

COMM 391

Introduction to Management
Information Systems

Winter 2014 – Term 1

IT'S ROLE IN CUSTOMER RELATIONSHIP MANAGEMENT AND SUPPLY CHAIN MANAGEMENT

Case 9.1 The Next Step in Customer Relationship Management

- Read the “Case 9.1 The Next Step in Customer Relationship Management (CRM)”
- *What do we learn from this case?*

Case 9.1 The Next Step in Customer Relationship Management

- **Taste profiling** is when websites track what you buy or look at and remember your tastes.
- **Persuasion profiling** tries to guess what will persuade you to buy something.
 - Persuasion profiling can provide many benefits but also has drawbacks.
 - **Micro-profiling**, or micro-personalization, can encase individuals in a silent, subtle bubble, isolating them from discoveries and insights that fall outside their usual tastes and interests.



What we learned from this case.

- It provides a specific example of the evolving nature of the business-customer relationship.
- As personal technology usage changes, so too must the methods that businesses use to interface with their customers.
- Organizations increasingly are emphasizing a customer-centric approach to their business practices.

Learning Objectives

1. Define customer relationship management (CRM)
2. Describe the operational and analytical CRM systems, and their benefits
3. Explain supply chain management (SCM) and describe the role of information systems in SCM.

Learning Objective 1

- Define customer relationship management (CRM).

What is Customer Relationship Management (CRM)?

- Customer relationship management (CRM) is an organizational strategy that is **customer-focused** and **customer-driven**.
- That is, organizations concentrate on satisfying customers by assessing their requirements for products and services, and then providing high-quality, responsive service.
- CRM is not a process or a technology per-se; rather, it is a way of thinking and acting in a customer-centric fashion.

“Let’s go back to the good old days”

(Merchants in earlier time knew their customers very well.)



personal
marketing

“Fine, Al, and how are you, your charming wife, Joni; your two wonderful children, Charles and Lisa, ages thirteen and fifteen; and your delightful German short-haired pointer, Avondale?”

(Source: http://www.youtube.com/watch?v=YEa_RNSX5Xo)

From Neighborhood Stores

- Before the supermarket, the mall, and the automobile, people purchased goods at their neighbourhood store.
- The owners and employees recognized customers by name and knew their preferences and wants.
- For their part, customers remained loyal to the store and made repeated purchases.

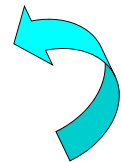
.... To Today

- Over time personal customer relationship became impersonal.
- Supermarkets and department stores achieved economies of scale through **mass marketing**.
- Although prices were lower and products were more uniform in quality, the relationship with customers became nameless and impersonal.

Drivers of CRM

One to one marketing (= Relationship marketing)

- Customer-focused
- Many campaigns
- Based on detailed customer behavior and profiles
- Long-term



Mass marketing

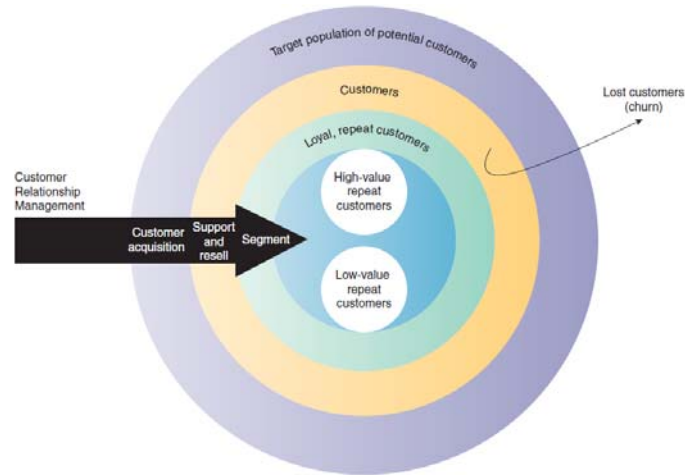
- Product focused
- Anonymous
- Few campaigns
- Wide reach
- Little or no research
- Short-term



Target marketing

- Group focused
- More campaigns
- General category profiles
- Based on segment analysis of demographics
- Short-term

The CRM Process



The CRM Process (cont'd)

- An organization's overall goal is to maximize the **lifetime value** of a customer, which is that customer's potential revenue stream over a number of years.
- The organization inevitably will lose a certain percentage of customers, a process called *customer churn*.
- The optimal result of the organization's CRM efforts is to maximize the number of **high-value repeat customers** while minimizing customer churn.

