



ECR Europe's Guide to Collaborative Consumer Relationship Management

2003

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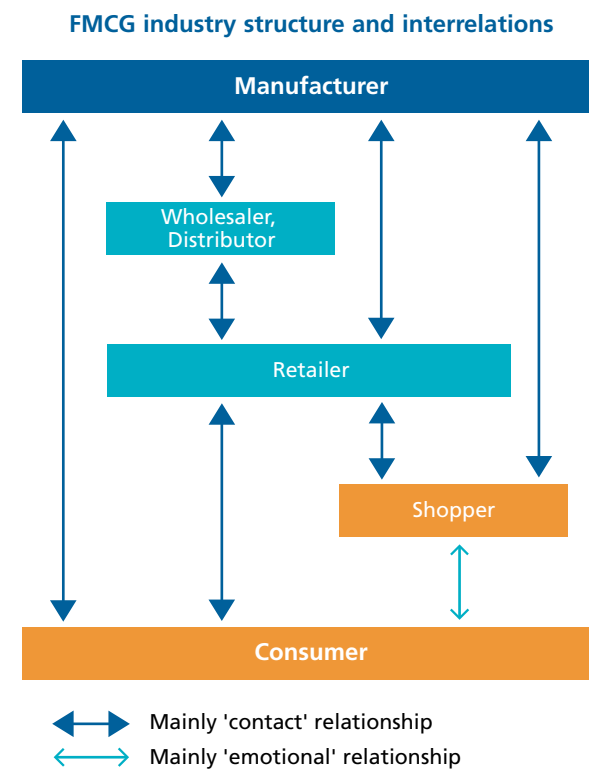
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EXECUTIVE SUMMARY

CRM is not currently a collaborative activity engaging retailers and manufacturers within the FMCG industry. As a result, substantial value is left 'on the table' as retailers and manufacturers focus on isolated, mainly internal, CRM activities, which deliver only a fraction of the potential value available.

Retailers concentrate on the exploitation of loyalty card and EPOS data. Although manufacturers try to build a direct relationship with consumers, they predominantly focus on building strong B2B relationships.

This can, in part, be explained by the complex relationship structure within the industry (see figure below). This is deviating from the 'one-to-one' relationship structure of general cross-industry CRM theory. And makes therefore an alignment of CRM strategies within the FMCG industry seemingly contradictory.



Some of the key obstacles within the industry result from not having a common understanding of the role and benefits of Collaborative CRM for companies and the industry as a whole, and not having a practical way to get started.

Additionally, both retailers and manufacturers tend to look for cost cutting and growing market share by increasing scale as they face the difficulties of the current economic climate, rather than looking to increase overall consumer demand. This approach will drive less innovation, driving consumer value down and added value competition out.

The combination of these structural industry issues and the reaction to the economic downturn threatens the competitiveness of the FMCG industry as a whole.

Despite this current state, the FMCG industry community believes that shared focus and joint objectives for the concept of Collaborative CRM will create significant growth opportunities.

Therefore, the purpose of this Collaborative CRM 'Blue book' is to:

- Create clarity and transparency in our industry about the concept of 'Collaborative CRM'
- Define the components of Collaborative CRM
- Provide direction on HOW to deploy CRM collaboratively
- Demonstrate the business case for Collaborative CRM
- Provide retailers and manufacturers with evidence that Collaborative CRM will become a key differentiating component of consumer value in our industry
- Encourage retailers and manufacturers to start working on Collaborative CRM

The objective of 'Collaborative CRM' as a key concept within ECR is to stimulate market differentiation by encouraging the FMCG industry to adopt and apply a collaboration framework which seeks to create and offer customised or personalised consumer value propositions.

We have chosen the following definition of 'Collaborative CRM':

'Collaborative Consumer Relationship Management is an integrated ECR demand-management strategy which helps manufacturers and retailers to jointly recognise and value consumers'/shoppers' individual needs and tailor their offers to them.'

Key components of Collaborative CRM

The work of the ECR Europe project group has led to agreement about the key components of Collaborative CRM, i.e.:

- 1 Strategic Assessment
- 2 Strategic Alignment
- 3 Collaborative Business Process
- 4 Organisation
- 5 Data
- 6 Systems
- 7 Channel Management

Benefits of Collaborative CRM

Collaborative CRM can drive category growth figures ranging between 10 and 50% as highlighted in the case studies in Chapter 5. Retailers and manufacturers that have embraced Collaborative CRM as a strategic way to manage their business are finding substantial improvements in their organic growth rates based on benefits within new product development, store-level optimisation, trade promotion optimisation and distributed process management.

