Chapter 6
Relationship marketing using digital platforms

Learning objectives

• Assess the relevance and alternative approaches for using digital platforms for customer relationship management and Marketing Automation
• Evaluate the potential of the digital technology and applying the concept of ‘Big Data’ to support one-to-one marketing
• Assess how to integrate social and mobile interactions to develop social CRM capabilities.
Questions for marketers

- How can Marketing Automation be used to increase the value of customers through the customer life cycle?
- How do I implement permission marketing with mobile, social and messaging applications?
- How can I apply personalisation and mass customisation cost effectively in my marketing?

Figure 6.1 Zappos core values put the customer at the heart of the business
Source: http://about.zappos.com/our-unique-culture/zappos-core-values
Figure 6.2  The scope of Social CRM across business functions

Source: Altimeter (2010)

Figure 6.3  Chiquita Rio film campaign applies gamification

Source: www.bunchball.com/chiquita
### Differences between relational and transactional marketing

<table>
<thead>
<tr>
<th>Transactional paradigm</th>
<th>Relational paradigm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market segment</td>
<td>Individual customer</td>
</tr>
<tr>
<td>Transaction duration</td>
<td>Lifetime</td>
</tr>
<tr>
<td>Margin</td>
<td>Lifetime value</td>
</tr>
<tr>
<td>Market share</td>
<td>Most valued customers and customer share</td>
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<tr>
<td>Mass market broadcast</td>
<td>Dialogue and tailored communications</td>
</tr>
<tr>
<td>Passive consumers</td>
<td>Empowered clients</td>
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</table>

### CRM applications

- Sales force automation
- Customer service management
- Managing the sales process
- Campaign management
- Analysis.
Customer Engagement

- *Customer engagement*: Repeated interactions that strengthen the emotional, psychological or physical investment a customer has in a brand.
- *Media fragmentation*
  - Increased difficulty in reaching target audiences

Benefits of e-CRM to Support Customer Engagement

- Targeting more cost effectively
  - Permission marketing/inbound marketing
- Mass customization of the marketing messages
- Increased depth and breadth of information and improve the nature of relationship
- Deeper customer understanding and more relevant communications can be delivered through a *sense and respond approach*
- Lower cost
- Delivering loyalty programmes
- Opportunities for *gamification*
CRM data

- Personal and profile data
  - Contact details
  - Preferences
- Transaction data
  - Sales history
- Communications data
  - Campaign history
  - Research/Feedback/Support queries
  - Contact reports (B2B).

E-CRM benefits

- Customer development
- Managing e-mail list quality
- Implementing e-mail marketing
- Data mining
- Personalisation and customisation
- Customer service quality and multi-channel experience.
Figure 6.4 The four classic marketing activities of customer relationship management

5Is

- Identification – can the customer be recognised for different channel contacts?
- Individualisation – can communications and products be tailored?
- Interaction – are communications two-way?
- Integration – is there a 360 degree view of the customer?
- Integrity – is the relationship built on trust?
Permission marketing

• Key concepts
  – Not interruption marketing
  – Not SPAM
  – Requires opt-in (online to e-mail)
  – Opt-out
  – Learning about the customer
  – Initial and continued relationship is based on incentives.

Figure 6.5 A summary of an effective process of permission-based online relationship building
Figure 6.7 Matrix of customer touch points for collecting and updating customer email contact and other profile information

<table>
<thead>
<tr>
<th>Online touch points</th>
<th>Existing customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Online incentive such as prize-draw (B2C) or white paper download (B2B)</td>
<td>• Capture e-mail when customer first registers or purchases online</td>
</tr>
<tr>
<td>• Viral marketing</td>
<td>• E-newsletter and other methods given on left</td>
</tr>
<tr>
<td>• E-newsletter opt-in on site</td>
<td></td>
</tr>
<tr>
<td>• Registration to view content or submit content to a community forum</td>
<td></td>
</tr>
<tr>
<td>• Renting list, co-branded e-mail or advertising in third-party e-newsletter to</td>
<td></td>
</tr>
<tr>
<td>encourage opt-in</td>
<td></td>
</tr>
<tr>
<td>• Co-registration with third party sites</td>
<td></td>
</tr>
<tr>
<td>• Direct mail offer perhaps driving visitors to web</td>
<td>• Paper order form, customer registration/product warranty form</td>
</tr>
<tr>
<td>• Trade shows or conference</td>
<td>• Sales reps – face-to-face</td>
</tr>
<tr>
<td>• Paper response to traditional direct mail communication</td>
<td>• Contact centre – by phone</td>
</tr>
<tr>
<td>• Phone response to direct mail or ad</td>
<td>• Point of sale for retailers</td>
</tr>
</tbody>
</table>

Figure 6.8 Princess Cruises campaign Facebook Page
Figure 6.9  The extent to which different types of segmentation variables tend to be predictive of response

Figure 6.10  Options for mass customisation and personalisation using the Internet
Figure 6.11 Factors affecting customer satisfaction and loyalty

Figure 6.12 Alternative methods for reviewing customer feedback

Figure 6.13  Independent feedback for Charles Tyrwhitt (www.ctshirts.co.uk), a shirts retailer

Figure 6.14  Activity segmentation of a site requiring registration
Figure 6.15  Categorising customers according to value

Figure 6.16  Different representations of lifetime value calculation

Lifetime Value Modelling
Figure 6.17 An example of an LTV-based segmentation plan

Figure 6.18 RFM analysis
Figure 6.19  Example of RF analysis

Figure 6.20  A summary of the three main dimensions of Big Data
Source: Slobod (2011)