Why is CRM so Important to any Organizations?

- CRM builds **sustainable** long-term customer relationships that create value for the company as well as for the customer.
- That is, CRM helps companies acquire new customers, retain existing profitable customers, and grow the relationships with existing customers.
- The customers are the core of a successful enterprise, and the success of the enterprise depends on effectively managing relationships with them, which CRM allows them to perform.

CRM Example - Harrah's Total Rewards

- Large Casino and Entertainment Company
- Implemented rewards program
- Whenever you interact with Harrah's then you have to use your card

A brief video on the rewards you can get with Total Rewards:
<http://www.youtube.com/watch?v=-6rElg4iwDE&feature=related>



IT's About Business – A Instantaneous CRM Effort

- Read the case “9.1 A Instantaneous CRM Effort” and answer the following questions:
 1. *Provide two examples of specific actions a company could take to utilize social media in its CRM efforts.*
 2. *Should all organizations include a social media component in their CRM strategy? Why or why not? Support your answer.*

IT's About Business – A Instantaneous CRM Effort

- Social media presented an easy opportunity to make the most of the customer experience and to demonstrate to the organization that there is “gold” in tweets.
- Systematically monitors what customers are saying on social networking sites.
- Makes improvements when patrons have been unhappy.
- Companies ignore social media at their peril.

CRM as a Business Strategy

- CRM is NOT just a type of information system, but a **strategy** that an organization must embrace on an enterprise level.
- Helps an organization identify customers and design specific marketing campaigns tailored to each customer, thereby **increasing customer spending**.
- Allows an organization to treat customers as individuals, gaining insights into their buying preferences and behaviors, leading to **increased sales, greater profitability, and higher rates of customer loyalty**.



Customer Touch Points

Anywhere a customer comes in contact with the organization is a touch point.



CRM - IT As a Critical Enabler

IT Enables firms to collect, maintain and analyze a very large amount of data related to customers.



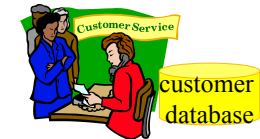
Marketing



Finance & Accounting

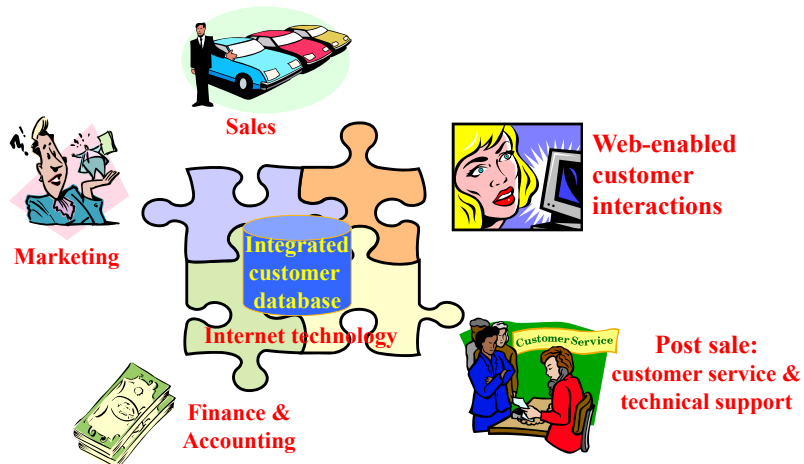


Sales



Post sale: customer service & technical support

CRM - IT As a Critical Enabler (cont'd)



Data Consolidation

- Data consolidation is critical to an organization's CRM efforts.

Data Consolidation = 360-Degree View of Customers

- Collaborative CRM** systems provide effective and efficient interactive communication with the customer throughout the entire organization.
- CRM systems contain two major components:
 - Operational CRM systems
 - Analytical CRM systems

Learning Objective 2

- Describe the operational and analytical CRM systems, and their benefits.

