

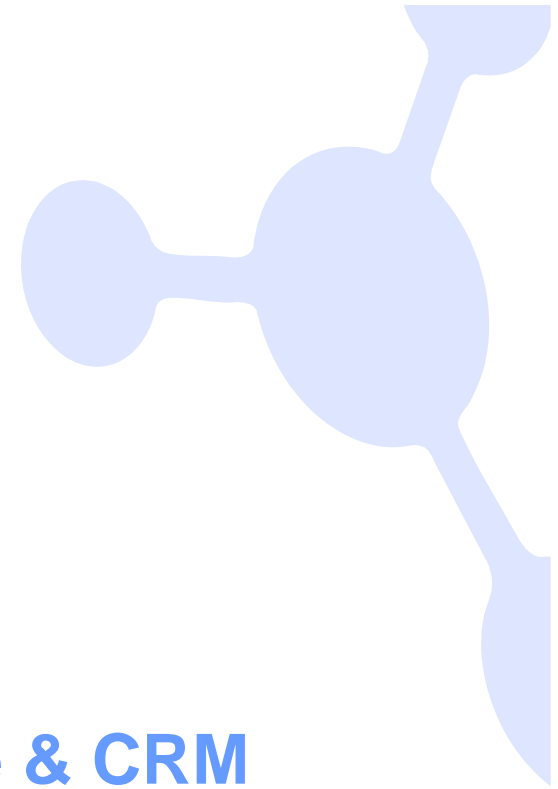


WESTFÄLISCHE
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Customer buying cycle & CRM



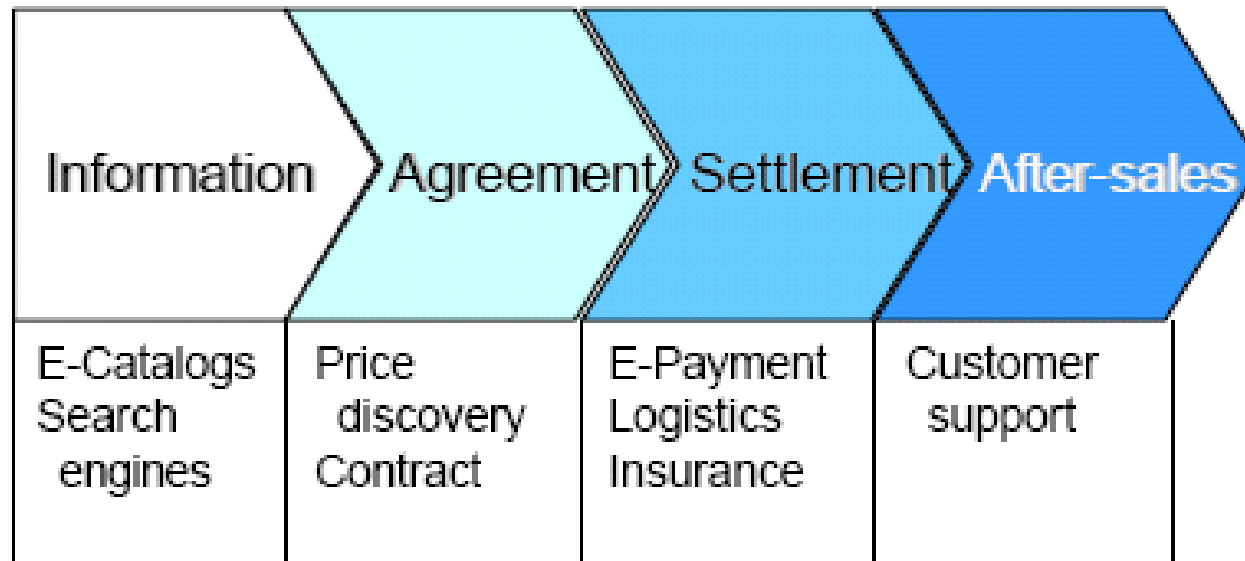
Learning goals

- Understand the basic concepts of
 - the customer buying cycle and
 - CRM
- Transfer and apply them in the field of tourism
- Explore the link between the buying cycle and CRM
- Critically assess the role and instrument of online personalization

Agenda

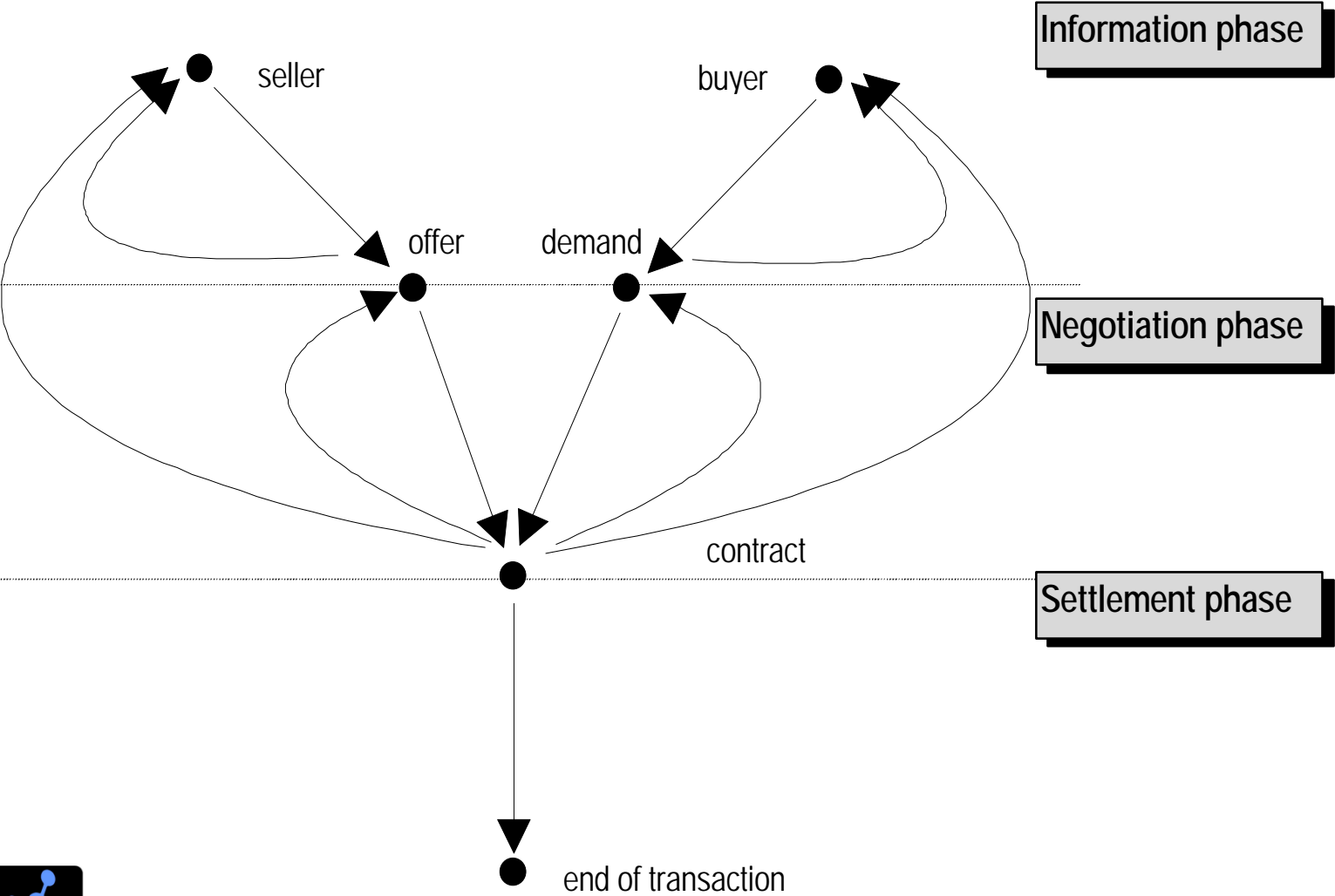
1. The concepts of transaction and buying cycle
2. Customer relationship management
3. CRM instruments, mass customization

