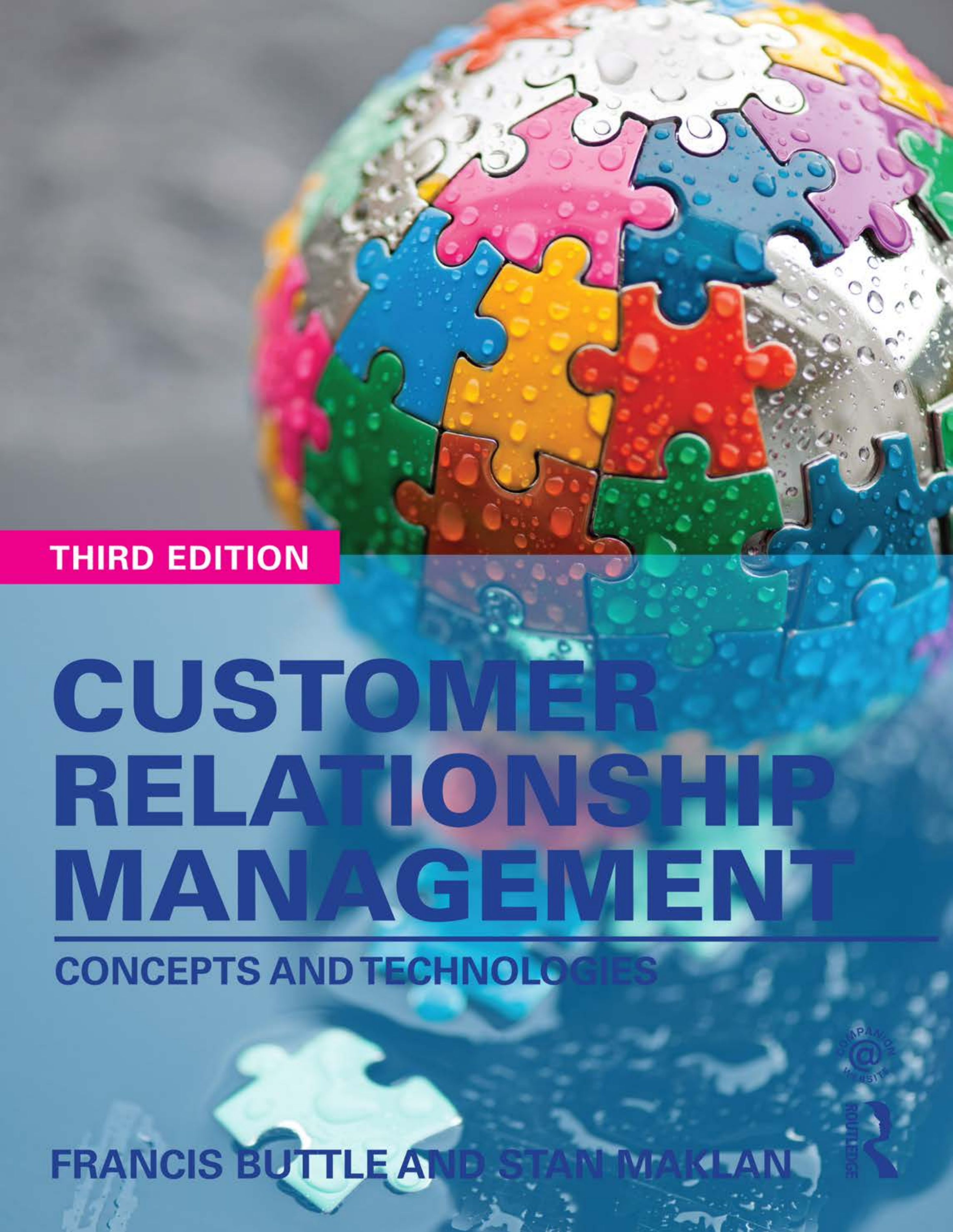

THIRD EDITION

CUSTOMER RELATIONSHIP MANAGEMENT

CONCEPTS AND TECHNOLOGIES

FRANCIS BUTTLE AND STAN MAKLAN

COMPANION WEBSITE

ROUTLEDGE

'This is absolutely the best exposition of CRM. I can't think of a better guide to increasing your performance and profits. This book belongs on the desk of every company that is serious about CRM. The wealth of information and insight is astounding.'