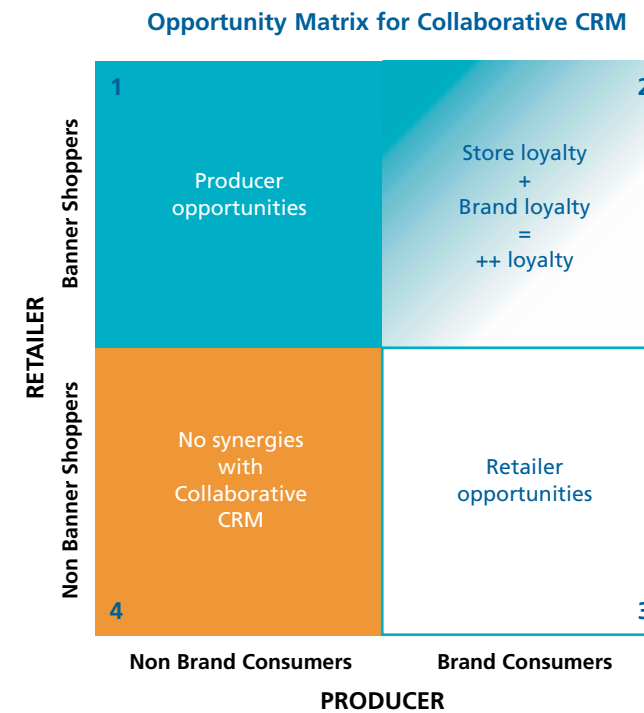
When manufacturers or retailers individually work on CRM initiatives they face considerable inefficiencies.

The question is whether individually carrying the full cost of building, managing, maintaining, and analysing a CRM database is compensated for by the potential (competitive) benefits. In addition, manufacturers often lack knowledge of stores, while retailers cannot have detailed usage knowledge on each product market.

Also, retailers face the issue of having to create dedicated organisation structures to support CRM initiatives.

Jointly, however, manufacturers and retailers can share the know-how of their respective markets, develop synergies in analytical processes and methods, and combine store and brand loyalty in order to maximise ROI.

The Collaborative CRM approach allows manufacturers and retailers not only to improve the appeal of initiatives to current consumers, but also to work on broadening the existing consumer portfolio (see figure).



The above figure illustrates that a joint approach allows firms to leverage both the retailer's store loyalty and the manufacturer's brand loyalty. The multiplier effects that can be realised through Collaborative CRM initiatives are believed to be substantial.

If one of the players has a substantially lower penetration or loyalty than the other, the relationship will, over time, become unbalanced. Short term, however, it can mean that a weaker retailer can leverage brand strength, or conversely, a weaker brand can leverage a retailer's consumer penetration and/or loyalty.

In the proposed situation, however, both would aim to increase each other's loyalty or penetration.

It is the firm belief of the ECR Europe CRM Group that Collaborative CRM needs to focus on understanding consumer/ shopper needs and delivering benefits that create demonstrable consumer/ shopper value. It is believed that it is more efficient and effective for retailers and manufacturers to execute this task collaboratively than as separate elements of the value chain.

ACKNOWLEDGEMENTS

This guidebook is the result of a joint effort of a large team of manufacturers, retailers, strategy consultants and service providers, who gave their time freely to contribute knowledge and experience. It incorporates contributions from ECR D-A-CH and ECR Italy, and aims to provide a European umbrella for the subject of Collaborative CRM.

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- Consultants and service providers: Accenture, BearingPoint, Bristol Technologies, Cap Gemini Ernst & Young, CAS, Claritas, dunnhumby, IBM Business Consulting Services, IDS-Scheer, KPMGBusiness Advisory Services, LogicaCMG, Roland Berger Strategy Consultants, SAP, SAS Institute, Siebel Systems, Solving International, Wincor-Nixdorf
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INTRODUCTION

CRM within FMCG

Within the Fast Moving Consumer Goods industry (FMCG – comprising manufacturers and retailers, as well as CPG and Fresh), 'Customer' Relationship Management (CRM) has become an established concept covering the entire differentiated demand management arena. Processes as diverse as New Product Development, Demand Forecasting, Order-To-Cash, Complaints Handling and Customer Segmentation fit under this umbrella.

Based on the paradigm that loyal customers are more profitable than disloyal ones, CRM aims to increase loyalty by building a relationship with customers. In order to achieve this, companies need to align internal customer knowledge and understanding of customer needs to drive a consistent customer strategy and execute this at each customer contact point.

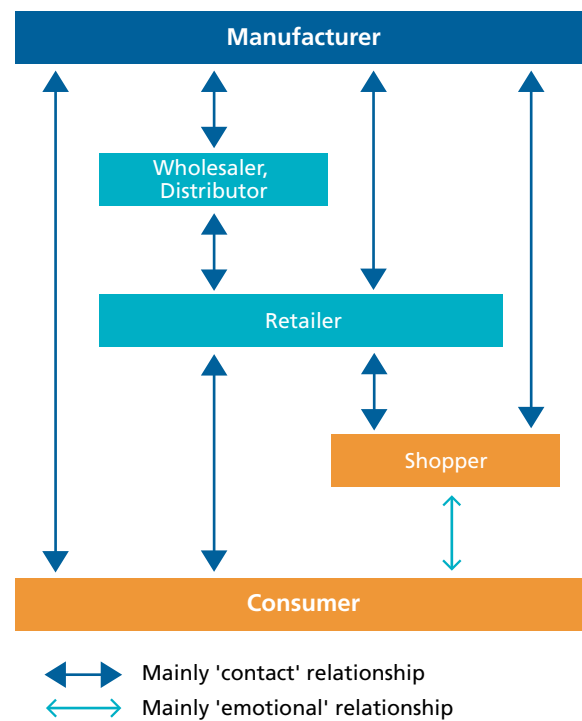
The CRM concept originated in both North America and Europe. In the US, technology developments in terms of computation speed, data storage cost and networking allowed marketers to store large quantities of customer data and apply advanced statistical analysis methods. Results from this are used to segment customers and develop customised campaigns for individual segments, increasing sales efficiency and effectiveness. Database-driven CRM originated here.