Phases of business transactions



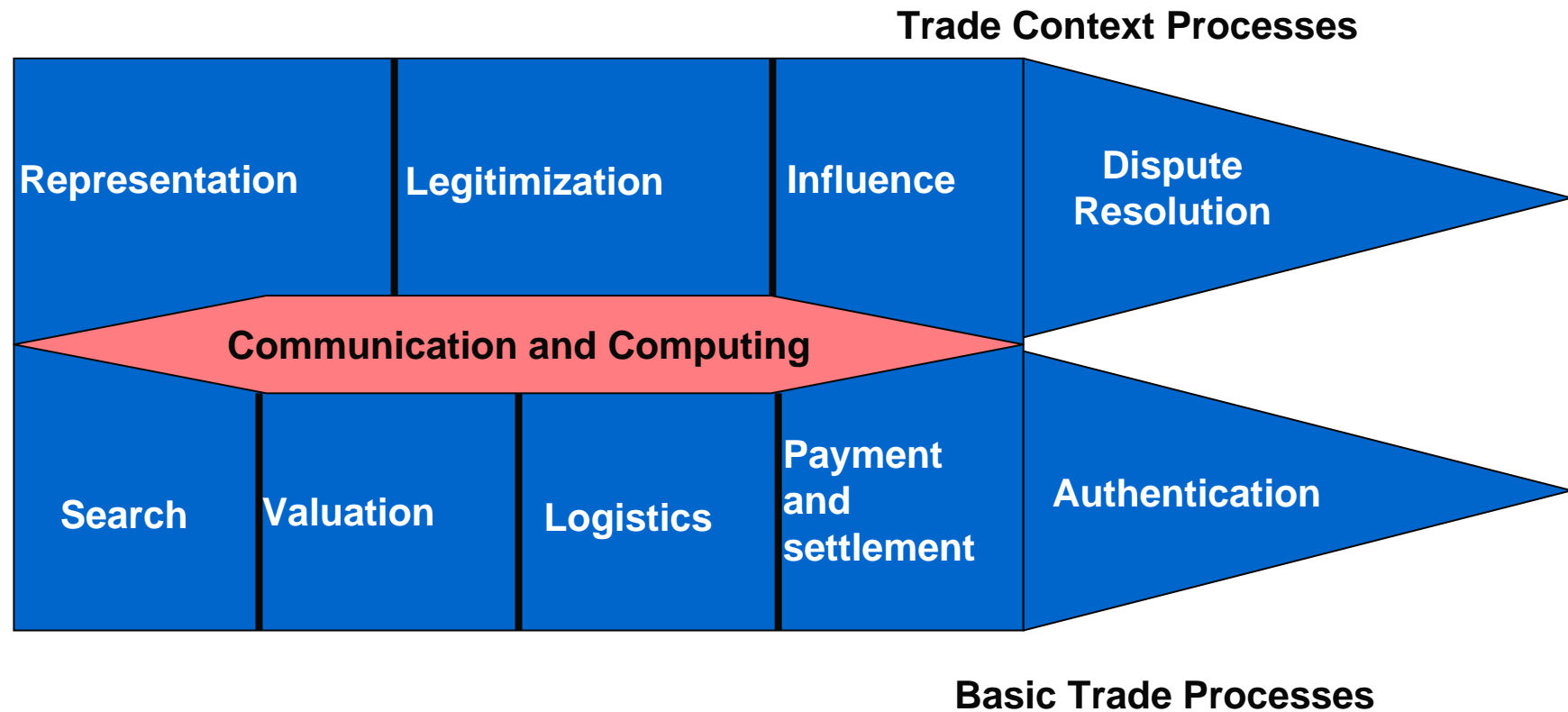
Phase model of an electronic market transaction (Lindemann & Runge, 1998)

Transaction phases



Exchange Processes in Electronic Markets

(Kambil & Van Heck, 1998)

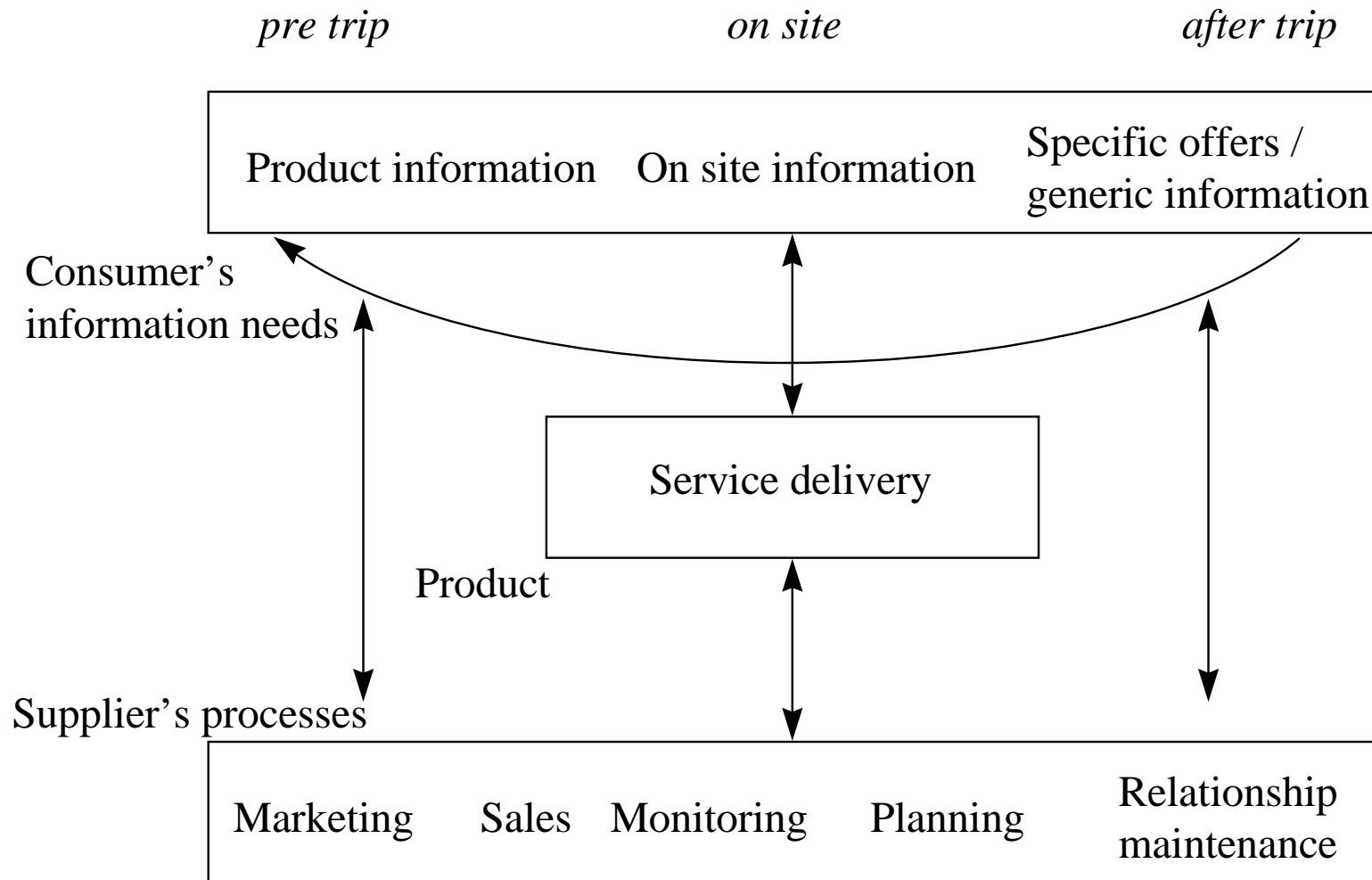


Travel and transaction phases

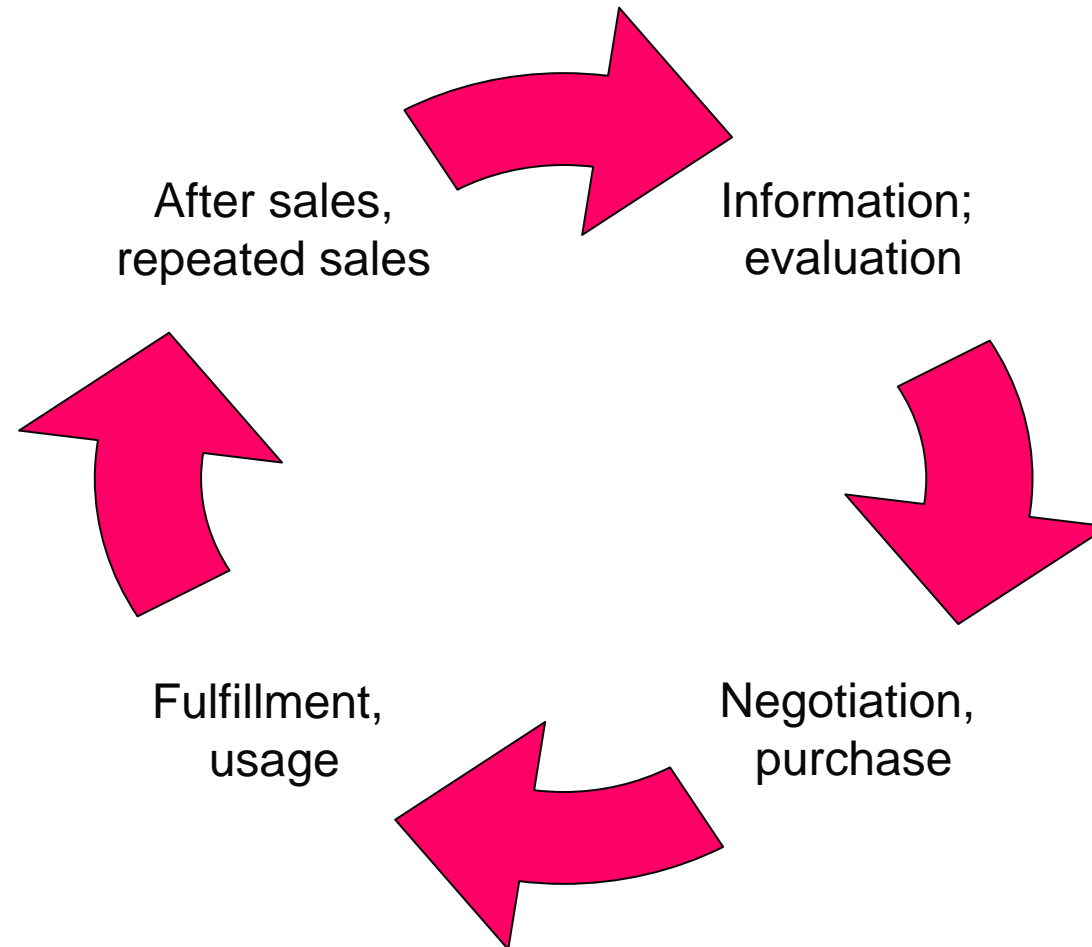
Travel phases	pre-trip	during the trip	post-trip
Transaction phases			
Information	Typically a major part of the transaction (transport, accommodation etc.) is concluded before the beginning of the trip.	Additional information is provided during the trip, e.g., additional offers.	Follow-up information
Negotiation	All-inclusive offerings cover even entertainment and food in advance.	A part of the tourism services is purchased during the trip.	
Settlement			A part of the settlement might be left until the end of the trip. Detailed and structured information may be provided for accounting purposes

