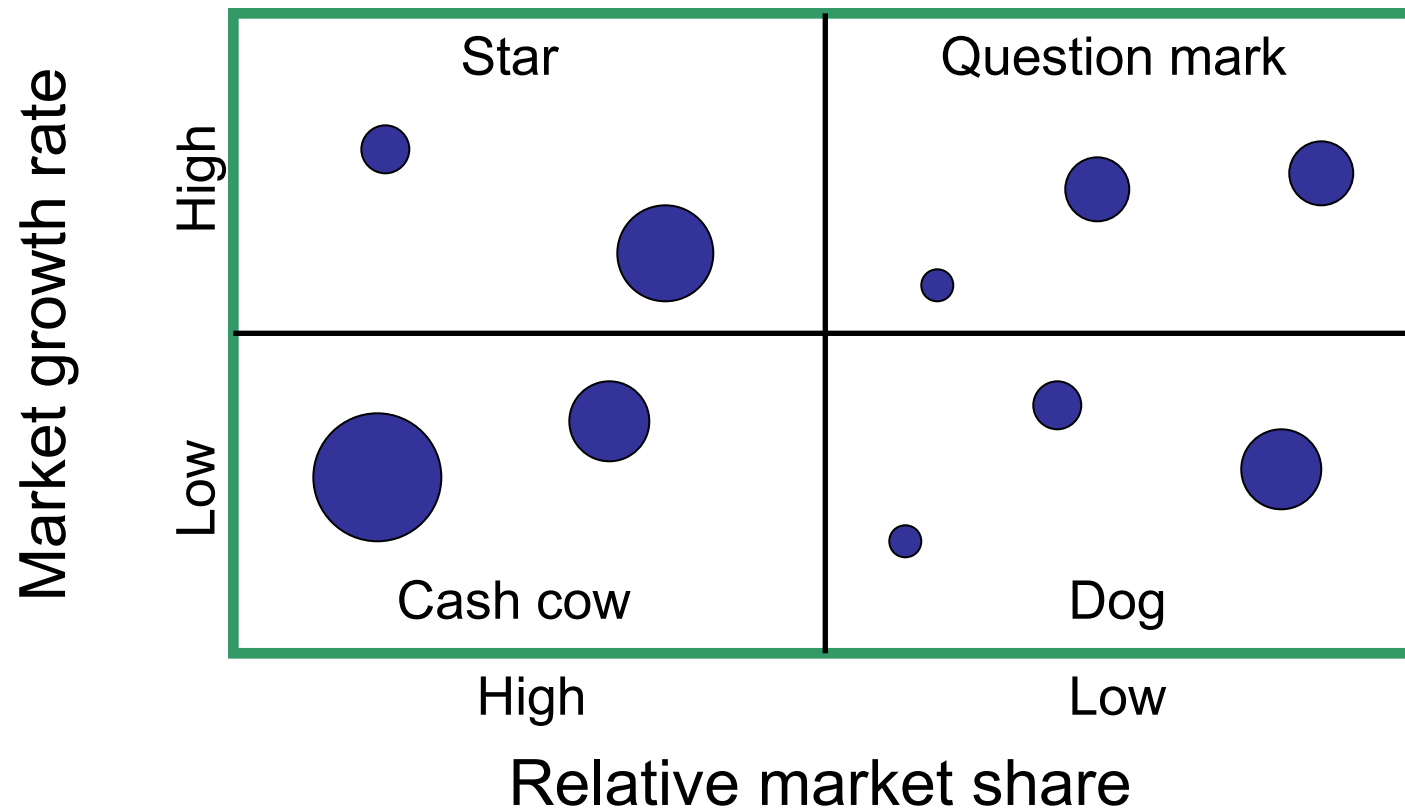
Establishing Strategic Business Units

- A single business or a collection of related businesses that can be planned for separately from the rest of the company
- It has its own set of competencies
- It has a manager who is responsible for