In Northern Europe, CRM developments were driven by the B2B/industrial marketing approach of building long-term, trust-based relationships with customers. These may be based as much on structural ties between companies as they are on personal rapport between managers; the emphasis lies on delivering added value to the customer based on understanding their needs and being able to provide solutions to those expressed needs. Here, IT developments support rather than drive the CRM effort.

While CRM as a concept is established, its deployment and use within the FMCG industry seems to lack the developments and value generation delivered within other industries, for example within the Financial Services and Communications industries.

Who is the C in CRM?

This can partly be explained by the multifaceted relationships between FMCG manufacturer, intermediary, retailer, shopper and consumer, created by the combination of strong product, as well as retail, brands.



Definitions:

- **Trade Customer**
A company acting as intermediaries between manufacturers and retail customers
- **Retail Customer**
A company buying goods or services for resale to the shopper / consumer
- **Shopper**
An individual effecting the transaction at the point of sale
- **Consumer**
An individual ultimately consuming a product or service. This person can but does not have to be the same as the 'shopper' (e.g. mother and child)

The challenges for the industry lie in the complexity of aligning these relationships. Manufacturers need to find profitable products and services that deliver additional value to their customers, namely the shopper and the consumer of their products.

In the same way, retailers need to understand shopper and consumer demands and combine these with the product understanding of manufacturers to create a retail offering that best meets the needs of their target consumer segment in the most profitable manner.

Although some of these aims may seem contradictory at times, the resolution of this quandary offers the greatest opportunities to all involved.

ECR Europe has chosen the following definition of 'Collaborative CRM':

'Collaborative Consumer Relationship Management is an integrated ECR demand management strategy which helps manufacturers and retailers to jointly recognise & value consumers' /shoppers' individual needs and tailor their offers to them'

Just as the term ECR stands for 'Efficient Consumer Response', the C in Collaborative CRM should be read and interpreted as 'Consumer'.

However, current efforts within the industry in most cases are not collaborative. Whereas retailers focus on the database-driven approach to segmenting their customers, manufacturers put the emphasis on a longer-term relationship with their trade customers and consumers while often not having access to detailed shopper purchase data.

Economic Background

In addition to inherent industry complexities, the lack of progress towards fully-fledged CRM capabilities, through greater collaboration, is, in the current business climate, putting even higher pressure on companies to deliver results.

During the 1990s, retailers could satisfy market demands for growth through a mixture of geographic and channel expansion, acquisitions and property rationalisations, compensating for a comparatively low ROI.

Manufacturers, on the other hand, compensated for overall slow growth rates with high branded-product profit margins, further driven by cost-cutting exercises, and the creation of profitable mega-brand portfolios through acquisitions and divestitures.

Limited top-line sales growth, as a result of the economic downturn, consumer-perceived Euro price inflation and fewer options for further acquisition targets, put executives in the FMCG industry under pressure to achieve a new growth cycle and meet the market's expectations in terms of shareholder value increases. This is demonstrated most significantly by the growing gap between companies' total market value and their 'current' value, putting the emphasis on future value creation through profitable growth to deliver market expectations.

Although the most lucrative opportunities for both manufacturers and retailers should lie within creation of consumer demand through meaningful innovation (comprising products, services and formats), the industry focuses on short-term measures such as cost-centred pricing and trade terms negotiations.

This approach tends to lead to a trading environment in which increasing scale drives consumer value down and added value competition out. This trend has the potential to result in a further limitation of consumer choice and an increasing dissatisfaction of consumers with the products and services our industry has to offer, losing overall share of disposable income to the strongly competing entertainment, technology, fashion, motoring, education, home improvement or Out Of Home consumption industries (OOH), which are all seeking to increase their share of wallet at the expense of the FMCG industry.

The Way Forward

A collaborative CRM approach, jointly designed and executed by manufacturers and retailers, will enable the industry to serve consumers more efficiently with profitable, added value products and services tailored to specific needs.

However, collaboration – despite its promises – is still mostly uncharted territory. The greatest obstacles within the industry preventing the full exploitation of Collaborative CRM are:

- Understanding of what CRM and Collaborative CRM mean for the entire FMCG industry
- Overall CRM 'deliverables' are unclear to individual companies
- No obvious starting point has been defined
- Unwillingness to share data for perceived competitive reasons
- Missing data standards and system integration capability

The objective of Collaborative CRM, within the context of ECR, is to stimulate market differentiation by encouraging the FMCG industry to adopt and apply a collaboration framework which seeks to create and offer customised or personalised consumer value propositions.