Service delivery linking supplier processes and consumer needs

The basic model



The basic buying cycle

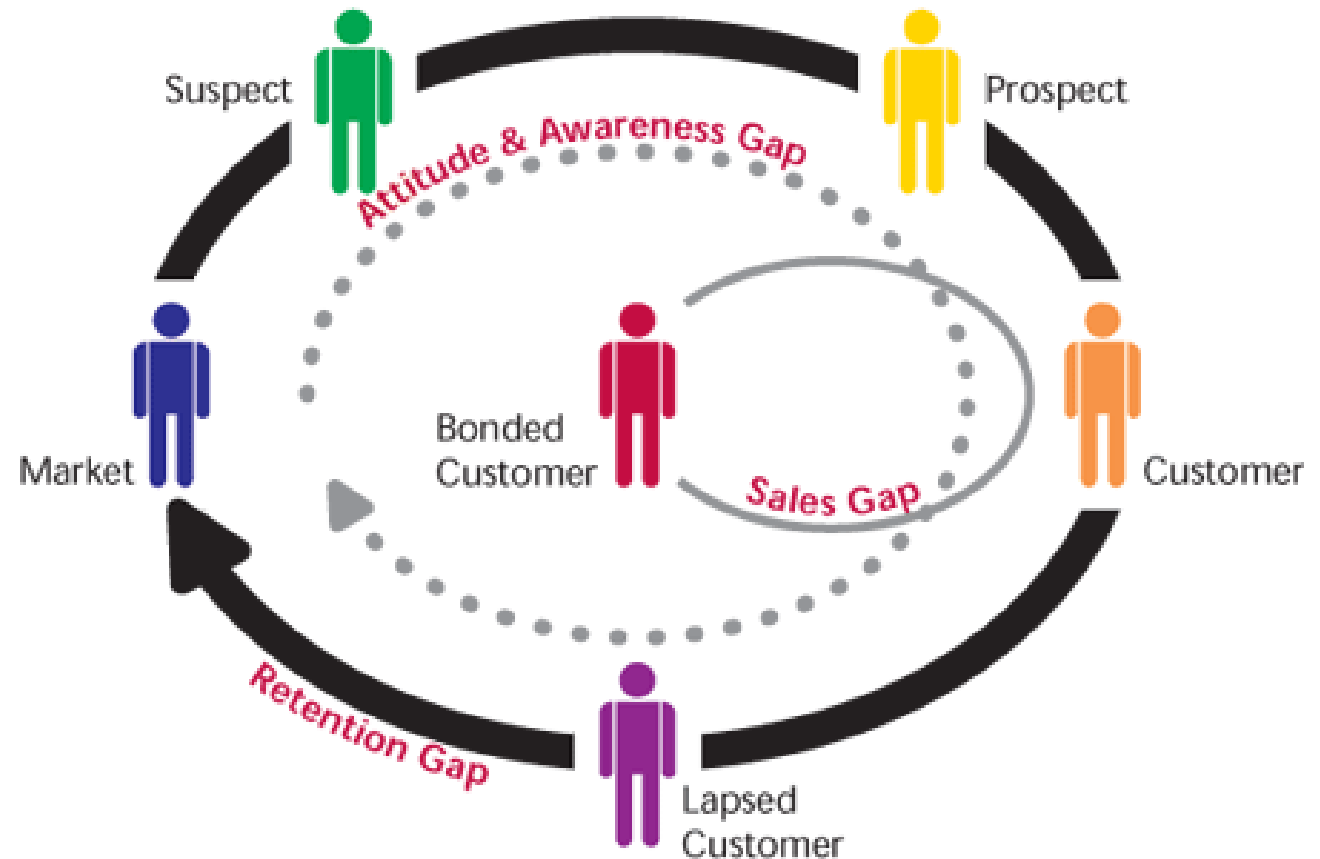


Agenda

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The Customer Relationship Cycle

Linking the buying cycle and CRM:
Turning customers into **bonded customers**



Source: OgilvyOne's Customer Relationship Cycle;
www.ogilvy.com/viewpoint/view_ko.php?id=40600...

A definition

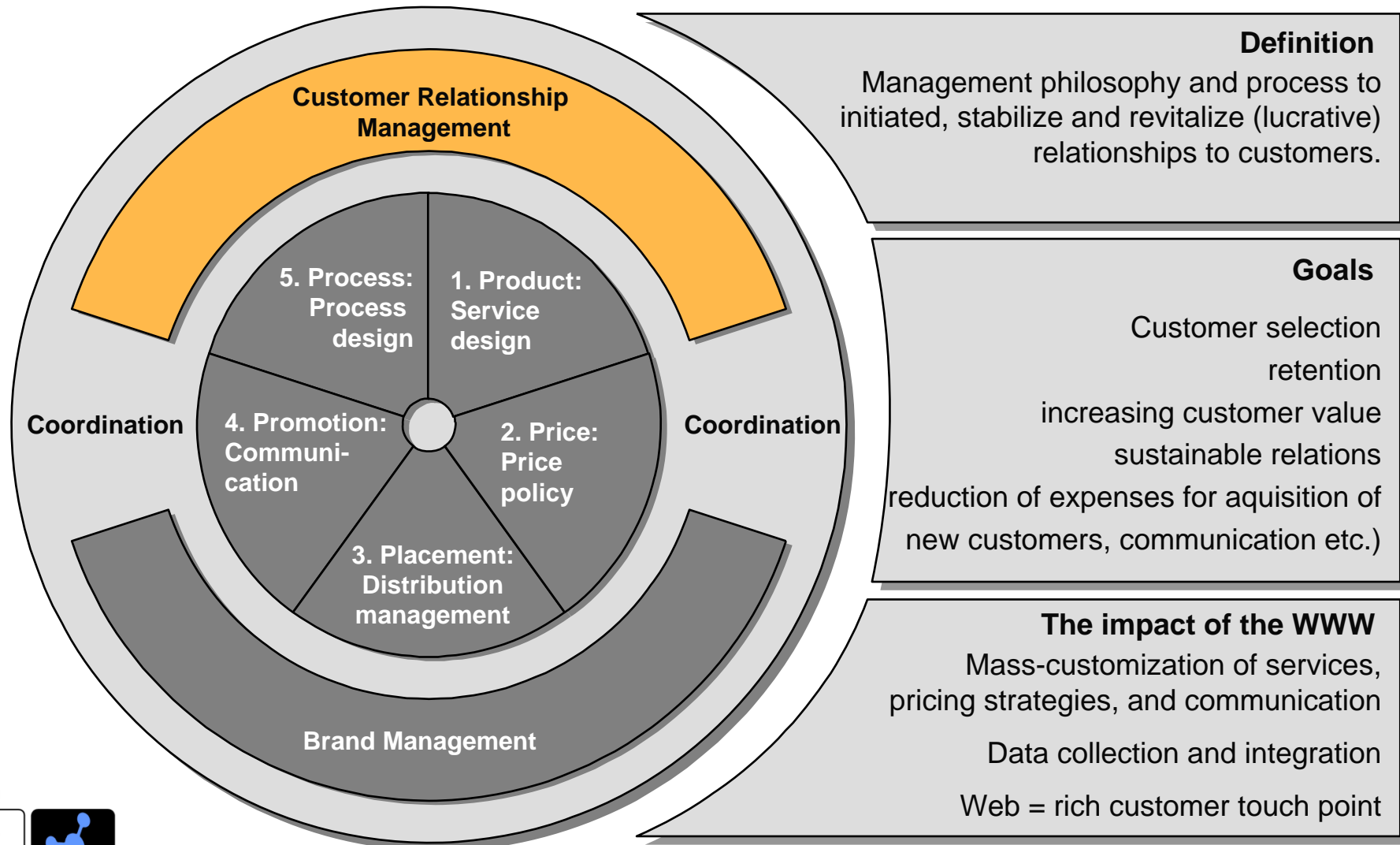
***CRM is
a customer-focused management philosophy,
which uses ICT to establish long term profitable
customer relations.
CRM uses holistic and personalized concepts
for marketing, distribution and service.***

