

## *Customer Relationship Marketing*

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Remember when there were just the four 'P's of marketing – product, price, place, and promotion – the marketing mix? These were the levers the marketer could pull to influence demand and to gain competitive advantage.

But used lazily, marketing could become something you did to a market, and the customers might be mere statistics bound up in neat, but impersonal, segments. Somewhere along the line, some marketers forgot about the people..

FMCG marketers in particular could fall foul, ignoring individuals, selling 'take it or leave it packages to segments'.

Business to business and service marketers couldn't afford to go down that route – they knew that a segment never bought anything; people did that.

Now everyone is waking up to the importance of the individual, and it is due to the possibilities opened up by IT, the Internet, and E-Commerce.

Knowledge of customers can be increasingly individualised, at low cost, and with amazing potential for learning about needs, perceptions, and opportunities for competitive advantage.

For business to business and service marketers the potential for individual customer contact is less revolutionary, but the technology allows them to act on that contact like never before.

### *Marketing or Management?*

CRM comes in many forms and guises, with a confusion over the two terms – CR Marketing or CR Management.

The proponents of CR Marketing focus on the significance of relationships as a means to influencing customer decisions and the need to align the business behind key customers.

The proponents of CR Management focus on processes for capturing data on customers and using that knowledge to develop propositions.

### *CRM and the IT revolution*

CRM at its simplest is the recognition of the importance of the relationship in building customer loyalty. In Business to Business markets this is the realm of Key Account Management and the pursuit of 'diamond relationships' intended to enhance the suppliers knowledge of the customer's business.

Beyond that, the IT revolution allows CRM to harvest the wealth of information provided through customer transactions. Every transaction has the possibility of yielding information on the customers' needs and perceptions, their interests, their spending habits, their decision making process, and how profitable they are.

A supermarket yields vast amounts of data from the transactions at the till – bar codes tell them what is sold and when, and loyalty cards link that to who is buying. At the very least this can be used for forecasting, but more value can be extracted from the knowledge by establishing relationships direct with customers.

It is the Internet of course, which provides the step change in all this. Any business that sells through the Internet has the prospect of knowledge about its customers available only to the largest companies with the largest market research budgets, and the option to act on that knowledge.

### *Acting on the knowledge*

The most important step of CRM is of course to do something with this information, from designing loyalty programmes (frequent flyer or retailer loyalty card) to redesigning the offer. And now the prospect for individual customisation comes within the realm of possibilities.

One of the ironies of the Internet is the way that it allows a multinational business to forge the kind of relationships that were once open only to 'local' suppliers.

First there is the Website – and if that is all there is to the strategy then this is just a low cost form of promotion, one of the old 'P's.

Next comes use of the medium for ordering, all of a sudden your distribution and logistics are turned upside down. The successful e-traders will not be those with the fanciest web sites, but those with the best ability to meet the demand and deliver the goods – 'P' for place.

Beyond simple e-commerce comes the realm of genuine e-business, where the customer is allowed access to the supply chain, to check on availability, to monitor progress of an order, to register complaints, etc.

At the end of this spectrum comes the prospect of customers designing their own product, not just menu selection, but actual design. Now the whole marketing mix is engaged.

### *The benefits*

For the supplier that can engage their customers in these electronic relationships, the benefits might include: customer loyalty and repeat purchase (probably from the most profitable customers), depth of insight into customer needs and perceptions, faster response to NPD and proposition initiatives, competitive advantage through service offers, input into product design, and more.

### *Two last thoughts*

1. Don't forget the basics. The best systems of data capture and the smartest application to customer propositions will come crashing down if you fail to provide the logistics and customer service required to deliver the product.
2. New channels of supply will impact on old ones. If a retailer succeeds in building a loyal relationship with the cash rich but time poor consumers that they covet, what of their stores now devoid of these high spenders? CRM could turn a retail business's priorities upside down – with the loyal customer as the valued asset, not the bricks and mortar.