Therefore, this 'ECR Blue book' aims to encourage retailers and manufacturers to start working on Collaborative CRM by:

- Creating clarity and transparency in our industry about the concept of 'Collaborative CRM'
- Providing direction on how to deploy CRM collaboratively
- Demonstrating the business case for Collaborative CRM
- Convincing retailers and manufacturers that Collaborative CRM will become a key differentiating component of consumer value in our industry

It is the firm belief of the ECR Europe CRM Group that Collaborative CRM needs to focus on understanding consumer needs and delivering benefits that create demonstrable consumer value. Experience indicates that it is more efficient and effective to execute this task collaboratively than as separated elements of the industry value chain.

Growth through acquisition and consolidation will become increasingly difficult. Market players will need to search for different routes to growth and profitability.

	Current Economic Scenario	Future Economic Scenario
FMCG Manufacturers	<p>Profitability related to margin of branded products and scale efficiencies in manufacturing operations</p> <p>Profit margins enable manufacturers to maintain profitability by offsetting low growth rates in mature products and markets</p> <p>M&A enabled manufacturers to develop mega-brand portfolios and achieve growth rates demanded by shareholders</p>	<p>Current growth rates will be challenged as M&A becomes more difficult and fewer large players remain</p> <p>Organic growth will become difficult and force manufacturers to focus on true product innovation to meet shareholder expectations</p> <p>Higher costs will result from the need to promote mature products in intensely competitive markets</p> <p>Margins will come under pressure</p>
FMCG Retailers	<p>High volume turnover and substantial growth rates offset typically low margins in highly competitive markets</p> <p>Efficient store operations and operating costs enable retailers to maintain margins</p> <p>High rate of consolidation has placed the balance of power clearly in the retailers' hands</p>	<p>Geographic expansion and selective acquisitions for larger players will continue, though it will be difficult to achieve additional market share from the third-tier players</p> <p>As retailers will reach saturation in existing markets, growth in same store sales will put a premium on format and merchandising innovation to achieve earnings growth</p> <p>Balance of power will continue to shift towards retailers</p>

Source: SAS institute



Definitions

Definition of Collaborative CRM by ECR Europe:

'Collaborative CRM is an integrated ECR demand-management strategy which helps manufacturers and retailers to jointly recognise and value consumers' shoppers' individual needs and tailor their offers to them.'

Why?

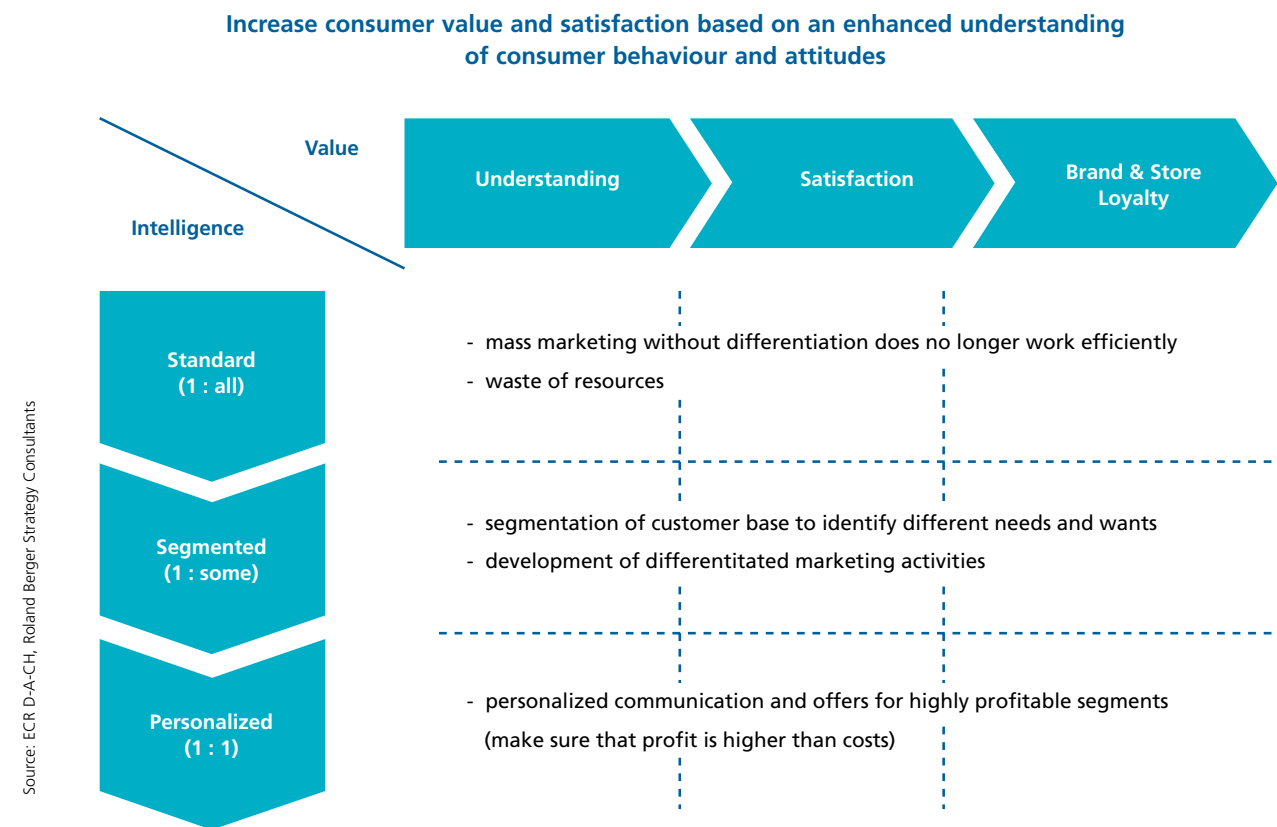
- 1 To increase consumer/shopper satisfaction and value based on an enhanced understanding of consumer behaviour and attitudes, ultimately leading to increased brand and store loyalty.
- 2 To build base capability for our industry on how to move from mass marketing to mass customisation, as a healthy tool for companies to respond to competitor's mass marketing strategies that are built on scale. This new way of shopper focused differentiation will drive the value creation our industry is after. (See chart below).