Professor Philip Kotler, S.C. Johnson & Son Distinguished
Professor of International Marketing, Kellogg School of
Management, Northwestern University, USA

'Francis Buttle and Stan Maklan's third edition of *Customer Relationship Management* is a comprehensive, soup-to-nuts compendium of information and guidance that ought to be a desk reference for every CRM professional in business today, whether you sell products or services, to consumers or businesses.'

Don Peppers, Founding Partner, Peppers & Rogers Group

'This lucid and content-packed book reads and informs like a charm. Francis Buttle and Stan Maklan's refreshing treatment of CRM as a core business strategy is destined to become a classic. Highly recommended.'

Fred Wiersema, Customer Strategist, Chair of the
B2B Leadership Board, and top-selling author
of The Discipline of Market Leaders

'This book is crisp, practical and stimulating. It combines Francis Buttle and Stan Maklan's considerable insights with practical examples and provides a step-by-step pragmatic approach to the application of CRM in business. Their coverage of CRM technology is an enhancing feature of the book. All senior management would benefit from reading it, particularly those who realize that profitable customers are their company's greatest asset and require foolproof guidance to retain them. Well-grounded academically, this book is equally beneficial for management students. Overall, it sets out a comprehensive reference/guide to business success.'

Professor John A. Murphy, United Utilities Professor of
Customer Management, Manchester Business School, UK

'A reference work to understand the ever-changing field of CRM. Especially demystifying what CRM is, what it is not, and offering a very comprehensive view on how to approach it and unlock its true value.'

Greg Lecointe, Director CX Applications Business
Group, Oracle Corporation

'A great tour of the CRM landscape that covers the vastness between Operational and Strategic CRM while providing a robust overview of customer-related data and data mining. A definite reference for managers looking to take customer-centred strategies to the next level.'

Ian Di Tullio, Director Loyalty and Relationship Marketing
Air Canada

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CUSTOMER RELATIONSHIP MANAGEMENT

Customer Relationship Management: Concepts and Technologies, third edition, is a much-anticipated update of a bestselling textbook, including substantial revisions to bring its coverage up to date with the very latest in CRM practice. The book introduces the concept of CRM, explains its benefits, how and why it is used, the technologies that are deployed, and how to implement it, providing you with a guide to every aspect of CRM in your business or your studies.

Both theoretically sound and managerially relevant, the book draws on academic and independent research from a wide range of disciplines including information systems, marketing, human resources, project management, finance, strategy and more. Buttle and Maklan, clearly and without jargon, explain how CRM can be used throughout the customer lifecycle stages of customer acquisition, retention and development. The book is illustrated liberally with screenshots from CRM software applications and case illustrations of CRM in practice.

New to this edition:

- Updated instructor support materials online.
- Full colour interior.
- Brand new international case illustrations from many industry settings.
- Substantial revisions throughout, including new content on:
    - social media and social CRM
    - big data and unstructured data
    - recent advances in analytical CRM including next best action solutions
    - marketing, sales and service automation
    - customer self-service technologies
    - making the business case and realizing the benefits of investment in CRM.

Ideal as a core textbook for students on CRM or related courses such as relationship marketing, database marketing or key account management, the book is also essential to industry professionals, managers involved in CRM programmes and those pursuing professional qualifications or accreditation in marketing, sales or service management.

Francis Buttle, BSc, MA, PhD, is founder and principal consultant of Francis Buttle & Associates, and Honorary Adjunct Professor at Macquarie Graduate School of Management, Sydney, Australia.

Stan Maklan, BSc, MBA, PhD, is a Reader in Strategic Marketing, Cranfield School of Management, UK.

