BUSINESS INTELLIGENCE

with Jackie

CRM Analytics

Jackie Jansen

There seems to be a fair bit of confusion concerning the differences between CRM, CRM Analytics and Business Intelligence. In this column we will try and clear up this confusion. We will also look at why so many companies are interested in implementing CRM Analytics.

CRM Analytics embraces all of the activities involved in analyzing customer data and then presenting it in a fashion that business users can base decisions on. To start to take advantage of CRM Analytics, you do not require a CRM implementation. All iSeries installations currently collect a fair amount of customer data. This data may not all be on the iSeries but it does exist. This existing data should be the basis for your entry into customer relationship analytics.

There are a couple of ways we can look at the overlap between Business Intelligence and CRM. First notice that in the circle diagram, CRM Analytics is depicted as surrounding all of the components of CRM.

Each CRM application both generates and utilizes customer data. CRM Analytics involve taking that data and gaining useful insights into your customers. A major intent of CRM Analytics is to use customer data to enable strategic customer profiling. If acted upon, this profiling enables you to increase your profitability with the individual customer, or customer groups, while also improving customer satisfaction and loyalty.

Business Intelligence encompasses all of CRM Analytics and much more. Data is collected in all of your business applications. The analysis of this data falls under Business Intelligence. The overlap of CRM and Business Intelligence is referred to as CRM Analytics.

CRM Analytics allow you to answer the following questions:

- Who are your most profitable customers?
- What is a customer's estimated lifetime value to your organization?
- Which customers are likely to leave or become inactive?
- What attributes define a customer segment or cluster?
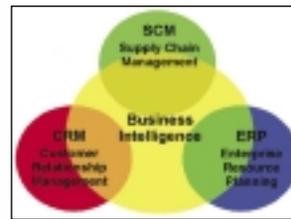
Having answers to these questions allows a company to start to target market and tailor campaigns for specific groups of customers. Knowing a customer's estimated lifetime value enables you to decide how you will service that customer. Analyzing your most profitable customers allows you to put programs in place specifically targeted to move other customers into this group. Identifying which attributes might define customers on the verge of leaving, or becoming inactive, allows for a proactive approach to customer retention.

The costs to companies not targeting programs at customer loyalty and retention can be exceedingly high. A 1999 study by Bear, Stearns, and Co., stated that each lost customer costs an average of 12 times as much to replace, as it would have cost to retain the customer in the first place. The key to a successful implementation of any BI or CRM Analytics system is the action that is taken at the end of the analysis. Identifying groups of similar customers is a wasted exercise if this information isn't acted upon and campaigns aren't targeted around this data. Knowing that a customer is extremely profitable might be interesting but it won't help your bottom line if you don't take some action to ensure customer loyalty.

Remember that CRM Analytics is just a name or a term and is applicable to all companies whether or not you have a formal, integrated CRM implementation. A successful CRM Analytics solution that is followed up by actions can have an extremely positive impact on a company's bottom line.   T G

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