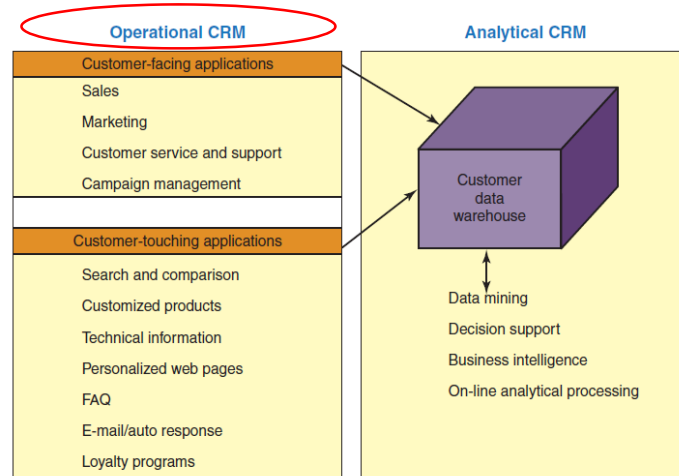
What is Salesforce CRM?

Transform your organization and the communities you serve with Salesforce CRM.



(Source: <http://www.youtube.com/watch?v=r6hxqg3PgRQ>)

Relationship between Operational CRM and Analytical CRM



Operational CRM Systems

- Also known as “front-office” CRM.
- Involves the areas where direct customer contact occurs.
- Two major components of Operational CRM:
 - Customer-facing applications:
 - an organization’s sales, field service, and customer interaction centre representatives interact directly with customers
 - Customer-touching applications:
 - customers interact directly with these technologies and applications

Customer-Facing Applications

- Customer service and support
 - Systems that automate service requests, complaints, product returns, and requests for information.
- Sales force automation
 - Track all contacts that have been made with a customer, the purpose of each contact, and any follow-up that might be necessary.
- Marketing
 - Identify and target their best customers, to manage marketing campaigns, and to generate quality leads for the sales teams.
- Campaign management
 - Send the right messages to the right people through the right channels.

Customer-Touching Applications

- Search and Comparison Capabilities
- Technical & Other Information Services
- Customized Products & Services
- Personalized Web Pages
- FAQ's
- E-mail & Automated Response
- Loyalty Programs

Operational CRM Examples

Kiosks help IKEA track customer loyalty

Tags: Kiosks / Self-Service, Loyalty Programs
May 21, 2012

Tweet 23 Like 5 +1 0 Share 0 Share 36

IKEA's new kiosk-based loyalty program IKEA FAMILY has already attracted more than 1.6 million members since its launch a few months ago.

IKEA FAMILY offers special offers and benefits to customers, as well as program-branded merchandise and promotional events, Diane Zoll, manager of IKEA FAMILY US, said in a company release.

"Not only are there now millions of members, but members are highly engaged and spend more when they visit IKEA," she said.

In the store, the membership journey begins at the FAMILY Shop, which features unique FAMILY-branded merchandise that members can use every day, from backpacks to bathrobes, with members-only prices.

The Kiosks, which are built, serviced and monitored by **Kiosk Information Systems**, allow new members to enroll and receive a membership card on the spot. The kiosks also encourage existing members to scan their cards for a chance to win a monthly \$100 FAMILY Sweepstakes, as well as view exclusive current IKEA FAMILY discounts and offers.



(Source: <http://www.retailcustomerexperience.com/article/194751/Kiosks-help-IKEA-track-customer-loyalty>)

Operational CRM Examples (cont'd)

Video: The Smart Shopping Cart of the Future Follows You Through the Store

Using Kinect and Windows 8
By Clay Dilor Posted 03/01/2012 at 4:05 pm 3 Comments

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(Source: <http://www.popsoci.com/technology/article/2012-03/video-smart-shopping-cart-future-follows-you-through-store>)