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CUSTOMER RELATIONSHIP MANAGEMENT

Concepts and technologies

Third edition

FRANCIS BUTTLE AND
STAN MAKLAN

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Francis: *I dedicate this book to the memory of my brother Nick who died far too young from multiple myeloma, and to newborn Caitlin Rose who has an entire life ahead of her. One life ends and another begins.*

Stan: *I dedicate this book to my family and the support that they provide to enable such endeavours. My wife Anne's tireless support for which I need to say thank you more often and my daughter Alice whom I hope to inspire to achieve her goals, provide great motivation. I also dedicate this book to my mother, who passed away during the writing of this book, for all that she did for me and for what I have become.*

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ABOUT THE AUTHORS

Francis Buttle, BSc, MA, PhD, is founder and principal consultant of Francis Buttle & Associates, a Sydney, Australia-based business that helps organizations become more skilled and successful at CRM, customer experience management, customer acquisition, retention and development (francisbuttle.com.au). Francis has spent most of the last 30 years in various academic roles around the world. He has been a Professor of Customer Relationship Management, Professor of Marketing, Professor of Relationship Marketing, and Professor of Management at a number of leading graduate schools of management, including Manchester Business School (UK), Cranfield School of Management (UK) and Macquarie Graduate School of Management (MGSM) (Australia). He was appointed as the world's first Professor of CRM in 1995, and remains an Honorary Adjunct Professor at MGSM.

Francis has authored, co-authored or edited 11 books, and over 125 peer-reviewed academic journal articles or conference papers. In addition, he is a frequent contributor to practitioner magazines, presenter at business conferences and blogger.

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Although no longer a full-time academic, he still conducts and publishes customer-related research in partnership with mentees and associates in a number of universities. Francis lives on Sydney's Northern Beaches, is a qualified but reluctantly retired rugby union referee, enjoys cycling and kayaking, and rides a Suzuki.

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He is on the Editorial Advisory Board of the *International Journal of Market Research*. Stan has worked with leading telecommunications, computing, consumer products, defence, automotive, electricity, water and professional services companies.

Stan began his career with Unilever Canada. He subsequently moved with that firm to the UK and then Sweden, where he was Marketing Director of its Toiletries business. He then spent ten years as a management consultant with global leaders in information technology: Computer Sciences Corporation (CSC) and then Sapient. He established CSC UK's Customer Relationship Management practice and then moved to a role within its European Consulting and global management research units.

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Learn more at www.stanmaklan.com or http://www.som.cranfield.ac.uk/som/p2323/People/Faculty/Academic-Faculty-Listing-A-Z/Last-Name-M/Stan-Maklan.

PREFACE AND ACKNOWLEDGEMENTS

Welcome to the third edition of *Customer Relationship Management: Concepts and technologies.* Welcome also to a new author team. Stan Maklan has joined Francis Buttle as co-author.

This book provides a comprehensive and balanced review of Customer Relationship Management. It explains what CRM is, the costs it creates and the benefits it delivers, the many varied contexts in which it is used, the technologies that are deployed, and how CRM can be implemented. It shows how CRM practices and technologies are used to enhance the achievement of marketing, sales, and service objectives throughout the customer lifecycle stages of customer acquisition, retention and development, whilst simultaneously supporting broader organizational goals.

The book has been written to meet the demand for an impartial, academically sound examination of CRM. It is a learning resource both for students of CRM and for managers wanting a better appreciation of the role that CRM can play in their own organizations.

CRM, and the business strategies it supports, have changed dramatically since the previous edition was published. No longer do businesses set the rules about how they will interact with customers through their control of communication channels and brand messaging. Customers now decide when and how they will interact with companies. Customers create and communicate their own messages that may be very different from the brand owner's and that appear on social media platforms like Facebook and Twitter.

CRM was made possible by advances in Information Technology, namely the ability to capture, store, interpret and distribute customer-related data cost-effectively so that organizations could enact their relationship management strategies. CRM practice has conventionally relied on its exploitation of structured data about customers, prospects and partners housed in company-owned databases. This is changing rapidly. Much of the data customers generate, for example on social media platforms, are unstructured and require complex new technologies if they are to be useful in executing relationship management strategies. Equally the sheer volume and variety of data that organizations can access is growing exponentially. This 'big data' phenomenon, the move from Web 1.0 to a Web 2.0 environment, is impacting the practice of relationship marketing and CRM more particularly. The third edition of this book aims to capture this disruptive change to relationship management practices, whilst accepting that the field is evolving very quickly.