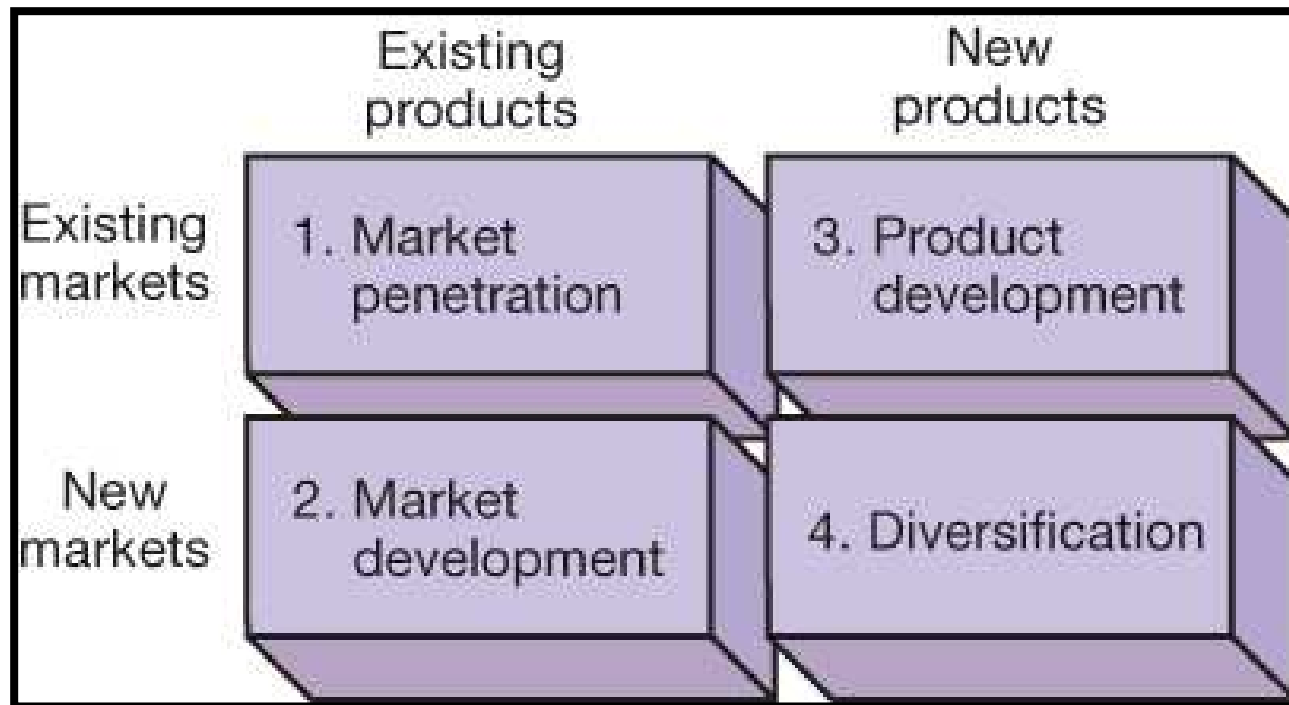
Assigning Resources to Each SBU

Analytical tools, such as the Boston Consulting Group (BCG) model, are used to classify businesses by profit potential

BCG Growth-Share Matrix



Developing Growth Strategies



Diversification Growth

- Concentric diversification strategy
- Horizontal diversification strategy
- Conglomerate diversification strategy

Integrative Growth

- Backward integration (acquiring a supplier)
- Forward integration (acquiring distributor of your product)
- Horizontal integration (acquiring a competitor)

Business Strategy Planning

- Business Mission
- SWOT Analysis
 - Strengths, Weaknesses, Opportunities, Threats

Business Strategy Planning

- Internal Environment Analysis
 - (Strengths and Weaknesses Analysis)
- External Environmental Analysis
 - (Opportunities and Threats Analysis)

Business Strategy Planning

- Goal Formulation
 - Arrange from most to least important
 - State quantitatively
 - Measurable and realistic
 - Consistent

Business Strategy Planning

- Strategy Formulation
- Strategies are the paths to goals
- 3 generic types
 - Overall cost leadership
 - Differentiation
 - Focus

Business Strategy Planning

- Strategic Alliances – cooperative agreements between organizations that allow them to benefit from each other's strengths
- What are some strategic alliances in the hospitality and tourism industry?

Business Strategy Planning

- Program formulation
 - Formulate programs that support the strategy
- Implementation
 - To implement strategy, required resources and employee buy-in are necessary
- Feedback and Control
 - Track results and monitor new developments

Business Strategy Planning

- Unique Challenges of the hotel industry complicate the process of strategic planning
 - Major chains commonly do not own all properties that they manage
 - Owners of hotel-resorts often show little interest or knowledge of their property (ego-capital concept)
 - Professional managers often are not trained in strategic planning
 - Global strategic alliances may further complicate the planning process

- **Strategic Relationship Marketing:**
 - *Marketing activities that affect corporate, business, and marketing strategic plans.*



International Relationship Marketing

- **Relationship Marketing :**
 - Relates to specific International marketing strategies.
- **Networks:**
 - *Comprise strategic alliances among suppliers, distributors, and the marketing firm.*

Best Practices

- Howard Schultz brings the European coffee experience to America via Starbucks
- Focus on growth, new products, new retail channels to stave off competition

Best Practices in Strategic Planning

- What did they do?
 - The Inn on Biltmore Estates
 - Tricon Global Restaurants (Yum Brands)
 - Jack in the Box
 - The Las Vegas Hilton
 - Hyatt Hotels
 - Boston Greater Convention and Visitors Bureau

Key Terms

- Ansoff product–market expansion grid
- Backward integration
- Competencies scope
- Concentric diversification strategy

Key Terms

- Conglomerate diversification strategy
- Corporate mission statement
- Forward integration
- Geographic scope

Key Terms

- Growth–share matrix
- Horizontal diversification strategy
- Horizontal integration
- Industry scope

