CRM Chapter 5

CUSTOMER KNOWLEDGE

The challenge in CRM is to combine information on customers which originates from different sources.
To create an accurate, up-to-date and consistent image of the customer, management should compile market research, databases and experiences of front-office personnel.

Areas to be covered under this chapter:
* The value of customer knowledge
* The utilisation of data as an asset
* From data to customer knowledge
* Privacy
* Information policy

5.1 The value of customer knowledge

5.1.1 Data quality defined
* Mergen, 2003 suggested that "if we talk about quality in general terms, it may be defined as something which gives us a good feeling.
* The quality of the customer data can be defined from FOUR different point of view including:
  o Technical
  o Practical value (customer)
  o Practical value (supplier)
  o Intrinsic quality

5.1.1.1 **Technical**
From a technical point of view;
"A quality data is when the data is generated from standard and norm that satisfy the production process and the product to be manufactured".

Eg: - The number of fields in the database filled up with relevant information.
   - Explanation on each customer position/ranking in the database.

5.1.1.2 Practical value (customer)
Practical value from the customer's point of view;
Customer defines quality from value perception and needs and attention given by company to them.

Eg: The customers feel that the company knows what they want and can recognise their unique characteristics.

5.1.1.3 Practical value (supplier)
Practical value from the supplier's point of view;
The quality of relationship data becomes apparent to the supplier from the response it receives to a marketing campaign.

Eg: - A proper identification of customers: person/ organisation - Customers' background: Are they profitable? Do they wish to develop a relationship with the supplier? What is the commercial value of the name, address, city, etc.

5.1.1.4 Intrinsic quality
The basic/ intrinsic quality of the data depends on the 4 main characteristics of the data:

1. Current
   - Customer database corresponds to current reality.

2. Complete
   - Data are complete (no missing data).

3. Correct
   - The data have been stored correctly. – no typo error, accurate information.

4. Unique
   - Every customer appears only once in the customer database - each customer is unique.

5.1.2 Spending money on data quality

The set-up and maintenance of a database with customer data require spending and investment.

Key factors to spend money on data quality:
1. To collect relevant customer data.
2. To manage the data in order to have a quality information.
3. To identify, collect, and register customers profile, ex-customers and prospects.
4. To compile data from different sources, or from external data suppliers.
5. To retrieve information from back-office systems in transactions, payment history and identity.

5.1.3 The waste resulting from poor quality data management

It is important to allocate financial budgets to improve data quality.
Impact from poor quality data:
- Identification errors
- Profile errors

5.1.3.1 Identification errors
Definition: Errors in identifying the customer, such as name, address, telephone, e-mail address, organisation's name, etc.

Mergen, 2003 suggested that incorrect identification can lead to the following waste:
1. *Returned mail items*
    - Waste of production and mailing expenses.
    - Postroom should handle unnecessary returns.
    - Database managers will have to correct errors in the database.

2. *Double mail items*
    - Sent mails to customers twice or more because of duplication data in the database.

3. *E-mail is returned or sent twice*
    - Although physical mail incur higher cost, error in sending duplicate emails can annoy customers.
    - Bounce back emails increase unnecessary responsibility to companies to update and resend the email to clients.

4. *Insufficient information to entertain incoming telephone calls*
    - Cannot provide sufficient information to customers because of missing data or incomplete data.
    - The customer who called has to waste time waiting to get information, etc.
    - Customer's objective might not be fulfilled, and have to return call in order to get the correct information once the company can confirm the correct data.

5. *Approach customers at the wrong place, at the wrong time*
    - Salesperson, account managers and service engineers visits customer at the wrong time, at the wrong location after preparation made according to an inaccurate data.
    - Incur time and cost (travel expenses, etc).

6. *Errors in invoicing*
    - Customers receive incorrect invoice or did not receive at all.
    - If invoice errors not reported by customers, there is a potential of sales losses. (Usually if they are to the customer's advantage).
    - If error reported, it might involve corrective expensive.

Long term impact resulting from poor quality data:
1. Affect the effectiveness of communication and the level or service offered.
2. Bad reputation on company's image.
3. Customer would have negative perception towards post and emails received from the company. Customer might forward the company's email to junk mail folder.
4. Time wasted in entertaining one client reduces the number of potential clients.
5. Increase customer dissatisfaction and reduce customer commitment.

5.1.3.2 Profile errors

Definition: Errors made in customer's profile. Eg; Company background, History, Trend, Business nature, etc.

Impact: *Communication will be less focus.*
- Not capable of forming a full or accurate image of the customer.
- Communication approach is less effective.

> Eg; Marketing message positioned to customer are less powerful or reach people and businesses which do not belong to the central group.

5.1.4 The earnings stemming from data quality

5.1.4.1 Influence on the effectiveness of acquisition activities

1. Approached the right customer with the right offer at the right time.
2. Increase the rate of completing transaction.
3. Attracting the right customer.
4. Response rate rises and customers are acquired since they are satisfied with the product/ services.
5. A sudden fluctuation in the rate of fund will not lead to dissatisfaction and customer churn (shake).

5.1.4.2 Influence on the customer value

> Customer retention and relationship development.

5.2 The utilisation of data as an asset

5.2.1 Utilising data
- Data are assets that must be exploited by company to convert the information into knowledge.
- Crucial information will be useless if data is handled improperly.
- To utilise data efficiently, company should record relevant data and manage the data properly.

5.2.2 Common problems with data utilisation

Strategy
- No connection between business strategy and data information strategy.
- Company does not know which data are the most important.

Knowledge of data resources
- Insufficient knowledge within the company.
- Employees cannot find and identify the information because poorly managed.

Access
   • Employees do not have access to the data.
   • Data are not being shared.