Source: Hettich/Hippner/Wilde, Customer Relationship Management, WISU 10/2000

Further CRM Definitions

Berry 1983	Relationship Marketing is attracting, maintaining and enhancing customer relationships.
Grönroos 1990	The goal of relationship marketing is to establish, maintain and enhance relationships with customers and other parties at a profit so that the objectives of the parties involved are met.
Möller 1992	Marketing is about understanding, creating and managing exchange relationships between economic parties; manufacturers, service providers, various channel members and final consumers.
Morgan/Hunt 1994	Relationship marketing refers to all marketing activities directed toward establishing, developing and maintaining successful relational exchanges.
Sheth/Parvatiyar 1995	Relationship marketing is a marketing orientation that seeks to develop close interactions with selected customers, suppliers and competitors for value creation through cooperative and collaborative efforts.
Gummesson 1996	Relationship marketing is marketing seen as relationships, networks and interaction.

The marketing context of CRM



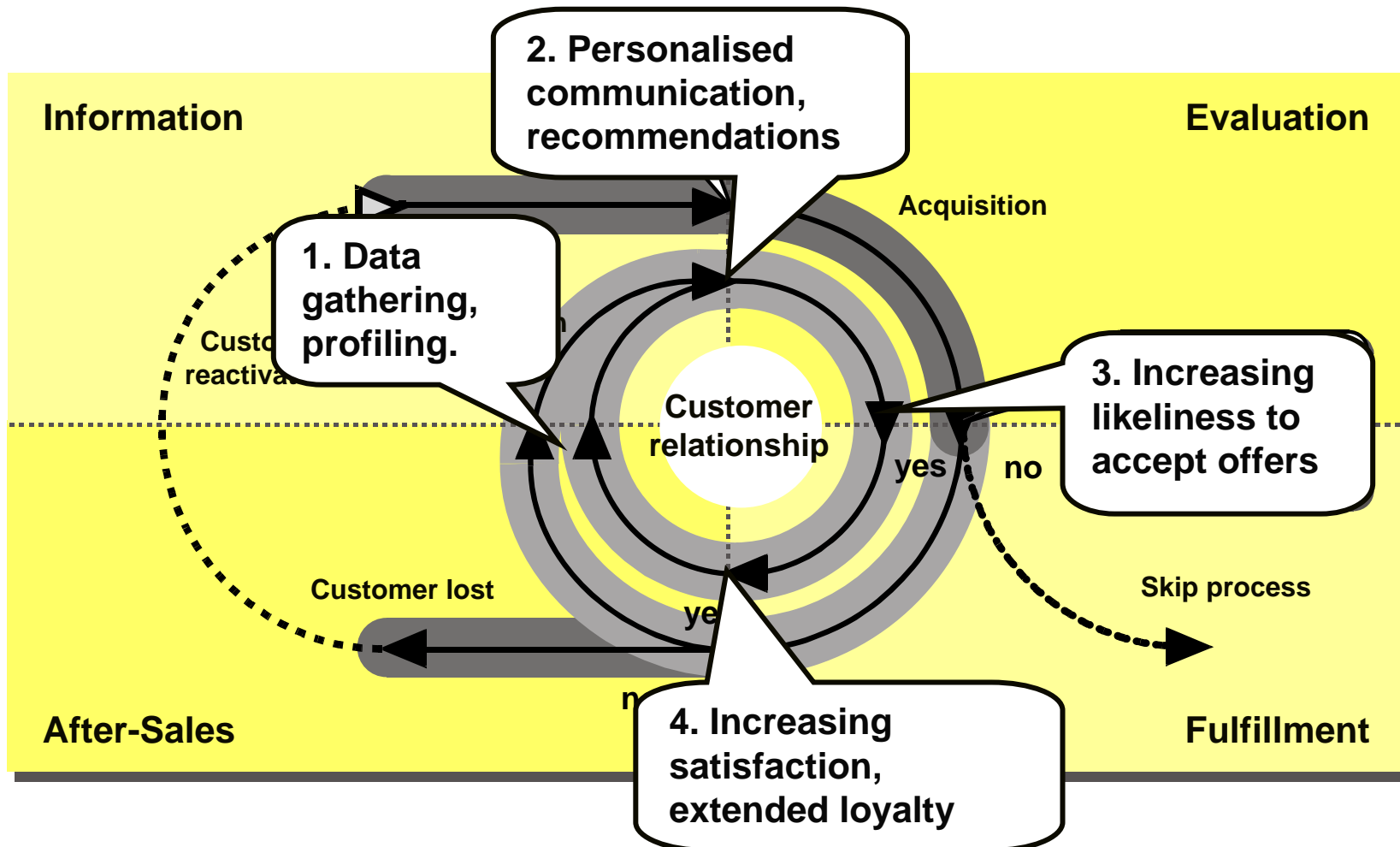
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CRM instruments: Customer retention spiral



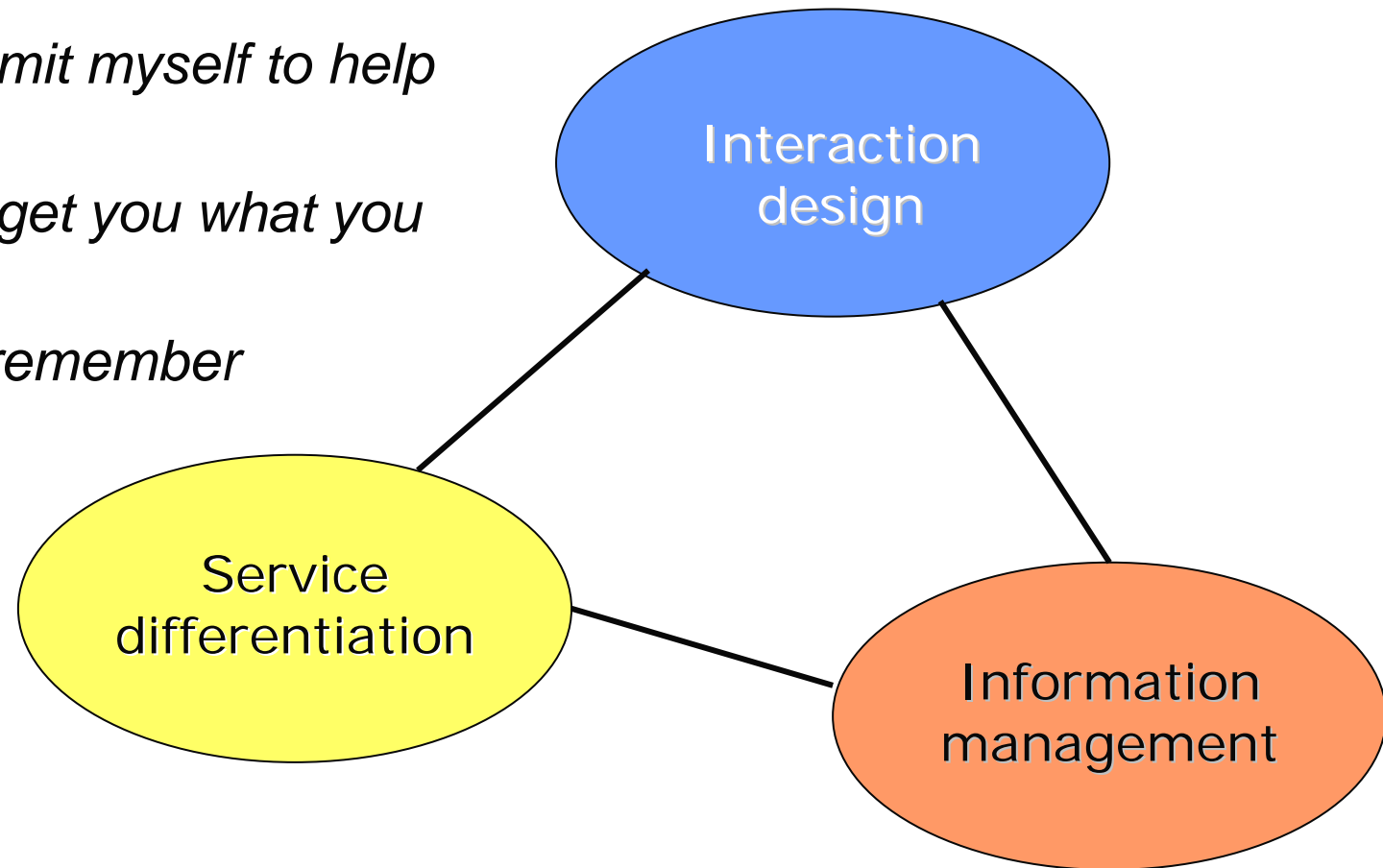
CRM instruments: Mass personalization

- Simulate a personal (one-to-one) relationship with the means of mass technology.
- Main instruments:
 - Services: Configurable service packages, remembering customers preferences (profiling, information management)
 - Communication: Delivering rich tailored messages with scalable technology (reach).
 - Pricing



In Focus: Mass customization/ personalization

- *I know you, who you are*
- *I care*
- *I commit myself to help you*
- *I can get you what you want*
- *I will remember*



Three issues ...

