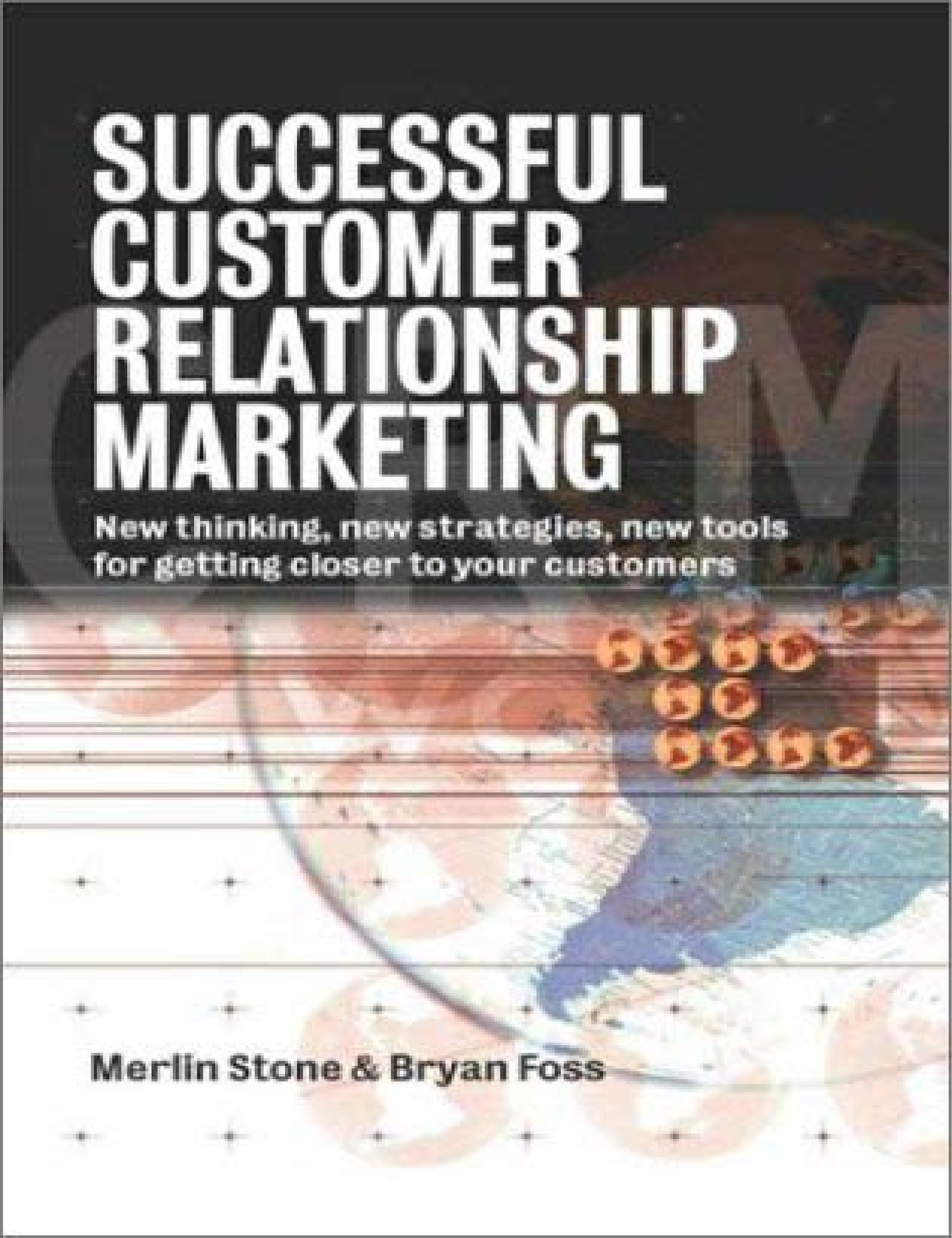

SUCCESSFUL CUSTOMER RELATIONSHIP MARKETING

New thinking, new strategies, new tools
for getting closer to your customers

Merlin Stone & Bryan Foss

Successful Customer Relationship Marketing

Bryan Foss

To my wife Carol and my children Simon and Helen for always being there,
and to the extended Foss family for their long-term interest in and
support for my personal achievements.