Information is driving changes in customer relationship management practices. Information technology was first deployed by businesses to streamline administration with a strong focus on accounting, billing and financial reporting, resulting in IT heads reporting to the Chief Financial Officer (CFO) or Vice President of Finance. The next waves of IT deployment focused on personal productivity (desktop computing) and supply chain management (e.g. Enterprise Resource Planning – ERP). Next, IT was applied to customer relationship management, and most recently to customer experience management (CXM). As we explain in the book, CRM and CXM are two sides of the same coin. We feel confident that the next wave of technology-supported innovation in CRM will feature new business models founded on real-time, mobile data, particularly customer data. CRM, the most mature of the IT-enabled customer-facing management disciplines, has an enhanced role in such an environment and we believe remains the cornerstone for marketing, sales and customer service in the future.

In producing this third edition we knew we had to reflect this evolving landscape, and in true customer-oriented manner, we also surveyed readers and adopters of the previous edition. They told us what they wanted in this revision, and much of it was a reflection of Web 2.0's influence on CRM. We have added content on the following:

- How CRM practitioners in sales, marketing and service can understand and make use of social media platforms like Twitter and Facebook, and the customer-related data they offer.
- Big data. These are data that are typified by their volume, velocity and variety. The data that are held by social media platforms are only one type of big data.
- Social CRM. Technology firms are promoting new solutions that are collectively known as Social CRM solutions. We explore how Social CRM fits into the CRM landscape, and particularly whether it is a fundamental type of CRM, equivalent to strategic, operational and analytical CRM.
- How to analyze and make use of unstructured data such as transcripts of telephone calls, call centre agent notes and survey participants' responses to open-ended questionnaire items.
- Advances in CRM technologies, including customer self-service technologies. Although there are a number of chapters dedicated to CRM technologies, and technology matters are considered throughout the book, the book puts technology into a managerial context. This is not a book about technologies, but it is about how marketers, salespeople, service staff and their managers can use technologies to better understand and meet the requirements of customers, whilst also meeting organizational goals and objectives.
- More and updated case illustrations and screenshots from CRM software applications.
- How to prepare a business case for investment in CRM.

We have also refined the focus of the book. We have removed content that was not valued by readers and adopters, and streamlined what has been retained. This third edition continues to draw on academic and independent research to ensure that it is both theoretically sound and managerially relevant. Research from a wide range of academic disciplines contributes to the book. These include marketing, sales, customer service, human resources, technology management, strategy, change management, project management, leadership, operations, management accounting, finance, and organizational behaviour. Supplementing these academic credentials, the book also makes use of research conducted by independent analysts such as Gartner and Forrester, two organizations that conduct leading-edge, state-of-the-art research into CRM and related areas.

AUDIENCE FOR THE BOOK

This book has been written for a number of audiences, all of whom share an interest in improving their understanding of CRM.

- MBA and Master's students, and upper-level undergraduates studying CRM or related advanced courses such as relationship marketing, database marketing, customer management, customer portfolio management, customer experience management, sales management, key account management, strategic management, customer value management, and customer service management.
- Those pursuing professional qualifications or accreditation in marketing through international organizations such as the Chartered Institute of Marketing, the Digital Marketing Institute, and the Institute of Direct and Digital Marketing, or national bodies such as the Marketing Institute of Ireland or the Canadian Institute of Marketing.
- Senior and mid-level managers who are involved in CRM programmes and system implementations, whether in a marketing department, the sales force or the service centre.
- Students pursuing professional qualifications or accreditation in sales management or key account management through international organizations such as the Institute of Sales & Marketing Management, or corporate-based sales academies.
- CRM users who want a better understanding of this complex area. CRM tools are deployed across all customer-facing parts of organizations. Users include sales representatives and account managers, marketing managers, market analysts, campaign managers, market managers, customer relationship managers, and customer service managers. These users are exposed to just a fragment of the CRM universe. This book can put their role into broader context.

KEY FEATURES OF THE BOOK

- The book provides a helicopter view, an overview, of the domain of CRM. As an impartial review of the field, it is not tied to any particular perspective on CRM. Indeed, the book identifies a number of holistic models that provide different and competing overviews of CRM.
- Although CRM is in widespread use, there is still some misunderstanding about what CRM is. The book identifies three different types of CRM – strategic, operational and analytical. The book is structured so that the chapters on each of these types of CRM are clustered together. Several chapters are dedicated to each type of CRM.