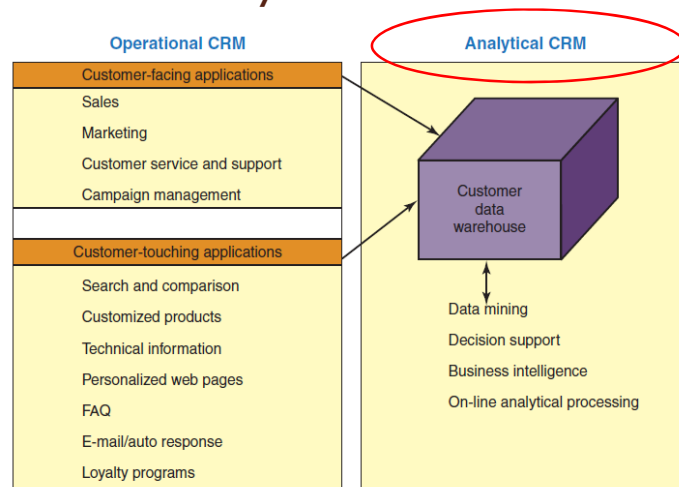
Benefits of Operational CRM Systems

- Provide efficient, personalized marketing, sales, and service.
- Get a 360-degree view of each customer.
- Give sales and service employees access to a complete history of customer interaction with the organization.
- Improve sales and account management.
- Form individualized relationships with customers

Benefits of Operational CRM Systems (cont'd)

- Identify the most profitable customers.
- Provide employees with the information and processes necessary to know their customers.
- Understand and identify customer needs.
- Effectively build relationships among the company, its customer base, and its distribution partners.

Relationship between Operational CRM and Analytical CRM



Analytical CRM Systems

- Analytical CRM relies heavily on **data warehousing** technologies and business intelligence to glean insights into customer behavior.
- Analytical CRM has the ability to provide an organization with information about their customers that was previously impossible to locate, and the resulting payback can be tremendous.
- Use various analytical techniques such as **data mining**
 - Critical to support various types of sophisticated CRM-based marketing initiatives

Some Functions of Analytical CRM Systems

- Designing and executing targeted marketing campaigns.
- Increasing customer acquisition, cross selling, and up selling.
- Providing input into decisions relating to products and services.
- Providing financial forecasting and customer profitability analysis.

IT's About Business – Refining the Call Centre

- Read the case “**9.3 Refining the Call Centre**” and answer the following questions:
 1. *Explain how the analytical CRM and operational CRM systems are related in the case of ELoyalty. Explain how the two are interconnected.*
 2. *Review the six categories of customers. Which kind of customer are you? Do you think it would be advantageous to you if you could speak with a customer service representative who had a similar personality? Why or why not?*

IT's About Business – Refining the Call Centre (cont'd)

ELoyalty

- Emotions-driven (30%):
 - forge relationships with agents before getting into the problem.
- Thoughts-driven (25%):
 - want facts and analysis and are not fond of small talk.
- Reactions-driven (20%):
 - either love something or hate it.
- Opinions-driven (10%):
 - customers' language is full of imperatives, their minds are made up.
- Reflections-driven (10%):
 - introverts who live in their own worlds, prefer silence to banter, and often skip personal pronouns in their speech.
- Actions-driven (5%):
 - want movement and progress.

Learning Objective 3

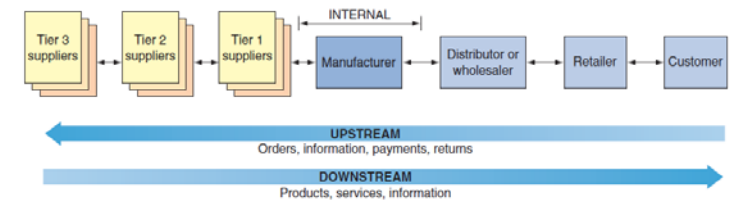
- Explain supply chain management (SCM) and describe the role of information systems in SCM.

What is Supply Chain?

- **Supply chain** refers to the flow of materials, information, payments and services from raw material suppliers, through factories and warehouses, to the end customers.
- It includes the organizations and processes that create and deliver products, information, and services to end customers.

Generic Supply Chain

- The supply chain consists of three parts:
 - **Upstream** supply chain, where sourcing or procurement from external suppliers occurs
 - **Internal** supply chain, where packaging, assembly or manufacturing takes place
 - **Downstream** supply chains, where distribution or dispersal takes place, frequently by external distributors.



