

Evolving CRM in China: An interactive approach for CRM in China where knowledge advantage leads to more profitable customer relationships

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Article Summary

In China, customer relationship management (CRM) is difficult; perhaps a more challenging and therefore more necessary than any market in the world. However, that does not mean it cannot be done correctly. Successful CRM case studies in China come from a number of different industries including telecom, health care and the airline industry. This article abstract (*full article available in Harvard Business Review China's November publication www.hbrc.com*) will introduce an interactive, "evolutionary" CRM approach for China, referencing successful execution by well known companies operating in China.

Marketing Challenges in China

Although the basic principles of marketing and customer relationships are as relevant today as they were thousands of years ago, the sheer speed, volume and turnover of customer interactions is unprecedented and increasingly transformed by communication technology's rapid changes. New interactive channels (internet, wireless), consumer tools (price comparison engines), and pressures to improve return on investment (ROI) present challenges for companies striving to meet these growing demands.

Recent advances in communication technology and their resulting affects on developing customer relationships is a global challenge for marketers everywhere; however, for marketers operating in China an even greater challenge is the sheer size and speed of lifestyle transformations occurring in the Chinese market. The modern Chinese consumer's wants, needs, desires and purchase decision processes are rapidly transforming and becoming increasingly difficult to follow by traditional methods.

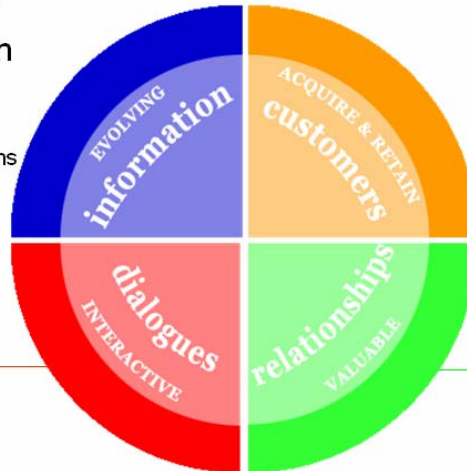
An Evolutionary Framework Approach

In light of these market conditions, we propose a scientific based framework for customer relationship management (CRM) that manages the "evolution" of relationships over increasingly shorter time frames and ever widening channels. The tenets of this framework are based on more than two years of observation across industry (retail, financial services, media, etc.) and company size (Fortune 500s, small businesses and start-ups.)

Although we did not set out to create this framework directly, what we observed during the internet's massive consumer transformation was a scientific, interactive process that relied on continuous experimentation of measurable interactions to develop in-depth knowledge about consumer behaviors. By design, each interaction was intended to create a measurable response, or feedback about consumer related behaviors, that became a data point for analysis. These responses were carefully measured, analyzed and optimized, or "evolved," towards profitable consumer behaviors and knowledge driven relationships.

“Evolutionary” use of Customer Information

- Evolutionary: continuously measure, analyze & optimize
- Capture customer interactions
- Identify patterns that predict future behavior



Acquire & Retain Customers

- Know customer lifetime values*
- Identify the best prospects
- Retain the best customers
- Improve budget allocation*
- Improve acquisition ROI
- Re-allocate budget to retention of most valuable and high risk

Create Interactive Dialogues

- Create interactions, not just actions!
- Listen first, then respond
- Provide relevant info, offers

Develop Long Lasting Relationships

- Measure success at the customer level
- Build increasing levels of personalization
- Continuously optimize relationships; you're customers are not standing still!

Put into the context of China, outside the rapidly changing internet demographics observed during the late 90s, there are few comparable examples for the sheer pace and volume of consumer changes. What we do know is that those businesses that followed this scientific, evolutionary approach were able to develop, maintain, and in some cases even speed up the process of knowledge driven relationship development.

Phase 1: Accumulate in-depth knowledge about your customers

Careful accumulation of customer data helps companies segment their customers into smaller audience subsets so the company can more effectively engage the audience with targeted messages and more accurately predict resulting customer behaviors. For example, Linktone, a wireless value added service provider based in Shanghai, China, discovered that about 50% of their customers only contributed 90% of revenue for the company. As a result of this study, Linktone revised its marketing strategy to focus more resources and developed premium services to better serve their high value customers.

Another example is Shanghai Wyeth Nutritional Co. Ltd. The company collects customer information and tries to understand the true needs of customers through a series of interactive engagements including: supermarket promotions, outdoor and in-store marketing events, a toll free telephone hotline and more. After long period of investment in data collection and categorization, it now has detailed information on 480,000 Chinese customers, nearly one half of their total customer database in China, and the source of a significant knowledge advantage.

Phase 2: Engage the audience in rapid, relevant interactions

Rather than just simply making contact with the customer via another e-mail or sms message, customer interaction should seek relevance and create value by engaging the customer in ways that help the organization better identify and then satisfy specific customer needs. For instance, as part of their knowledge development, Shanghai Wyeth discovered that 95% of

young mothers are new mothers and have no experience with pregnancy or baby nursing. As a result, Wyeth developed a knowledge resource for these customers, providing them knowledge on pregnancy and baby nursing through direct mail and toll-free telephone calls.

Relevant interactions involve more than just targeted information; timely, rapid response can also be a critical factor for organizations. Consider the case of Linktone and a recent initiative marketing music concerts. After customers were made aware of a music concert performed by some famous, popular singers, Linktone provided a means to buy the concert tickets through SMS. While planning the event, Linktone did not expect a very large response to the marketing program; however, within a few days, 1000 tickets were sold and the concert quickly sold out. While monitoring the response provided by their CRM system, Linktone quickly recognized an opportunity, revised their marketing plan accordingly and expanded the initiative to most of the big cities around the country. In this case, the ability to rapidly and relevantly respond not only satisfied the needs of customers but also helped Linktone capture a profitable opportunity.

Step 3: Continuously 'evolve' your customer knowledge and valued relationships

Simply stated, CRM is not a one time initiative but an ongoing, cyclical process of evolving your customer interactions, knowledge and relationships. Customer relationships are not static, but rather evolve over a series of ongoing interactions, just like in real life. An example of this is highlighted by the transition at Linktone. From its earlier efforts in 2002, Linktone segmented their customers according to six (6) category subsets and adjusted the resource allocation and marketing emphasis according to the different value of different categories. They did not stop there, however.

By 2005, due to a mix of technology developments, increased customer base, a broadening scope of business and knowledge accumulated from ongoing interactions with their customers, Linktone re-segmented their customers into ten (10) category subsets. One of their discoveries was that customers favoring music download had become the most valuable customers for the company. As a result, it shifted greater marketing emphasis on music lovers, including providing music products in every business. In addition, Linktone also provides added services to these customers including music knowledge and singer bios, constantly providing updates on the newest starts in the music field. This ongoing, evolving process helps Linktone deepen their interactions, knowledge and relationship with customers.

Conclusion

Simply stated, effective application of CRM in the challenging Chinese market is not purely an application of IT; rather, it is an "evolutionary," continuous process that helps organizations cost effectively manage rapidly changing customer lifestyles while leveraging accumulated knowledge to most effectively satisfy targeted customers. China already provides us with a few examples of companies effectively pursuing this process. The future of China's customers and CRM will surely continue to evolve.

About the author

Mr. T.R. Harrington is recognized industry expert who has been at the forefront of interactive CRM and e-commerce since 1995. He is the founder and Director of DarwinMarketing.com, the interactive, performance based marketing provider based in Shanghai, China.

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