- The book defines CRM as the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted customers at a profit. It is grounded on high-quality customer-related data and enabled by information technology. This definition serves as a central point-of-reference throughout the book.
- We don't assume that customers value or want relationships with suppliers. If CRM is about developing and maintaining relationships with customers, it is important to have a clear understanding of what a relationship looks like, and how, if at all, it can be managed. We discuss what is meant by 'relationship' and question whether customers want relationships with suppliers and vice versa. We also identify attributes of successful relationships and review five different schools of thought that have influenced relationship management in a business context.
- The book emphasizes a managerial perspective on CRM. Although there is plenty of content on technology, it is not a book about technology, per se. The technology content of the book has been written so that readers who are unfamiliar with technology, or who are technophobes, can still understand what CRM technologies can deliver. Technology is secondary to management throughout the book. You don't need a degree in information systems to benefit from the book!
- The book has a strong academic foundation provided by research from a number of disciplines.
- The book contains many examples of CRM technologies and their application in marketing, selling or service functions. Screenshots are a feature of the book.
- Every chapter contains case illustrations. These are not problem-based cases, but examples of CRM in practice, so that readers can better appreciate how CRM is deployed.
- All chapters follow a common format: learning objectives, text, case illustrations, summary, notes and references.

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support to this writing venture. Finally, we thank our families who have put up with long periods of absence from family duty as we worked to keep to our publication deadline.

We hope you enjoy the book, and find it a satisfying read. Writing a book is a little like painting a picture, or tending a garden. You never reach a point where you can safely say that the job is finished. There is always more you can do. With that in mind, we invite you to write to us at francis@francisbuttle.com.au or stanmaklan@gmail.com or s.maklan@cranfield.ac.uk. We look forward to hearing from you.

Francis Buttle, Sydney
Stan Maklan, London

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Part I

UNDERSTANDING CUSTOMER RELATIONSHIPS

This book is organized into six parts. Part I consists of four chapters that introduce you to the fundamentals of CRM. Chapter 1 explains what CRM is, picks out three different types of CRM, identifies CRM's main stakeholders and describes a number of different contexts in which CRM is used. Chapter 2 explores what we know about relationships and asks why companies and customers might want to develop relationships with each other, and why they sometimes do not. Chapters 3 and 4 investigate the three main stages of the customer lifecycle – customer acquisition, customer retention and customer development.

CHAPTER 1

INTRODUCTION TO CRM

CHAPTER OBJECTIVES

By the end of this chapter you will be aware of:

- Three major perspectives on CRM: strategic, operational and analytical.
- Where social CRM fits in the CRM landscape.
- Several common misunderstandings about CRM.
- A definition of CRM.
- The seven constituencies having an interest in CRM.
- How CRM contributes to performance in different industries.
- Four models of CRM.

INTRODUCTION

The expression, Customer Relationship Management (CRM), has been in use since the early 1990s. Since then, there have been many attempts to define the domain of CRM, a number of which appear in Table 1.1. As a discipline hotly contested by various information technology (IT) vendors, consultants and academics, a clear consensus has not yet emerged. Even the meaning of the three-letter acronym CRM is contested. For example, although most people would understand that CRM means Customer Relationship Management, others have used the acronym to mean Customer Relationship Marketing.[1]

Information technology companies have tended to use the term CRM to describe the software applications that are used to support the marketing, selling and service functions of businesses. This equates CRM with technology. Although the market for CRM software is now populated with many players, its commercialization was greatly boosted in 1993 when Tom Siebel founded Siebel Systems Inc. (now part of Oracle). Use of the term CRM can be traced back to that period. Gartner Inc., the information technology research and advisory firm, estimated that annual spending on CRM technology was $14 billion in 2013, and