Merlin Stone

To my wife Ofra and my daughters Maya and Talya, who somehow
are still talking to me!

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About the authors

Bryan Foss

Bryan Foss is Customer Loyalty Solutions Executive within IBM Global Financial Services, and is currently leading an IBM business providing and integrating application-based CRM solutions for financial services companies worldwide. Typical B2C and B2B projects have included pragmatic customer management consulting (data warehouse and marketing database build, data analysis and data mining) and integrated customer campaign communications (including contact centre, Web and mobile e-business).

Bryan works primarily with key insurance and financial services companies globally, including large and innovative companies, composites and new directs. Prior to his global market management and solution development and delivery role, he was responsible for IBM's business relationship with the Prudential Corporation, worldwide, over a six-year period. Previous experience in financial services also includes a similar period spent working as IBM's technical management contact with American Express card and travel services, supporting all non-US operations.

His qualifications include an Executive MBA from London City University Business School focused on financial services marketing and CRM, Chartered Marketer and Fellow of the Chartered Institute of Marketing (CFCIM), postgraduate Diploma in Marketing (DipM), Chartered Engineer (C Eng Information Systems) and Member of the British Computer Society (MBCS), with Certified Diploma in Accounting and Finance (C Dip AF Certified Accountancy).

Bryan has represented IBM on the MBA advisory boards of City and Surrey Universities, is IT editor of the *Journal of Financial Services Marketing* and a co-author of Policy Publications' 'Close to the Customer' executive briefing series and the *Financial Times* CRM report. He contributed the 'Systems and Data' chapter to Merlin Stone's *Up Close and Personal?: CRM @ Work* (Kogan Page, 2000) and is a frequent presenter at CRM and financial services conferences in the UK and elsewhere.

Professor Merlin Stone

Merlin is the IBM Professor of Relationship Marketing at Bristol Business School – one of the UK's leading centres for academic research into relationship marketing and e-business. He is an Executive Consultant with IBM's Business Innovation Services, Finance Sector. He is also a director of QCi Ltd, specialists in customer management consulting and assessment, and suppliers of CMATÄ – the Customer Management Assessment Tool (software and benchmarks for assessing a company's CRM performance) – for which IBM is a leading agent.

His consulting experience covers many sectors, including financial services, utilities, telecommunications, travel and transport, retailing, automotive, energy and IT. His research is published in a series of IBM-sponsored briefings, 'Close to the Customer', which is published by Policy Publications. He is the author of many articles and 18 books on marketing and customer service. His latest books are *Up Close & Personal?*: *CRM @ Work* and *Customer Relationship Marketing*, both of which are sponsored by IBM and published by Kogan Page.

Merlin is one of the authors of QCi's report on the first two years of using CMATÄ, *The Customer Management Scorecard*, which is published by Business Intelligence and sponsored by IBM and Royal Mail.

He coordinates the IBM-sponsored Customer Management Group, a club of large customer database users, services suppliers and academics interested in this area. He is a Founder Member of the Institute of Direct Marketing and a Fellow of the Chartered Institute of Marketing. Merlin is also on the editorial advisory boards of the *Journal of Financial Services Marketing*, the *Journal of Database Marketing*, the *Journal of Targeting, Measurement and Analysis for Marketing*, the *Journal of Interactive Marketing* (the journal of the Institute of Direct Marketing), and the Journal of *Selling & Major Account Management*.

He has a first-class honours degree and doctorate in economics.

List of contributors

IBM contributors

Julie Abbott, EMEA Influencer Manager, BI Marketing

Edward Ben-Nathan, Senior Consultant, Global Consumer Packaged Goods Industry

Kumar Bhaskaran, Enterprise Solutions Research, E-commerce and the Supply Chain

Mark Cerasale, Management Consultant

Kevin Condron, EMEA Marketing Manager, GBIS

Colin Devonport, CRM Market Manager, IBM WebSphere

Steve Dickey, Manager, IGS E-business Enablement, Relationship Management and Strategy

John Griffiths, Senior Consultant

Rich Harvey, W W Financial Services Sector Executive, Sell & Support Solutions

Richard Lowrie, Global Thought Leadership Executive, FSS

Alla Main, E-business Consultant

Jonathan Miller, Senior Solutions Specialist

Doug Morrison, Senior Consultant, Business Intelligence, IBM Global Services Australia