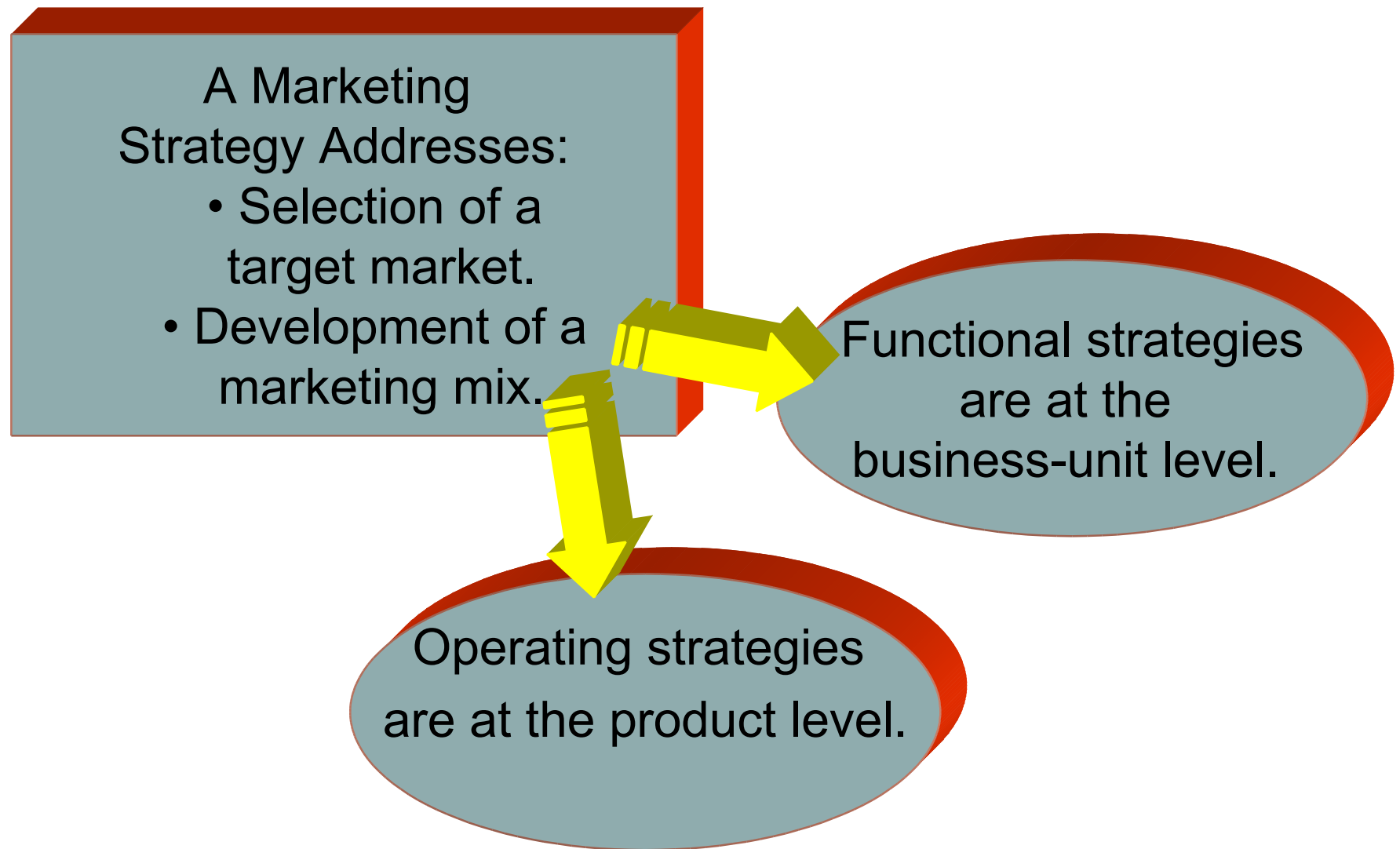
Key Terms

- Macroenvironmental forces
- Microenvironmental forces
- Marketing opportunity
- Market-oriented strategic planning

Key Terms

- Market-segment scope
- Products and applications
- Strategic alliances
- Strategic business units (SBUs)
- Vertical scope

Marketing Strategy Decisions



Business & Product Marketing Strategies

Decision Area	Business Marketing Strategy	Product Marketing Strategy
Target market	Segmented or mass approach	Specific definition of target market
Product	Number of different products	Specific features of each product
Price	General competitive price level	Specific price
Distribution	General distribution policy	Specific distributions
Marketing communications	General emphasis on marketing communications tools	Specific marketing communications program

International Marketing Strategies

- **Entry Strategy:**
 - *The approach used to market products in an international market.*
- The Basic Options:
 - Exporting
 - Joint Ventures
 - Direct Investment

International Marketing Strategies

Standardized Marketing Strategy:

The same product, price, distribution, & promotion programs in all international markets (Transaction Marketing)

Customized Marketing Strategy:

A different marketing mix for each target market country (Relationship Marketing)

Executing Strategic Plans with Teamwork

1. **Cross-Functional Teamwork**
2. **Marketing Teamwork**
3. **Co-Marketing Alliances**



Business Function Orientations

Function	Basic Orientation
Marketing	<i>To attract and retain customers</i>
Production	<i>To produce products at lowest cost</i>
Finance	<i>To keep within budgets</i>
Accounting	<i>To standardize financial reports</i>
Purchasing	<i>To purchase products at lowest cost</i>
R&D	<i>To develop newest technologies</i>
Engineering	<i>To design product specifications</i>