Table 1.1 Definitions of CRM

- CRM is an information industry term for methodologies, software and usually Internet capabilities that help an enterprise manage customer relationships in an organized way.[2]
- CRM is the process of managing all aspects of interaction a company has with its customers, including prospecting, sales and service. CRM applications attempt to provide insight into and improve the company/customer relationship by combining all these views of customer interaction into one picture.[3]
- CRM is an integrated approach to identifying, acquiring and retaining customers. By enabling organizations to manage and coordinate customer interactions across multiple channels, departments, lines of business and geographies, CRM helps organizations maximize the value of every customer interaction and drive superior corporate performance.[4]
- CRM is an integrated information system that is used to plan, schedule and control the pre-sales and post-sales activities in an organization. CRM embraces all aspects of dealing with prospects and customers, including the call centre, sales force, marketing, technical support and field service. The primary goal of CRM is to improve long-term growth and profitability through a better understanding of customer behaviour. CRM aims to provide more effective feedback and improved integration to better gauge the return on investment (ROI) in these areas.[5]
- CRM is a business strategy that maximizes profitability, revenue and customer satisfaction by organizing around customer segments, fostering behaviour that satisfies customers, and implementing customer-centric processes.[6]

predicted that it would top $18.4 billion in 2016.[7] Others, with a managerial rather than technological emphasis, claim that CRM is a disciplined approach to developing and maintaining profitable customer relationships, and that technology may or may not have a role. That said, it is hard to conceive of a large organization dealing with millions of customers across multiple channels that can implement a customer strategy cost-effectively without the use of Information Systems technology and carefully designed business processes.

We can resolve the debate between managerial and technological schools by conceiving of CRM as taking three main forms: strategic, operational and analytical, as summarized in Table 1.2 and described below.

Table 1.2 Types of CRM

Type of CRM	*Dominant characteristic*
Strategic	Strategic CRM is a core customer-centric business strategy that aims at winning and keeping profitable customers.
Operational	Operational CRM focuses on the automation of customer-facing processes such as selling, marketing and customer service.
Analytical	Analytical CRM is the process through which organizations transform customer-related data into actionable insight for either strategic or tactical purposes.

STRATEGIC CRM

Strategic CRM is focused upon the development of a customer-centric business culture dedicated to winning and keeping customers by creating and delivering value better than competitors. The culture is reflected in leadership behaviours, the design of formal systems of the company, and the myths and stories that are created within the firm. In a customer-centric culture you would expect resources to be allocated where they would best enhance customer value, reward systems to promote employee behaviours that enhance customer satisfaction and retention, and customer information to be collected, shared and applied across the business. The heroes of customer-centric businesses deliver outstanding value or service to customers. Many businesses claim to be customer-centric, customer-led, customer-focused or customer-oriented but few are. Indeed there can be very few companies of any size that do not claim that they are on a mission to satisfy customer requirements profitably. Customer-centricity competes with other business logics. Kotler identifies three other major business orientations: product, production and selling.[8]

- *Product-oriented* businesses believe that customers choose products with the best quality, performance, design or features. These are often highly innovative and entrepreneurial firms. Many new business start-ups are product-oriented. In these firms it is common for the customer's voice to be missing when important marketing, selling or service decisions are made. Little or no customer research is conducted. Management makes assumptions about what customers want and/or provides visionary leadership for the market. Perhaps the most iconic example of product-orientation is Apple. Apple has created huge demand for products that customers did not know they needed, for example the iPad. Leading fashion houses tend to be product-oriented and try to establish new fashion trends rather than respond to consumer research about what should be next year's look. However, these are exceptional. Product-oriented companies often over-specify or over-engineer for the requirements of the market, and therefore are too costly for many customers. The subset of relatively price-insensitive customers marketers dub 'innovators', who are likely to respond positively to company claims about product excellence, is a relatively small segment, perhaps 2.5 per cent of the potential market.[9]
- *Production-oriented* businesses focus on operational excellence.[10] They seek to offer the customers the best value for money, time and/or effort. Consequently, they strive to keep operating costs low, and develop standardized offers and routes to market. Complexity, customization and innovation are very costly and unappealing to production-oriented businesses. Production-oriented firms rarely are first to market with the best new offer. They focus their innovation on supply chain optimization and simplification. They tend to serve customers who want 'good-enough', low-priced products and services. Production-oriented businesses choose not to believe that customers have unique needs or wants. It is possible to be highly profitable by being the lowest cost business player, for example Wal-Mart. There is a price and convenience segment in most markets but the majority of customers have other requirements. Moreover, an excessive focus on operational efficiency might make you blind to disruptive changes just over the horizon; making cheap products that no one wants to buy is not a sustainable strategy.