John Mullaly, Industry Consultant, Travel & Transport

Brian Scheld, Managing Principal, IBM Business Innovation Services (Global Services)

David Selby, Senior Data Sciences Consultant

Harvey Thompson, Managing Principal, Customer Relationship Executive Consulting (now retired)

Richard Whitaker, Global Integrated Marketing Communications Manager, Travel & Transport

Other contributors

Alison Bond, Partner, ABA Research

Francis Buttle, Littlewoods Professor of Customer Relationship Management, Manchester Business School

Dave Cox, Managing Director, Swallow Information Systems Ltd

Chris Field, Retail journalist

Tess Harris, Marketing Director, Specs2go Ltd

Liz Machtynger, Senior manager, Customer Management, Mummert + Partner UK Ltd

Richard Sharman, Manager, Siemens Ltd

Roy Sheridan, Managing Director, Viewscast Ltd

Dania Spier, Consultant, KPMG

Michael Starkey, Senior Lecturer in Marketing, De Montfort University

Tim Virdee, European Sales Director, Consodata

Paul Weston, Director, QCi Ltd

Neil Woodcock, Chairman, QCi Ltd

Preface

The last few years have seen an outpouring of books and articles on the subject of customer relationship marketing (CRM). During these years, we have carried out a programme of research, sponsored by IBM and other companies, examining different aspects of CRM – overall and in specific industries.

The research is led by Merlin Stone, strongly supported by Bryan Foss and others at IBM and the Directors of QCi Ltd, specialists in customer management consulting and assessment. This research has been published in various ways including white papers and articles in the academic and professional press.

We felt that it was time to publish this material in one book, partly because so many people ask us whether we have brought all our work together. This book is therefore an edited summary of our thinking on a variety of topics in CRM. It covers most topics and all sectors. Much of our research has concerned the financial services sector, and we decided that because we had so much material on this sector it merited a separate book (our next publishing project), although financial services examples still occur frequently in this book.

The theoretical and empirical foundations for this book are contained in two previous books of which Merlin Stone is co-author. These are: *Up Close & Personal: CRM @ Work*, by Paul Gamble, Merlin Stone and Neil Woodcock (Kogan Page 1999), and *Customer Relationship Marketing*, by Merlin Stone, Neil Woodcock and Liz Machtynger (Kogan Page 2000). The most recent empirical work that our extended research team has produced is *The Customer Management Scorecard*, by Michael Starkey, Neil Woodcock and Merlin Stone (Business

Intelligence 2000) – a report that summarizes the outcomes of our work with QCi's Customer Management Assessment Tool (CMAT). Some of the scores from CMAT are also analysed in this book.

This book is divided into four sections, as follows:

1. Knowledge of CRM and customers.
2. Strategy and technology.
3. Implementation.
4. Sector studies.

The detailed coverage is as follows:

PART 1. KNOWLEDGE OF CRM AND CUSTOMERS

This part considers some key issues that relate to how companies interpret and make use of data about customers.

Chapter 1 defines CRM as a series of processes, and shows how the quality of CRM can be measured, and then correlated with business performance.

Chapter 2 contains a study of the extent to which CRM data is used in practice.

Chapter 3 focuses on strategic data analysis for CRM. It considers two of the key dimensions of marketing data analysis – customer and product, and some approaches to segmentation.

Chapter 4 covers data mining. It defines data warehousing and data mining, considers how it can be used in CRM and gives some examples of patterns of customer behaviour discovered through data mining.

Chapter 5 contains a comprehensive listing of the kinds of analysis required for successful CRM.

Chapter 6 discusses the issues involved in sharing customer data within the value chain, including reasons why companies should or should not share customer data, and the results of a survey on this question.

PART 2. STRATEGY AND TECHNOLOGY

This part examines how our view of CRM is being altered by e-business thinking and by new technologies for managing customers, wherever they are. However, the classic areas of CRM technology (eg call centres, customer database) have not been covered in detail, as these are covered comprehensively in our previous books.

Chapter 7 is an updated version of our original chapter on systems in *Up Close & Personal*. It focuses primarily on CRM systems architecture and systems integration.