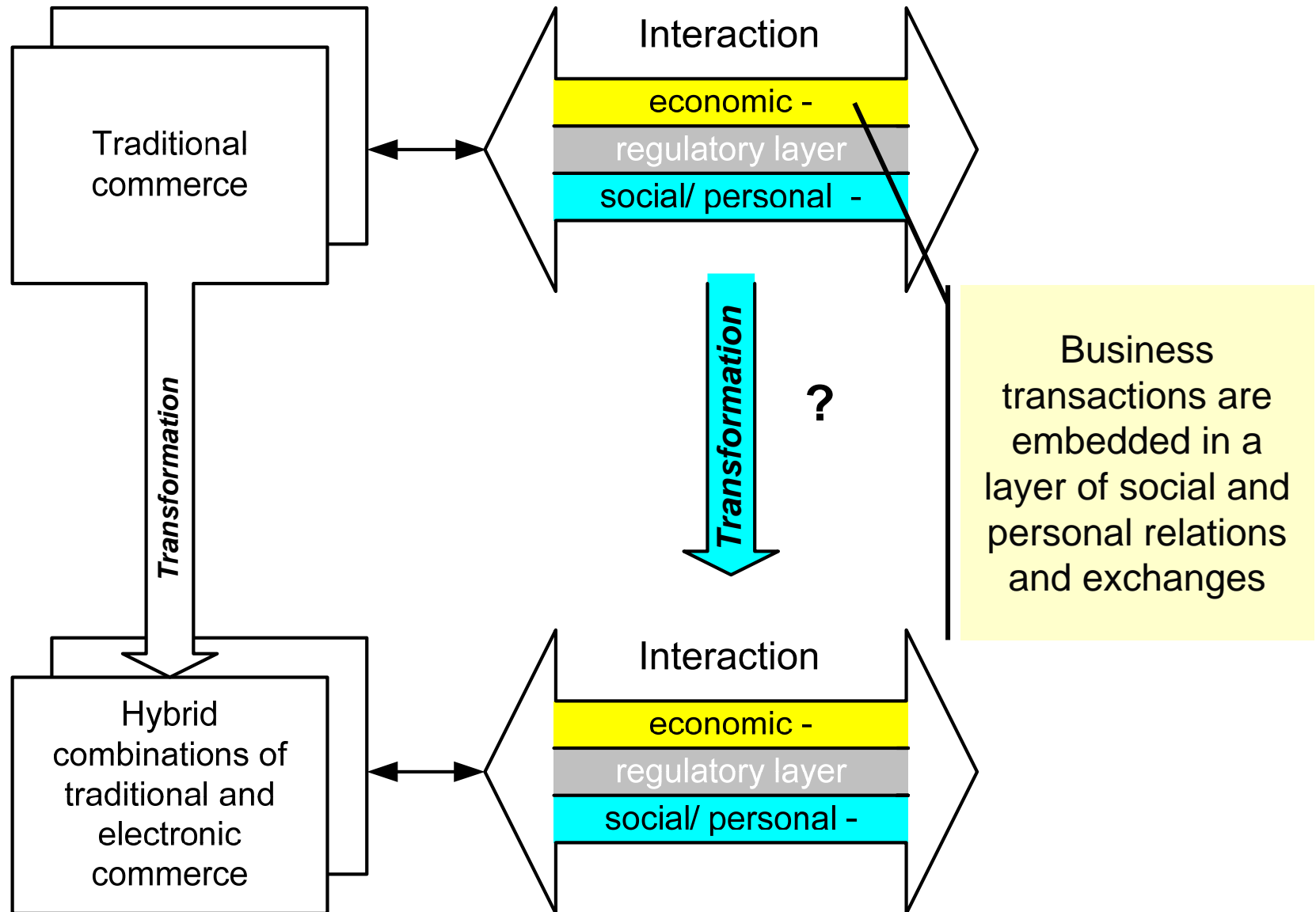
- Communication science: Limits of **human-computer interaction (HCI)**
- Personalization as part of CRM and **success factor in e Business:**
 - "Mass personalization"
 - One2one marketing
- Planning and design of **personalization measures**

Motivation for mass customization ...

Perceived importance of personal and social dimensions of EC

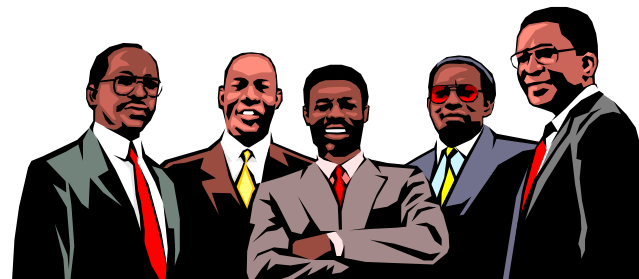
- ... a lack of human touch and social relations is seen as an inhibitor to the diffusion of EC,
- ... companies are responding by numerous measures to personalize and socialize Web sites,
- ... Online or Virtual Communities are regarded as one core measure to improve the attractiveness of Web offerings.

Transformation



Personal and social dimensions of e-Business

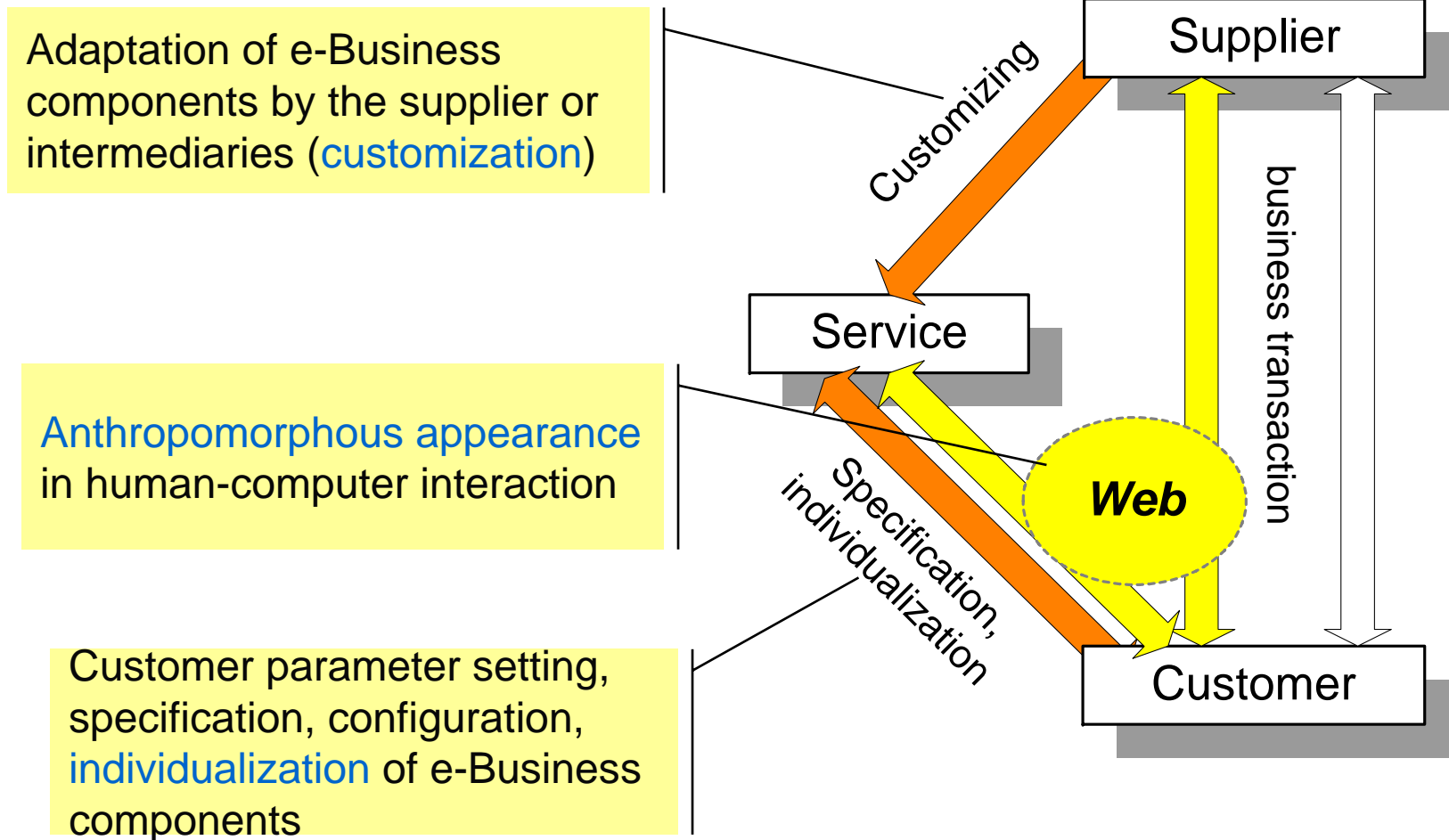
- **Personal dimensions** focus the individual, unique set of characteristics, interests and preferences.
- The individual is distinguished from all others.
- **Social dimensions**, on the contrary, accentuate the integration and embedding of the individual into a network of interpersonal, bilateral or multilateral relations.
- The individual is positioned in a group or a social environment, which yields orientation and personal acknowledgement.