How?

Increasing and using consumer/shopper data/intelligence, as well as CRM processes, instruments, technology, skills and capabilities, to jointly tailor targeted offers (products and services) to relevant needs at the right time.

What?

Win-win-win: long-term consumer/shopper satisfaction; increased brand and store loyalty; profitable growth for manufacturers and retailers.



2.1. Business Strategy and Collaborative CRM Strategy

Collaborative CRM as a market differentiation strategy

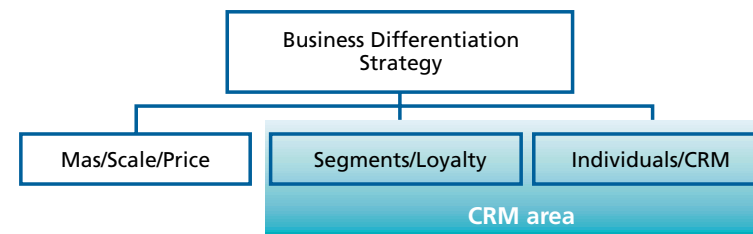
Collaborative CRM is developing into a key demand strategy to successfully differentiate the market positioning of brands and retail banners.

Collaborative CRM is not, however, the only differentiation strategy. Nor is it a prerequisite for a successful business strategy. Fulfilling a generic consumer or shopper need can equally well drive a strongly

differentiated position. For example, a 'low price' position enabled by large-scale and resulting cost efficiencies is a very valid business strategy to pursue.

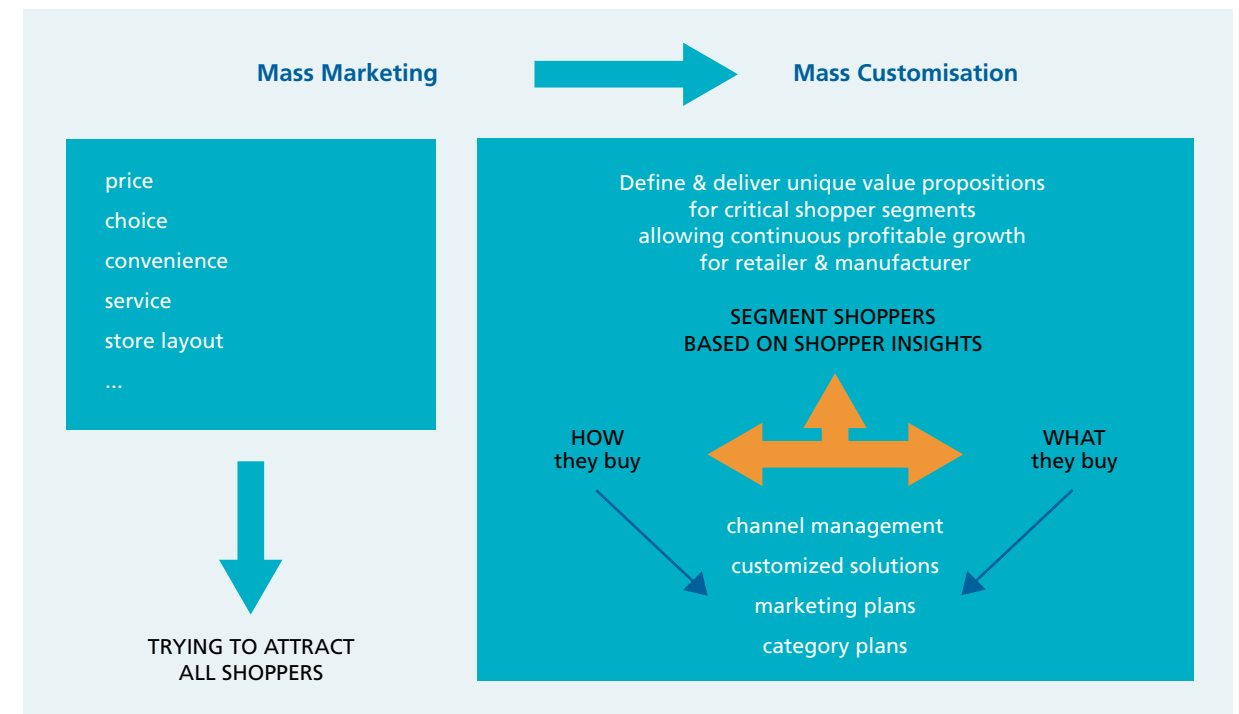
However, for those industry players that are unable or unwilling to pursue a scale/price strategy, it is necessary to find a market position that adds value beyond price and commoditised offers.