Quantity
   • There are too many that are not relevant.
   • Duplication of data leads to data redundancy.
   • Outdated data continue to require attention.

Quality   • Data values are inaccurate, not updated or inconsistent.

Need for new data
   • New data are not gathered at the speed parallel to that organisation pace.
   • Difficult to find reliable sources.

Security   • Data are exposed to unauthorised use, theft, viruses, loss and unintentional destruction.

Privacy
   • Poor awareness on handling a confidential data.
   • Poor understanding of legitimate

Organisation
   • Management poorly define the importance of data.
   • There are no specific procedures in data handling issue within the organisation.

5.2.2 The organisation of data management

Data management normally proceed along a path of growth.

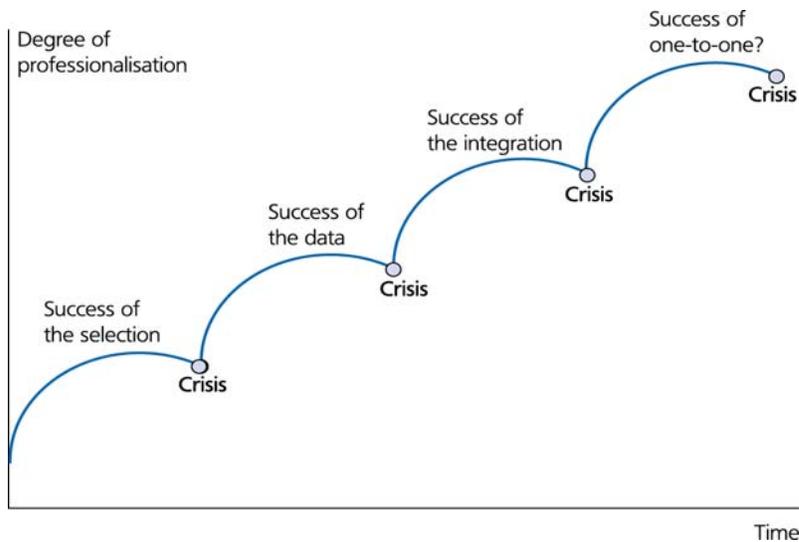Figure 5.1 shows the Growth stages in database management:

FIGURE 5.1

Stage 1: the pioneering phase
- Usually, this initial stage consists of the creation of the first address list.
- This is done by a marketer, who does this as a 'hobby' in addition to his or her normal tasks as the result of an idea or marketing campaign.

Stage 2: the specialisation phase
- Under this phase, company invest further in database management.
- A separate staff department is created.
- Company focus specifically on file management and acquire additional skills in preparation of analyses of the data.

Stage 3: The multifunctional teams
- In stage THREE (3), multifunctional teams will hold responsible for the results they achieve with customers.
- Close teamwork must exist between the marketers, database, specialists and the front-office staff who actually make direct contact with customers.
- Marketers must become more involved in database management to discover the potential opportunities it might offer.
- The aim under this stage is to shift database management from a cost centre to a profit centre.

Stage 4: System integration
- Previously, customer information was consulted by internal employees. Any error remained internal and could be corrected without customer noticing.
- With multiple communication channels, customers are given various channel options to contact the company such as internet, telephone, etc.

- It is a challenge to the company to record data at 'real time' and to make sure the data is always accessible.
- The system has to supply customisation information and there are no options for correcting any errors once customers read the information.

Stage 5: One-to-one communication
- Once the company has established their database management, it should focus on one-to-one communication.
- This means a more differentiated communication process for each individual customer should be developed.

5.3 From data to customer knowledge
- The customer profile is very useful to create and implement marketing strategies.
- The information obtained from different sources should be merged into a database.
- To turn from data into customer knowledge is a learning process that requires a CRM learning culture.
- There are FIVE basic ways to transform data into customer knowledge:
    o Experimentation
    o Efforts
    o Disciplines
    o Assessments
    o Test

5.2.3.1 Experimentation
- Undergo a pilot testing on available data.
- Experimentation of data should be done using different communication channel to determine the reliability of the data.

5.2.3.2 Efforts
- Efforts must be taken to develop, produce and send certain types pf messages to carefully selected people and organisations.

5.2.3.3 Disciplines
- Discipline is required in order to retain the lessons learned from previous test.
- This helps the company to shape a better CRM future without repeating the same mistake all over again.

5.2.3.4 Assessments
- Assessments for marketing campaigns must be prepared to identify the strengths and weaknesses of the data manipulated in the campaign.

5.2.3.5 Test

- The campaign needs to be tested in order to assess their effectiveness within the framework of the marketing policy.
- If the test shows that the campaign failed to deliver the objectives, then alternative campaign should be used instead.

5.4   Privacy

- Customers have different perceptions toward privacy.
- Sometimes customer provides information voluntarily and willingly not knowing that their personal data might be manipulated by irresponsible company or individual.
- Some customers worried on the violation of their personal data and decided not to reveal any personal information to the company.

5.4.1 Personal data protection act:

Personal data protection suggested that company should:
1. Identify the person responsible who handle the data.
2. Identify the purpose(s) of the data handling.
3. If necessary, further approval required for certain data categories.
4. The right for objection. Customers should be given right to object the personal data processing at all time at no cost. The responsible party should terminate the data processing immediately once receives objection from customers.

5.4.2 Self-regulation

- Consumers

    Consumers must increase their awareness of registrations and take control over the processing of personal data themselves.

- Government

    Government should inform consumers their rights, companies' obligations and options available to consumers to protect themselves within an electronic environment.

- Company
    1. Companies are encouraged to regulate the privacy issues themselves.
    2. Ethics. Companies should stress on the morality and ethics when handling customers' data.

Conclusion:

    The challenge for database managers consists of gathering regular, reliable quality information for customer-supplier relationship at a relatively low cost and in an accessible manner.