Asian Symposium on Direct Selling
Customer Relationship Management
Presented by Hogan Lee
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What is CRM?

CRM is an enterprise-wide, on-going approach to seeking best answers to the following questions:

- How can we identify profitable customers?
- What types of differentiated services are required to satisfy their needs?
- How shall we enhance their loyalty and retain them as long as possible?

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<tr>
<th>Traditional Marketing</th>
<th>CRM</th>
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<td>Purpose</td>
<td>Sales Increase</td>
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<td>Focus</td>
<td>Customer Acquisition</td>
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<td>Evaluation</td>
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<td>Customer Info</td>
<td>Survey, Interview</td>
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<tr>
<td>Communication</td>
<td>1 Way, promotion-oriented</td>
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Then Why CRM?

With the intensive global competition and rapidly changing technological environments, meeting customers’ various needs and maximizing the value of profitable customers are becoming the only viable option for many contemporary companies.

1. Global Competition
   - M&A
   - International Alliances
   - Dramatic Global Shift

2. Low Profitability
   - Matured Industry
   - Supply exceeding Demand

3. Technology Improvement
   - Internet & e-Commerce
   - Supply Channel Interaction
   - New Business Model

4. Customers Needs Change
   - Value for the Money
   - Customer Needs Diversification
   - Demand for better service capabilities
Key Benefits from Successful CRM?

Successful CRM should have a comprehensive, far-fetched impact on the corporation in terms of: its customers, organizational composition, and competitiveness in the market.

**Enhanced Customer Loyalty**
- Effective lifecycle management
- Increased retention
- Maximum customer satisfaction

**Maximized Revenues and Profits**
- Reduced acquisition, operational costs
- Productivity enhancement via cross-sell, referral
- Overall volume increase

**Organizational efficiencies**
- Inter-departmental synergy via information & program sharing
- Efficient change management

**Strengthened leadership in the market**
- CRM Leaders’ roles
- Reduced competition & favorable image
Compared to other industries, DS Industry retains distinctive advantages in, and should make continued efforts toward improving:

1. Individualizing Services & Offers
2. Integrating CRM elements more efficiently
3. Interacting in a highly sophisticated fashion
In general, employees or customers in the DS industry engage in direct contacts more often than any other types of communications. When supported by a systematic database system, this should provide a decisive advantage in deepening customer understanding.

**IBO Information & Relationship Management System**
(Database - information collection – refinement – utilization)

**Decision Support Tools**
(Segment Template and Behavioral Models – next page)

**Historical Lessons & Knowledge Base**
(Key findings, lessons, & behavioral pattern schema regarding IBO behavior, needs, and preferences via translation of information into knowledge)

**Trend Analysis**
(optimal adjustments to changes in consumer perceptions & life style, competitors’ moves, and general trends in the networking industry.)
(1) Individualization

- Segmentation -

The following diagram is a simple segment matrix commonly utilized by major DS companies. In general, customers in the DS industry tend to be categorized as pure buyers and those with business intentions.
Individualization

In individualizing the corporate CRM approach, it is essential to utilize optimal information-driven models for the purpose of satisfying various needs of customers and achieving each CRM purpose as illustrated below

- **Improvements in Understanding Customers**

  - **Revenue Response Model**
    - “Maximize Incremental Sales”
    - “Enhance productivity via cross-sell”

  - **Market Basket Model**
    - “Prevent attrition of profitable customers”

  - **Account Cancellation Model**
    - “Maintain value in the highly profitable customer group”

  - **Value Retention Model**
Integration should occur from three different arenas of CRM. The integration of customer contact points should help accumulate valuable knowledge of, and launch effective programs for customers. Inter-departmental integration is key to successful accomplishment of synergy effects. From the corporate perspective, the seamless integration of marketing, service, and sales functions is a must for gaining the optimal level of CRM effects.
(2) Integration
- Integration Framework -

**Strategy**
- Customer needs analysis
- Segmentation
- Value Offer
- Channel roles
- Reward Program
- Marketing Program
- Brand Image improvement

**Process**
- Campaign Mgmt.
- Contact Mgmt.
- Personalization
- Opportunity Mgmt.
- Order Mgmt.
- Complaint Mgmt.
- Partner Relationship Mgmt.
- Channel Mgmt.