Collaborative CRM becomes an essential strategy when one wants to build profitable growth via customising the offer to critical consumer/shopper segments or even individual consumers/shoppers.



Source: ECR Europe CRM project team

Mass Customization Model

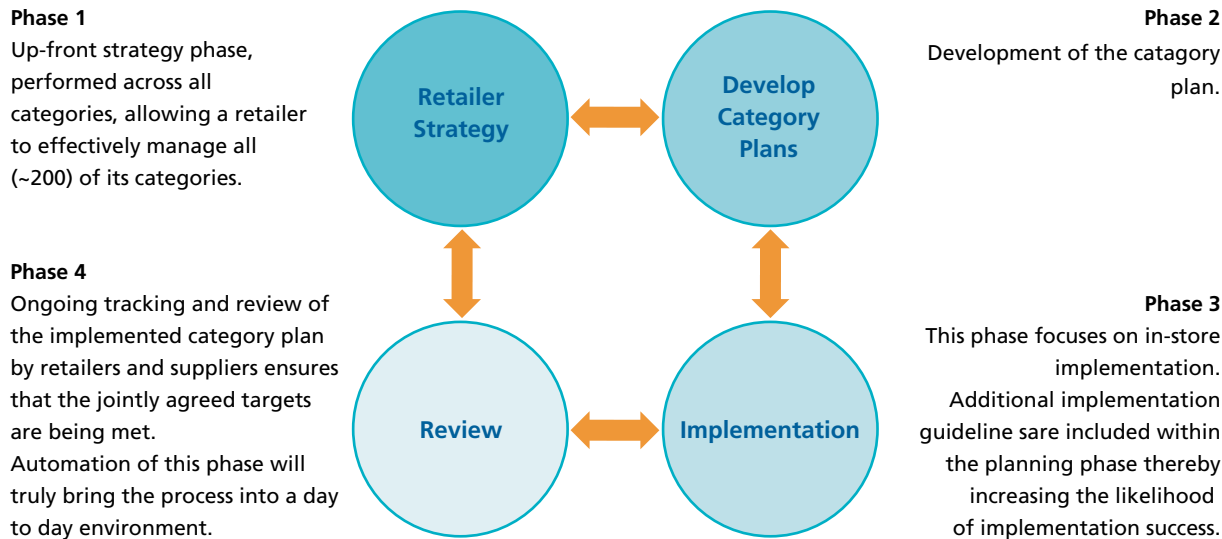


Source: ECR Europe CRM project team

As the chart above describes, differentiation strategies start with understanding to whom one wants to make a unique value proposition. The category plans fit into the development of such a value proposition at the level of the product and the category.

2.2. Collaborative CRM and Category Management Processes

While category management originally views every category as a strategic business unit, the ECR Europe day-to-day version has defined four stages to deliver category management in a more coherent way across the total store.



Source: ECR Europe Day to Day Category Management model

The link with CRM will clearly be in the first phase where Collaborative CRM helps to differentiate the retailer positioning by defining the portfolio of target shoppers. As such, the CRM process will drive the strategy part of the day-to-day model. It will help to understand which categories drive the choice of store and, as such, define the role of the categories and the target shoppers, and help the retailer define cross-category in-store solutions or customised merchandising concepts. These will have a strong impact on the development of category plans.

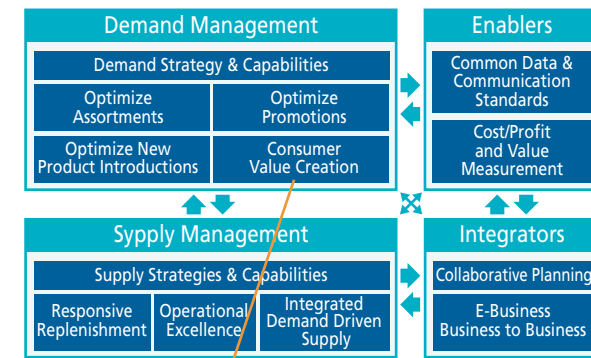
Finally, category management is the way to build equity consistently across all the categories with a well-defined differentiation definition as the driver.

However, currently available definitions of category role might have to be adapted. Category management knowledge development is key for translating the Collaborative CRM shopper segments into effective category plans. Collaborative CRM adds a cross-category layer to the category management work, by building a plan from the shopping experience expectation of 'well defined' segments. By 'well defined' we understand that it must be possible to translate shopper segmentation into cross-category and category plans.