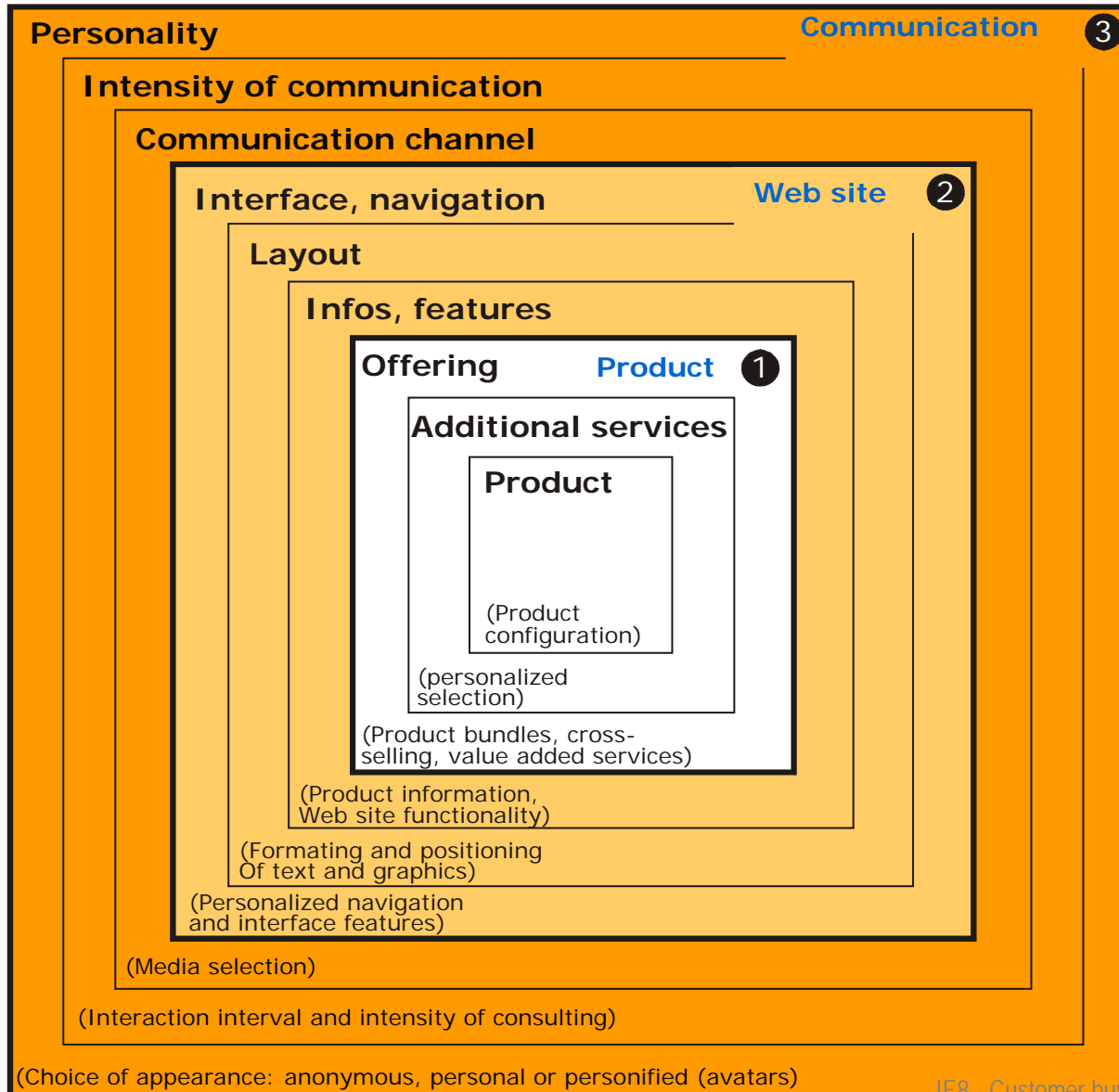
Design options: personal vs. social

Applications	Communication medium (customer push)	Interaction with supplier (supplier push)	Product/ services
Perspective			
Personal dimension (<i>separation</i>)	Configuration of the medium (e.g. myYahoo, choice of Avatar etc.)	Personalized communication (e.g. email), Online decision support	Individual parameter setting and configuration
Social dimension (<i>embedding</i>)	Online communities, social networks, chat, etc.	Representation of an agent „ <i>Shopping together</i> “, representation of co-consumers	Configuration as social process, <i>collaborative filtering</i> as representation of aggregated preferences of an anonymous customer panel

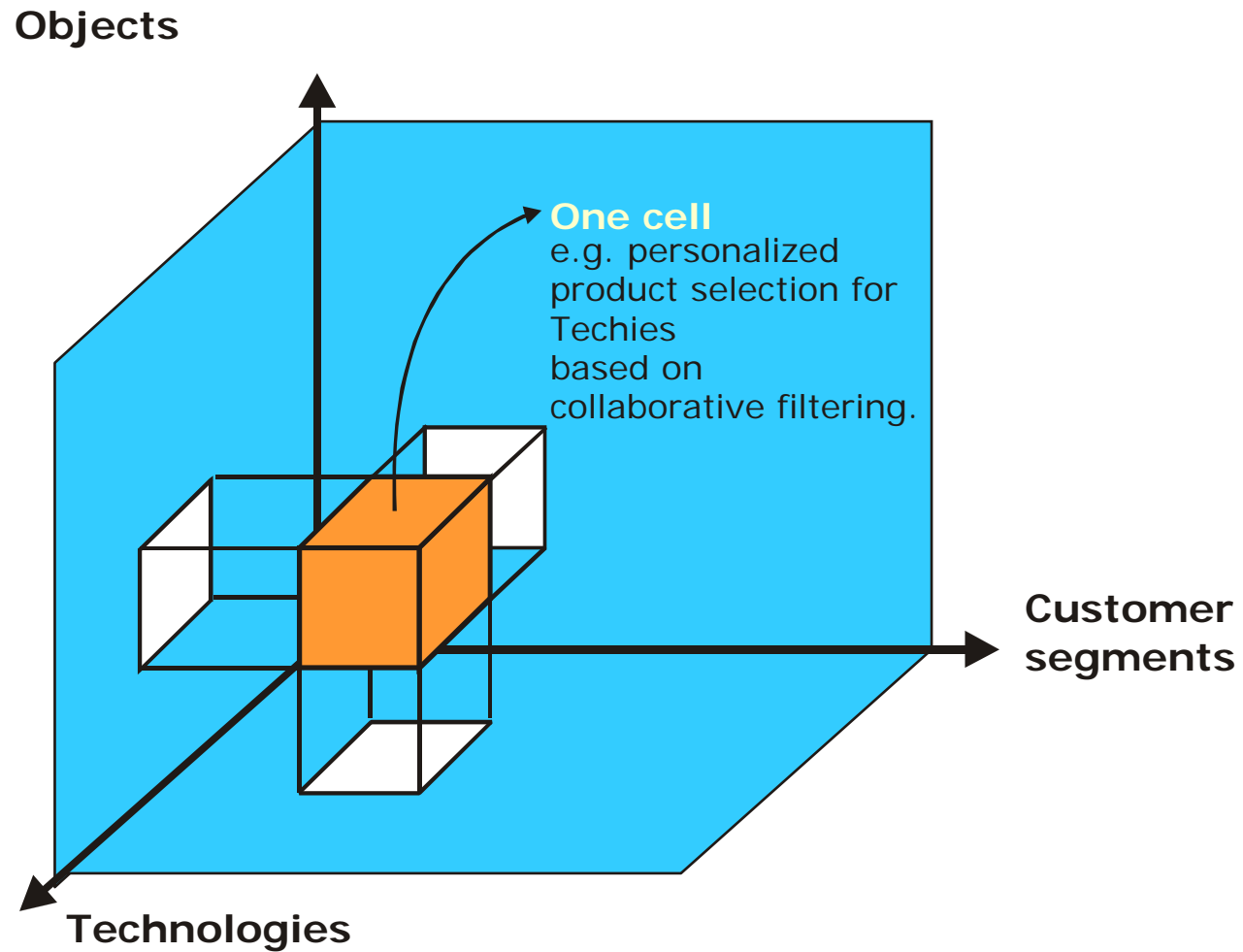
Personalization in e-Business



Objects of customization



Planning the Personalization



Personalization and Recommender System



» Get started
» Avail tech
» Avail SaaS

» Career at Avail
» Newsletter
» Sitemap



Avail Behavioral Merchandising sets the online retail industry standard

- Conversion rate and average order rise by up to 30% right away
- Broadest functionality of any web personalization tool
- Virtually free until you see an increase in revenue
- Integrated and automated metrics functionality shows exact impact of personalization engine on sales
- Tips offered by recommendation software are user-generated and perceived as trustworthy