- *Sales-oriented* businesses make the assumption that if they invest enough in advertising, selling, public relations (PR) and sales promotion, customers will be persuaded to buy. Very often, a sales orientation follows a production orientation. The company produces low-cost products and then has to promote them heavily to shift inventory – a 'make and sell' approach. The deal-maker and persuader is king in such firms. In markets that are growing rapidly, such an approach can promote strong market share growth and attendant economies of scale. Many large technology firms have promoted an emphasis on selling. The risks of this orientation are twofold: (1) winning large contracts is not the same thing as making money from them and (2) focus on the immediate sale rarely allows enough slack resources to experiment and innovate to serve emerging needs and wants not yet articulated by customers.
- A *customer or market-oriented* company shares a set of beliefs about putting the customer first. It collects, disseminates and uses customer and competitive information to develop better-value propositions for customers. A customer-centric firm is a learning firm that constantly adapts to customer requirements and competitive conditions. There is evidence that customer-centricity correlates strongly to business performance.[11]

CASE STUDY 1.1

STRATEGIC CRM AT HONDA AUSTRALIA[12]

Honda manufactures and markets a successful range of motorcycle, power equipment and marine products. The Honda brand has a reputation for quality, technology and performance. Honda Australia recognized that while it was diligently nurturing individual relationships with partners, dealers and customers, each was closed off from the others. Inevitably, this meant valuable customer data being trapped in pockets within the organization and not available to potential users.

Honda realized that consolidating and freeing up the flow of data could have a huge positive impact on the effectiveness and efficiency of the business. Honda developed a strategy themed *Customers For Life*, based on data integration and a whole-of-customer view. Honda found customer-related data in numerous spreadsheets and databases across the business. These were integrated into a single CRM platform, supplied by salesforce.com, and hosted in the cloud. This was enriched with customer information from Honda Australia Rider Training (HART), Automobile Association memberships and several other sources to create a single comprehensive data source and reporting system. Honda then removed responsibility for managing customer relationships from individual departments, and moved it to the CRM unit.

An integrated view of the customer has allowed Honda to stop different operating units from bombarding customers with multiple communications. Instead, Honda now consolidates outbound customer contact into meaningful and relevant communications, and accurately measures communications effectiveness. Honda has built workflows into customer touchpoints, for example customer satisfaction surveys, guaranteeing follow-up of any negative comments. The immediate effect was a reduction in complaint resolution time from months to minutes. Honda has shifted closer to becoming a unified brand that really knows and understands its customers.

Many managers would argue that customer-centricity must be right for all companies. However, at different stages of market or economic development, other orientations may have stronger appeal.

OPERATIONAL CRM

Operational CRM automates customer-facing business processes. CRM software applications enable the marketing, selling and service functions to be automated and integrated. Some of the major applications within operational CRM appear in Table 1.3.

Table 1.3 Operational CRM – some applications

Marketing automation
• Campaign management
• Event-based (trigger) marketing
• Marketing optimization
Sales force automation
• Account management
• Lead management
• Opportunity management
• Pipeline management
• Contact management
• Quotation and proposal generation
• Product configuration
Service automation
• Case (incident or issue) management
• Customer communications management
• Queuing and routing
• Service level management

Although we cover the technological aspects of operational CRM in Part III, it is worth making a few observations at this point.

Marketing automation

Marketing automation (MA) applies technology to marketing processes.

Campaign management modules allow marketers to use customer-related data in order to develop, execute and evaluate targeted communications and offers. Customer segmentation for campaigning purposes is, in some cases, possible at the level of the individual customer, enabling unique communications to be designed.

In multi-channel environments, campaign management is particularly challenging. Some fashion retailers, for example, have multiple transactional channels including free-standing stores, department store concessions, e-tail websites, home shopping catalogues, catalogue stores and perhaps even a television shopping channel. Some customers may be unique to a single channel, but most will be multi-channel prospects, if not already customers of several channels. Integration of communication and offer strategies, and evaluation of performance, requires a substantial amount of technology-aided coordination across these channels.