**Organization**
- CRM T/F
- CRM Business Justification & KPI
- Change Management

**IT**
- Application integration
- Customer DB integration
- IT Infrastructure integration
The first step in developing a comprehensive lifecycle management schema is to diagnose the current business status and CRM goals based on the following diagram and apply each set of tactics and strategies to each lifecycle of customers.

- **How to define “profitability”?**
  - Market Segmentation
  - Campaign / Brand Planning
  - New Product Launching
  - Offer/ Contents Planning

- **How to secure profitable customers?**
  - Lead Management
  - Needs Assessment
  - Value Proposition
  - Contact Management

- **How to further enhance their productivity and loyalty?**
  - Needs Re-assessment
  - Campaign Management
  - Cross-sell / Up-sell
  - Prestige Enhancement

- **How to retain them as long as possible?**
  - Order Management
  - Complaint Management
  - Partner Relationship Management
  - Contact Management
Normally customers reveal different behavior patterns by LOM (Length of Members) and activity level, and require differentiated services and treatment. Therefore, a specific CRM purpose should be defined for each cycle and best strategic options must be planned and implemented accordingly.

Example

Welcome, Introduction, General Product Information, 1st order congratulation

Revenue Maximization
Prestige Service Retention
Productivity Enhancement
Activation

Active
Moderate
Inactive

LOM 1 LOM 3 LOM 5 LOM 9 LOM 12
(3) Interaction
- Lifecycle Mgt Program Design Process -
The following diagram suggests an efficient process map of CRM program launching.
Best Practice
- DS Company (A) in Korea -

In Korea, Company (A) is known as the best example of CRM success in the DS industry. It is a multi-million global company with approximately 1.4 million customers. Apart from the successful accomplishment of individualization, integration, and interaction, its success stems from two additional areas of strength: strategy-driven CRM roadmap and a solid ROI template.

### Company (A) < Strategy – Driven >

#### Strategy
- Set investment direction through CRM strategy
- Develop a practical set of improvement programs

#### Infrastructure
- Set process and systems to execute CRM strategy
- Set IT Infrastructure
- Establish an effective resource / process system

### Others < Software – Oriented >

#### Strategy
- Set IT Infrastructure without a full understanding of company CRM needs and investment priority

#### Infrastructure
- Lack of prerequisite high level visioning and planning
- CRM infrastructure in the absence of strategy
- Lack of prioritization

### CRM Approach

#### CRM Accomplishment

- Customer segmentation
- Customer targeting
- Program planning, implementation, measurement
- Business selling eg, cost-sharing

- Contact Center development
- Campaign management
- Datamart development : Datawarehousing & Datamining
- e-CRM tool development
- Organization / process improvement

- CRM Software selection
- CRM system development without proper development of planning & implementing strategy, process-IT, and people
In addition to the effective CRM approach, Company (A) is capable of precisely calculating costs and profits with regards to any CRM programs based on a solid ROI template, which has been developed as a result of numerous program launchings and measurement.
Best Practice

As a result, CRM is now an essential element of the corporation itself in Company (A). Top management’s continued commitment to CRM and customers’ enhanced understanding of CRM should guarantee the competitive edge of this company.

- Establish a marketing information system (Information warehouse)
- Conduct Customer Segmentation & Lifecycle Management
- Fulfill Mining & Modeling (Offer-response models, value retention models, revenue forecast models, etc)
- Achieve Individualization / Integration / Interaction based on Strategy-Driven CRM Approach
- ROI analysis & profit-sharing, Overall Management

CRM contributed to approximately 4% of total revenues during the fiscal year 2003 and its contribution is on the constant increase.
Pitfalls in CRM

Successful CRM requires a high level of enterprise-wide transformation in terms of Strategy, Process, Technology and Culture in order to maximize value to the organization and its customers.

Why CRM Fails?

- **Lack of Strategy Transformation**
  - Lack of accurate and shared understanding of CRM
  - Lack of strategy to realize and utilize the ‘enterprise customer vision’

- **Lack of Process Transformation**
  - Difficulties in aligning and tuning in channels
  - Rupture in linkage between sales & marketing and service processes
  - Lack of integration between front office operations and back office operations

- **Lack of Technology Transformation**
  - Lack of accurate customer data
  - Absence of seamless technology integration
Open Discussions