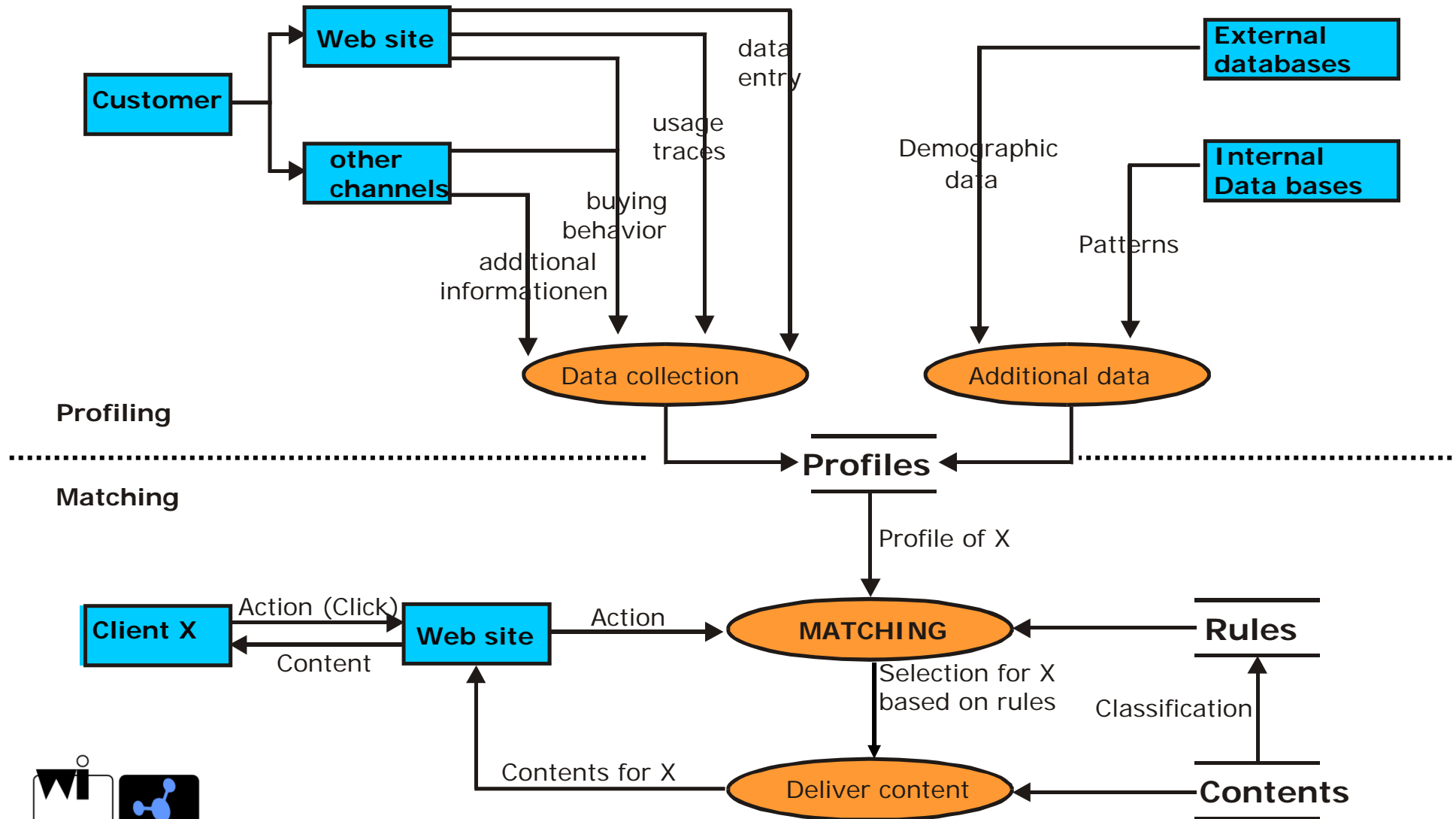
Nicole found her new Mp3 player quickly and easily - thanks to a well-targeted on-site promotion, generated by Avail.
Let's play!

Find out more

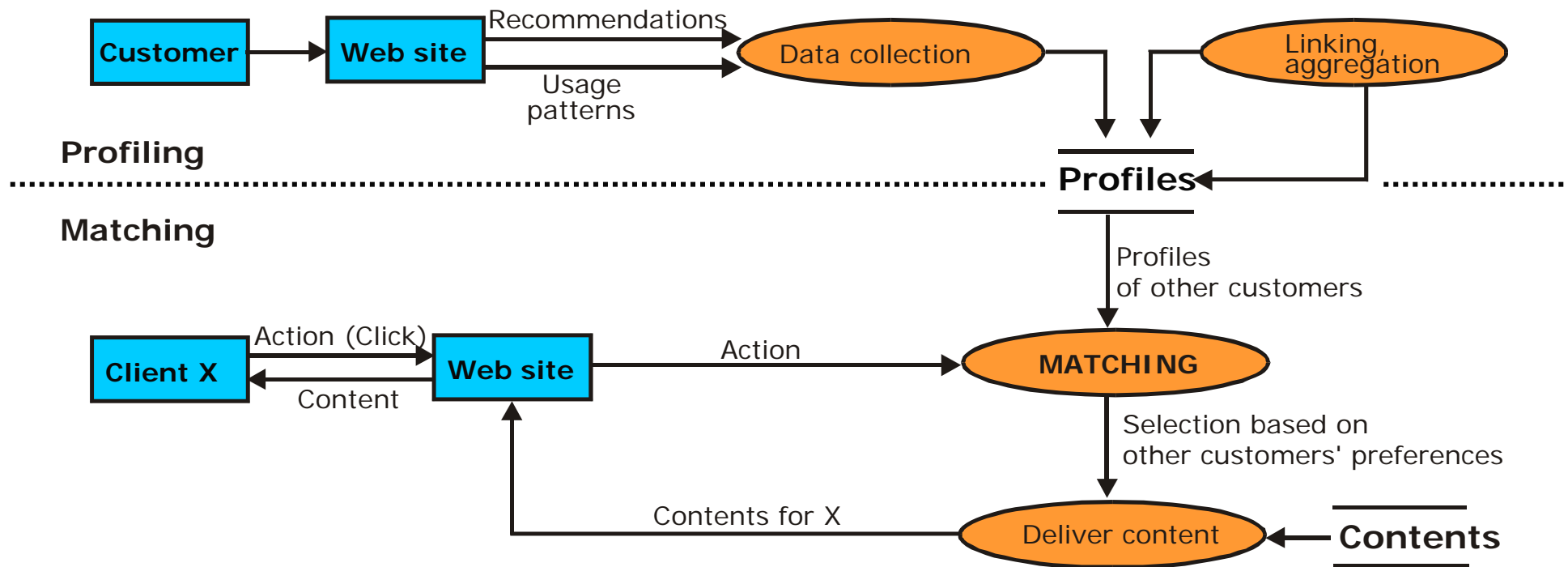


<http://www.avail.net/en/>

Data collection and matching



Collaborative Filtering



Example: SkiMatcher Resort Finder

The screenshot shows the top section of the SkiMatcher website. At the top left, there is a logo with 'SKI' in red and 'EUROPE' in white on a red background. Below it, the date 'Saturday Nov 21, 2009' is displayed. On the right, there are navigation links: 'About Us | Contact Us | Site Map'. Below these is a search bar with the text 'Search' and a 'Go' button. A horizontal menu contains links: 'Get a trip quote > Why Choose Us? > Guest Comments'. Below this is a yellow navigation bar with links: 'Ski Trips | Ski Resorts | New Users | Group Trips | SkiMatcher Resort Finder | KwikKliks | Newsletter | Ski Rental | Ski Gear'. The main content area features the text 'Ski & Snowboard Travel Experts' on the left and 'Custom Ski Trips, Family Skiing & Group Vacation Travel' on the right. There are three main promotional boxes: 1) 'SuperSki Weeks 2010' with 'Online NOW!' and '6 Nights from \$750', and a 'SITE RESOURCES' button below it. 2) A central box with tabs for 'SuperSki Weeks 2010', 'Best Ski Club Deals!', and 'Snow Reports'. It features an image of a ski lift and the text 'SuperSki Weeks Going Fast!' followed by 'Don't miss your opportunity to take advantage of the best prices of the season. The 2010 SuperSki weeks'. 3) A red box on the right with a play button icon and the text 'Get A Trip Quote', and a 'NEW!' box below it with 'Rent Skis Online!' and a 'SPORT 2000' logo.

