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CRM stages comeback as economic fears grow

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With the fear of a recession tightening everyone's purse strings, businesses are shifting their budgets into CRM in a last ditch attempt to hold onto increasingly rare loyal customers. Since attention is shifting to retention, acquisition drives have had to take a back seat, leaving marketers having to rethink new strategies. So how important is CRM in the face of an economic downturn?

Of course, many marketers got their fingers badly burned in adopting CRM 1.0, but with the launch of CRM 2.0 – enabling marketers to get close to the nirvana of one-to-one communication – customer management is making a comeback; and the timing could not be better.

With CACI expecting a doubling in turnover over the next five years due to the launch of its new Customer Solutions Group and companies such as lastminute.com and Chelsea FC appointing agencies to handle CRM accounts (precisionmarketing.co.uk), ad budgets are being diverted.

But with consumers being more in control of how they are marketed to, there has to be a renewed focus on relevance, according to Alan Thorpe, commercial and operations director at G2 Data Dynamics. He adds: "The challenge is measuring market effectiveness as marketers want to drive return on investment (ROI)."

In the face of the economic slump, driving ROI is harder than ever. Paul Winters, managing director of CACI's new customer management group, Marketing Solutions Division, says: "The world is changing in terms of acquisition, the days of mailing the Electoral Register three times is getting expensive and not working. There is now much more of an emphasis on driving value from your existing customer base."

"Retention is critical, you should do more with the customers that you already have as it's from them that you are going to get the most from your revenue in hard economic times. It's also tough to recruit new customers in the current climate."

However, Lazar Dzamic, joint

planning director at Kitcatt Nohr Alexander Shaw, says businesses should always be looking at squeezing the most value from their database regardless of the economy, as protecting value makes sense.

Dzamic says since current customers are already in touch with the brand, they can help them spread the word through recommendation. He states brands are also always looking at new ways of talking to customers through blogging and social networking but it is essential that they implement what they are being told.

He believes one of the only ways to make the most of acquiring new customers is to find clones of existing customers through data analytics.

Dzamic continues: "You can use technology to diversify the customer base by driving as many people as you can to your website, as there's a lot more opportunity to build awareness and consideration online."

Investing in technology to build a detailed single customer view is vital as it allows marketers to build analysis around that data to target effectively, says Winters. "Technology is getting to the point of realtime decision making. A call centre can bring up live information about a customer, enabling them to make an informed relevant sales pitch based on the knowledge of that customer."

However, most technology investment is being made online, says Chris Underhill, chief executive at SmartFocus, which handles the CRM account for Chelsea FC.

Cost effectiveness is an important factor when considering a CRM programme but the digital immediacy is also an attractive feature as it allows businesses to react to consumers in shorter time than traditional media, says Underhill.

He explains: "Where the technology investment is being made is in digital marketing. With acquisition campaigns it allows shorter feedback time and allows organisations to perfect performances everyday."

However, Tim Bonnet chief executive of Tequila/London – the agency which handles the CRM account for lastminute.com – fears there is a danger for marketers to just use

Shoppers

As modern consumers are more in control of how they are marketed to, relevance is crucial



the lowest cost per acquisition online rather than look at lifetime value.

He explains: "Marketers can only add value to a customer if they've acquired the right one in the first place."

Yet some marketers are reluctant to invest in CRM due to the promiscuity and lack of loyalty from consumers, while others believe it is for this reason that having a CRM

programme is essential.

Bonnet believes that while cost for responsiveness will be cheaper online, loyalty from that customer will be lowest as consumers shop around online to get the best price.

Therefore, driving loyalty in current customers is essential says Bonnet. "CRM could be described as the new loyalty scheme as it allows businesses to communicate to consumers

at the right time with relevant offers."

It seems the tougher the economic cycle the more important CRM. Winters concludes: "Whatever the state of the economy, the core of CRM will remain the same; understanding customers and using the right tools to help achieve this end. If we do that, the reputation of CRM can only improve."

Sensitivities (+ or -) to target response percentage

Comparison: Cost of replacement and amount available for CRM

Source: Admap Magazine