2.3 Place in ECR Scorecard

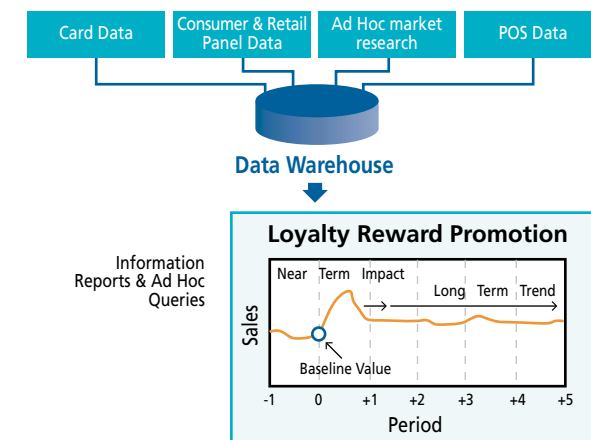
Collaborative CRM is one of the most powerful drivers of ECR, because its aim is to drive customised value creation.

Looking into the global ECR scorecard, we will find that the underlying principles of our Collaborative CRM model are captured in the 'demand strategy and capabilities' section:



Consumer Value Creation

Using creation of value for consumers as the primary driver for managing the current business and developing new solutions and channels for the future.



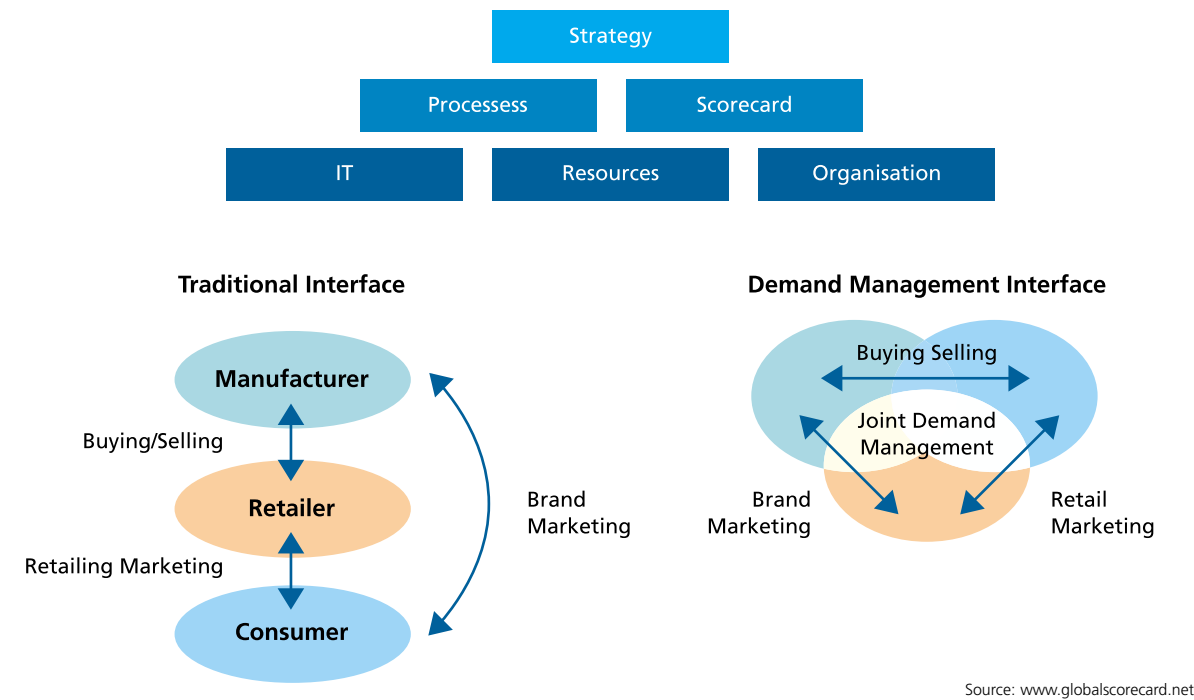
Consumer Knowledge Management
A basic enabler for creating consumer value is the availability of detailed and reliable consumer data.

Multiple data sources need to be integrated in one "Data Warehouse".

The data warehouse content is used for strategy development and implementation, day to day decision support, commercial action evaluation and interactive communication with target customer/customer segments.

Source: www.globalscorecard.net

More specifically, we can look into the 'consumer value creation part'; the following table shows how value creation then becomes more consumer focused in a collaborative context:



It enforces the power of joining the effort, between manufacturer and retailer to focus on satisfying the consumer better, instead of uncoordinated non-collaborative action.

2.4. Objectives and KPI's for Collaborative CRM

The key objective for Collaborative Consumer Relationship Management is to develop and occupy a differentiated position in the marketplace. This can be achieved by offering the consumer/shopper a well-tailored value proposition.