Event-based, or trigger, marketing is the term used to describe messaging and offer development to customers at particular points in time. An event triggers the communication and offer. Event-based campaigns can be initiated by customer behaviours, or contextual conditions. A call to a contact centre is an example of a customer-initiated event. When a credit-card customer calls a contact centre to enquire about the current rate of interest, this can be taken as indication that the customer is comparing alternatives, and may switch to a different provider. This event may trigger an offer designed to retain the customer. Examples of contextual events are the birth of a child or a public holiday. Both of these indicate potential changes in buyer behaviour, initiating a marketing response. Event-based marketing also occurs in the business-to-business context. The event may be a change of personnel on the customer-side, the approaching expiry of a contract or a request for information (RFI).

Real-time marketing (automation), combining predictive modelling and work-flow automation, enables companies to make relevant offers to customers as they interact with company technologies at different touchpoints such as website and retail outlet. As consumers share more data with companies, and as the company's ability to analyze those data improves, online marketing increasingly occurs in real time. The choices the customer makes as she navigates through the Web, the enquiries she makes and her profile enable firms to predict which products and services will be most appealing to her: the so-called Next Best Offer or NBO. This offer can be refreshed in real time as a result of customer behaviour online. E-retailers such as Amazon continually refresh their recommendations as a result of customer searches, and Google changes the advertising it pushes to you as a function of your location and search behaviours.

More information about marketing automation appears in Chapter 9.

Sales force automation

Sales force automation (SFA) was the original form of operational CRM. SFA systems are now widely adopted in business-to-business environments and are seen as 'a competitive imperative'[13] that offers 'competitive parity'.[14]

SFA applies technology to the management of a company's selling activities. The selling process can be decomposed into a number of stages such as lead generation, lead qualification, lead nurturing, needs identification, development of specifications, proposal generation, proposal presentation, handling objections and closing the sale. SFA software can be configured so that it is modelled on the selling process of any industry or organization.

Automation of selling activities is often linked to efforts to improve and standardize the selling process. This involves the implementation of a sales methodology. Sales methodologies allow sales team members and management to adopt a standardized view of the sales cycle, and a common language for discussion of sales issues.

SFA software enables companies to assign leads automatically and track opportunities as they progress through the sales pipeline towards closure. Opportunity management lets users identify and progress opportunities-to-sell from lead status through to closure and beyond, into after-sales support. Opportunity management software usually contains lead management and sales forecasting applications. Lead management applications enable users to qualify leads and assign them to the appropriate salesperson. Sales forecasting applications generally use transactional histories and salesperson estimates to produce estimates of future sales.

Contact management lets users manage their communications programme with customers. Digital customer records contain customer contact histories. Contact management applications often have features such as automated customer dialling, the salesperson's personal calendar and email functionality.

Quotation and proposal generation allow the salesperson to automate the production of prices and proposals for customers. The salesperson enters details such as product codes, volumes, customer name and delivery requirements, and the software automatically generates a priced quotation.

Product configuration applications enable salespeople, or customers themselves, automatically to design and price customized products, services or solutions. Configurators are useful when the product is particularly complex, such as IT solutions. Configurators are typically based on an 'if . . . then' rules structure. The general case of this rule is 'If X is chosen, then Y is required or prohibited or legitimated or unaffected'. For example, if the customer chooses a particular feature (say, a particular hard drive for a computer), then this rules out

CASE STUDY 1.2

SALES FORCE AUTOMATION AT ROCHE

Roche is one of the world's leading research-based healthcare organizations, active in the discovery, development and manufacture of pharmaceuticals and diagnostic systems. The organization has traditionally been product-centric and quite poor in the area of customer management. Roche's customers are medical practitioners prescribing products to patients. Customer information was previously collected through several mutually exclusive sources, ranging from personal visits to handwritten correspondence, and not integrated into a database, giving incomplete views of the customer.

Roche identified the need to adopt a more customer-centric approach to better understand their customers, improve services offered to them and to increase sales effectiveness. Roche implemented a sales force automation system where all data and interactions with customers are stored in a central database which can be accessed throughout the organization. This has resulted in Roche being able to create customer profiles, segment customers and communicate with existing and potential customers. Since implementation Roche has been more successful in identifying, winning and retaining customers.