Flows of the Supply Chain

- **Material**
 - Physical products, raw materials, supplies, etc. that flow along the chain.
- **Information**
 - Data related to demand, shipments, orders, returns, and schedules, as well as changes in any of these data.
- **Financial**
 - Money transfers, payments, credit card information and authorization, payment schedules, e-payments, and credit-related data.

What is Supply Chain Management (SCM)?

- A set of approaches used to efficiently **integrate** suppliers, manufacturers, warehouses and retail stores in order to deliver products/services to final customers.
 - Q: How to effectively and efficiency manage SC activities?
 - A: **Planning, organizing and coordinating** all the supply chain activities.
- Purpose:
 - To ensure that the **right product** be supplied to the **customer** in the **right quantities**, at the **right time**, to the **right location**, and at the **optimal cost**.



Push Model vs. Pull Model

- **Push model**, also known as **make-to-stock**, the production process begins with a forecast, which is simply an educated guess as to customer demand.
- **Pull model**, also known as **make-to-order**, the production process begins with a customer order.

SCM Problems

- **Conflicting objectives throughout the supply chain**

The supplier wants:

- Supply in large quantities
- Long-run stable production planning
- Maximal commitment by buyers (sole source; long term business partner)



The buyer wants:

- Order in small quantities
- Have immediate response to varying demands
- Minimal commitment to suppliers (multiple sources; suppliers, not partners)

The Bullwhip Effect

The **bullwhip effect** is erratic shifts in orders up and down the supply chain



Solutions to Supply Chain Problems

- **Vertical Integration**
 - A business strategy in which a company purchases its upstream suppliers to ensure that its essential supplies are available as soon as they are needed.
- **Using Inventories**
 - Just-in-time systems attempt to minimize inventories.
- **Information Sharing**
 - Vendor-managed inventory (VMI) - the supplier, rather than the retailer, manages the entire inventory process for a particular product or group of products.

How IT Improves SCM

- Gathering information
 - Customer demand (POS)
 - Flow materials/goods (RFID)
- Sharing information
 - Automated Communication
 - SCM sites
- Using information
 - Forecasting demand
 - Discovering scheduling patterns



IT Helps Organizations Share Information for SCM

- **Sharing of timely information** between trading partners and rapid response to that information
 - Forecast demand, actual demand
 - Inventory levels
 - Production capacity, plans, yields
 - Shipment status
 - Product specifications, design, change orders



Netsuite SCM

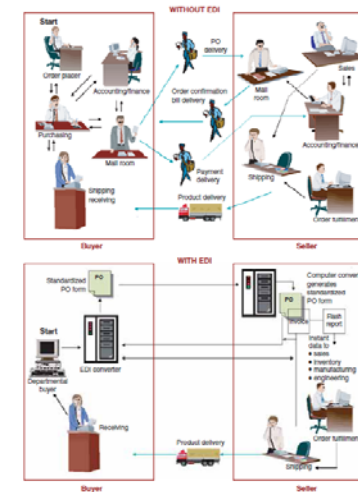
Watch this video!

(Source: <http://www.netsuite.com/portal/products/netsuite/supply-inventory/main.shtml>)

What is Electronic data interchange (EDI)?

- **EDI** is a **communication standard** that enables business partners to exchange routine documents, such as purchasing orders, electronically.
- EDI system formats these documents according to agreed-upon standards (for example, data formats). It then transmits messages over the Internet using a converter, called a **translator**.

Comparing Purchase Order Fulfillment With and Without EDI



Benefits of EDI

- Minimize data entry errors
- Length of messages are shorter
- Messages are secured
- Reduces cycle time
- Increases productivity
- Enhances customer service
- Minimizes paper usage and storage

Conclusion

- CRM systems allow a company to operate more efficiently and effectively in the area of supporting **customer needs**.
- SCM is the management of **information flows** between and among activities in a supply chain to maximize total supply chain effectiveness and corporate profitability.
- **Integration** allows separate systems to communicate directly with each other, eliminating the need for manual data entry into multiple systems.