



CRM & LOYALTY

Consumer Influence Tactics

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TARGET, ATTRACT, TRANSACT™

HUMANISTIC DECISION PROCESS:

"PROBLEM RECOGNITION"

"INFORMATION SEARCH"

"EVALUATION OF ALTERNATIVES"

"PURCHASE DECISION"

"POST PURCHASE BEHAVIOR"

OVERVIEW: CUSTOMER RELATIONSHIP MANAGEMENT

Effective CRM or Loyalty efforts begin with a basic premise that a trusting relationship must be established and where an exchange can take place that is perceived as valuable to both parties. These exchanges can be commerce oriented (up-sell or cross-sell of the manufacturer's products) or information oriented (survey/opinion polls, market research, product usage information, etc).

The relationship between manufacturers and consumers usually involves competing interests. The first interaction is during the purchase process, the customer seeks the lowest possible price, whilst the manufacturer is trying to maximize gross profit margin. The second interaction is after the sale when a customer has a support or warranty problem. In this case, the customer may want to return the product whilst the manufacturer seeks to avoid a product return. Thus, for the manufacturer to build a positive exchange with the customer, it must invest in a value exchange that makes the customer feel special over time. By delivering product advice/tips, discount offers, and seeking customer input/opinions, a manufacturer can build an ongoing relationship with the customer that can translate into future sales.

DEFINITION:

CRM (Customer Relationship Management) is a set of actions that build an ongoing relationship between a manufacturer and its customers, producing increases in (i) decreased price sensitivity, (ii) customer purchase volume, and (iii) new customer referrals.

BENEFITS:

The benefit of successful CRM is a lower cost of sales. By nurturing customer relationships, CRM can also improve brand equity, brand loyalty and brand advocacy.

IMPORTANCE:

The importance of CRM is to recognize that the cost of acquiring new customers is up to 7 times more expensive than retaining the existing customer. By building meaningful relationships with the existing customer base, manufacturers can increase sales without having to increase market share. In highly competitive markets, customer retention is the key to growing profits and protecting market share.

BUILDING BLOCKS OF CRM AND LOYALTY:

The basic process of building a CRM strategy includes (i) creating a customer data base, (ii) segmenting the data base into actionable groups of customers with similar attributes/interests, (iii) contacting customers with information that is relevant and in a way that they will respond, and (iv) nurturing the customer.

The first step is the database and what most manufacturers fail to realize is that a quality database can be constructed via existing contact points with customers and/or by introducing promotion models that require the customer to interact with the brand. Its not rocket science, nor does it require a million Euro budget. Chimaera have novel ways for manufacturers to collect valuable information (legally, and with full customer permission) to begin the CRM process. The next step is to group customers based on demographics, interests, purchase patterns, or other useful criteria that can be applied. This step allows the manufacturer to identify groups of common customers for which a contact strategy can be targeted. Once a CRM database is segmented (based on usage, demographics, purchase patterns, etc.) a communication strategy can be developed that takes into account the following components: Message, Medium, and Frequency.

Below is an illustration of approaches for implementing CRM. As you move from left to right, the amount of personalization increases from general audience messaging to "market of one" messaging for the individual.

	Good	Better	Best
Message	- Opinion Research - Product Info (general) - Special Offers (general)	- Opinion Research - Product Info (segmented) - Special Offers (segmented)	- Opinion Research - Product Info (personalized) - Special Offers (personalized)
Medium	Email (generic, single version)	Email (segment-specific versions)	Email (personalized)
Frequency	Quarterly	Monthly scheduling, based on customer preference	Weekly scheduling, based on customer preference

The key point is that CRM need not be frightening nor expensive. Effective CRM does take commitment, but you can begin for less investment that you might think. Let us show you how to begin connecting with your customers.