<http://www.ski-europe.com/>

Assessment of mass personalization

- Suppliers' view
 - Efficiency of personalization measures
 - Management of complexity
 - Differentiated personalization features
 - Multi channel CRM
 - Management of expectations
- Customers' view
 - Appearance of personalization
 - Privacy
 - Developing new patterns of behavior
 - Prosumer:
 - Partial reversal of division of labor,
 - Efficient only in limited domains
 - Loss of common points of reference

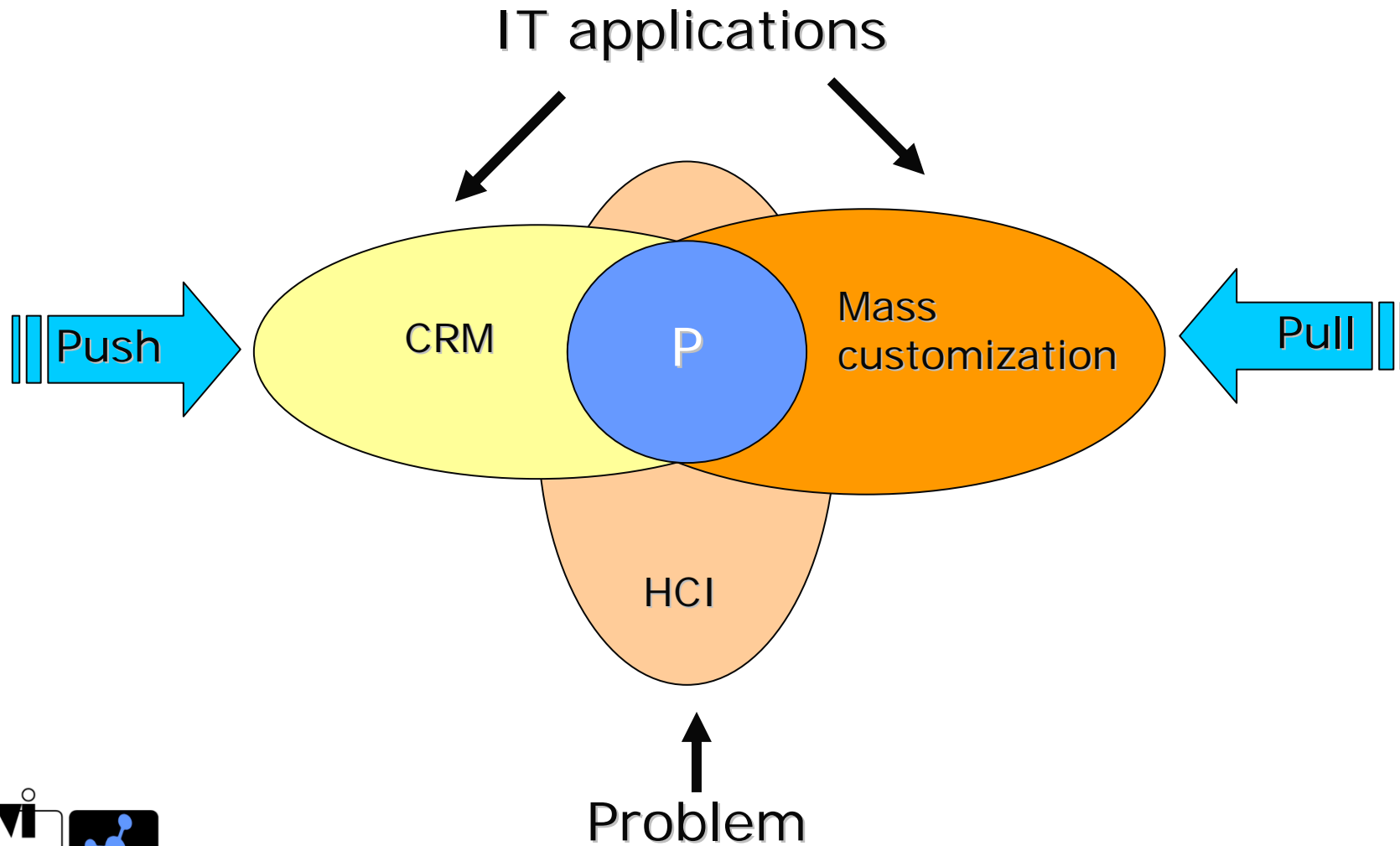
Assessment (cntd.)

- Technical perspective
 - Information management and logistics (information collection, storage, analysis and mining) is a precondition of personalization
 - CMC is the basis and environment of data collection and application of personalization strategies
- Societal perspective
 - Differentiation and segmentation fosters the fragmentation of interest groups
 - Does individualization challenge cultural traditions and values?



We can have what we want ... and it sucks! (FT)

IT: Part of the problem and part of the solution



Online "Personalization"?

- Predominantly we find **pseudo personalization**
 - There is no personal relationship involved
 - Customer retention is achieved by quality and conformance with expectations of the Web presentation as well as the services
- More correct would be: Customizing or **individualization** of interaction and services.

We have reached Utopia – and it sucks

Whatever you want, the market will provide. But this triumph of individualism has some ugly side-effects ...

Richard Tomkins in: FT, Dec. 16/17 2000

Pro and cons

	Pro	Cons
I know you ...	Expression of authentic customer orientation	Cliché, projection
Appearing as personal (pretense)	User friendly interface and interaction design	Pseudo personalization
Configuration	Involving customers in product and service specification (reverse marketing)	Requiring too much, reversal of division of labor might cause inefficiencies, serendipity
Weblining	Legitimate service differentiation	Discrimination, digital divide

Management challenges

- Increasing complexity of options.
- Still limited understanding of the personal and social dimensions of business transactions and of computer-mediated communication.
- A comprehensive marketing strategy and communication policy as well as
- **management of expectations** is required:
 - which message will be communicated via which channel(s)
 - which channels are open for which customers in which situations
 - What of type of response can be expected?

CRM instruments: Establishing customer loyalty

Customer retention can be achieved by

- different lock-in mechanisms
- increasing switching cost

Switching cost: „any kind of cost associated with the migration to a new supplier, vendor or service provider“ [Jackson 1985]

Direct costs of switching

Costs for the search of new suppliers, vendors, providers.

Costs for the initiation, negotiation and settlement of new relationships.

Opportunity costs

Unrealized benefit of an alternative dedication of resources and potential loss of net-benefit of the current relationship in case of migration.

Sunk costs

Irreversible predetermined (customer) investments, intended to ensure and back up the success of the customer relationship

Fresh. Creative. Simple.

Simple, creative, marketing to keep your business fresh.



Travelwatch believes, and repeatedly proves, that clients don't leave because of bad service, they leave out of neglect.

We also adhere to the theory that it costs 8 to 10 times more to get a new customer than to keep an existing one.

Our eMarketing services deliver!

- ▶ Increased revenues from your existing clientele
- ▶ A methodical increase of your customer base
- ▶ Brand recognition and promotion
- ▶ Improved customer satisfaction
- ▶ Time for you or your staff to focus on core competencies – **Selling**
- ▶ **NEW!** Powerful Visual Media for your Campaigns included



Video

Watch our short four minute video on our approach to travel marketing.



Our Brochure (PDF)

Get all the facts on our approach to Travel Marketing!
> [Download Now!](#)

Example: Travelwatch CRM Tools

Welcome to the Travelwatch CRM Tools Tour

A complete set of CRM tools for the travel industry.



Customer Marketing Manager (CMM)

#	First Name	Last Name
1	Jane	Cheong
2	Teresa	Giaglione
3	Mardie	Karavakis
4	Ali	Kermani
5	Michelle	Pinard
6	Frank	Orlando

Your Customer List



Touch eMail Content



Your Travel Web Page

416-410-8383

Register:

First Name:

Last Name:

Email:

Postal Code:

Customer Tracker



Travel ePostcard

Take aways ...

- Basic model of business transactions or customer buying cycle.
- CRM as business philosophy.
- Critical reflection of role of technology, specifically mass customization, in CRM.