In the table below we find the measures or KPI's (which need to be integrated into the ECR scorecard) reflecting how successful we are in implementing the drivers for consumer/shopper (customised/personalised) value creation.

The core KPI's for Collaborative CRM are:

- Market Share,
- Share of Requirements,
- Sales Value.

KPI's for Collaborative CRM

parameter	objective	key performance indicator/ measurement of success
Image	improve company's reputation among consumers and shoppers	deviation of target brand profile (from market research)
Turnover	increase turnover	deviation of average turnover compared to control period and control group
gross profit	increase gross profit	deviation of average gross profit compared to control period and control group
buying frequency	increase number of times bought	development of number of times bought
visit frequency	increase the number of visits per shopper	development of number of visits per shopper
shopper/consumer satisfaction	increase satisfaction of shoppers/ consumers	difference from target performance profile (from market research) development of average number of complaints
shopper/brand/category loyalty	increase duration of business relationship with a customer; increase share of wallet increase retention	development of average duration of business relationship with a customer per customer group development of average share of wallet loss rate
number of consumers	increase number of shoppers/ consumers	development of number of shoppers/ consumers per group
investment	avoid unnecessary investments; steer investments to highly accepted products	ROI of new products ROI of product re-launch
share of wallet	increase share of wallet of individual shopper	share of wallet per shopper/shopper group
business process optimisation	reduce costs by optimised and individualised processes	costs per shopper contact per group development of costs for business processes

Defined Components of Collaborative CRM

The key components of a Collaborative CRM programme have been identified as:

- Strategic Assessment (business strategy, relationship strategy)
- Strategic Alignment
- Collaborative CRM Business Process and Methodologies (including shopper and consumer segmentation)
- Organisation
- Data
- Systems
- Communication Channel Management

The ECR Europe CRM working group identified these components and arranged them in a framework coined 'Roadmap for Collaborative Consumer Relationship Management'. The Roadmap and its elements are discussed in section 3.3.

However, two components of the Roadmap are considered to be so crucial to Collaborative CRM that they are highlighted up front in sections 3.1 and 3.2:

- CRM and company relationship strategies
- Segmentation of shoppers/consumers

3.1. Collaborative CRM and Relationship Strategies

The effort to build customised offers following a true Collaborative CRM strategy can encompass different levels of collaboration or partnerships, including those with third parties.

Typical scenarios today are:

- 1 A manufacturer may have a database of consumers who have interacted with him or who are users of his product; or
- 2 The manufacturer may contract a third party, which owns an address list of potential consumers of his product. In both cases the manufacturer will target segments of individuals from these databases to make a customised value proposition via direct mail, an ad coupon, or perhaps telemarketing. Often the offered coupon can be redeemed in the store, but what if it could include an additional service?
- 3 Similar to the above, a retailer may interact with targeted shoppers, making use of its loyalty card database

None of the three scenarios described above is collaborative. Both parties go their own way, but could have delivered a more integrated value proposition to the consumer.

Manufacturer - Retailer Relationship types
(based on Consumer Relationship types)

		C-CRM Area		
		Mass	Segment Customized	Individual Relation
MANUFACTURER STRATEGY	Individual Relation	Manufacturer driven Optimise personalised consumer value offer	Manufacturer driven insights in lead consumer needs for brand differentiation	Long term Integrated strategy
	Segment Customized	Manufacturer selects most attractive segments	Collaborative strategy for relevant segments	Retailer driven Insight in differentiating shopper segments
	Mass	Depending on both sides consumer strength Traffic Creators	Retailer selects offer for segments	Retailer Driven Personalized shopper value offer
		Mass	Segment Customized	Individual Relation
		RETAILER STRATEGY		

Source: ECR Europe CRM project team

4 The top right quadrant of the above scheme illustrates the area for collaboration between a retailer and a manufacturer:

- Top right box: the retailer and the manufacturer are aligned on how they can build co-equity for brand and store and what the target shopper segments or need states are; they build 'segments' bottom up instead of top down.

A Collaborative CRM can also be driven by the retailer who wants to build differentiation and equity with a particular defined shopper segment, and picks those manufacturer offers that best fit his equity-build.

Similarly, a manufacturer can also differentiate his offer to retailers that have superior appeal for its target consumers.

Both manufacturers and retailers will have to look beyond consolidation to find efficiencies.

	Today	Future
Data	Fragmented	Integrated
Processes	Manual	Automated
Analyses	Ad-hoc	Real-time
Relationships	Contentious	Collaborative
Market structure	Consolidating	Concentrated
Innovation	Incremental	Breakthrough
Targeting	Mass market	Segmented/Personalised

Evolution of manufacturer/retailer interactions

3.2. Segmentation of Shopper/Consumer

Segmentation is arguably the core element of a marketing strategy. Identifying groups of consumers with similar attitudinal and/or behavioural characteristics is not only key to Collaborative CRM, but indeed to consumer marketing.

The growing availability of good consumer data in most European markets, together with analysis techniques supported by IT tools creates opportunities to tailor consumer value propositions to ever-smaller groups of consumers. Each segment, or even individual, could ultimately be offered a different value proposition.

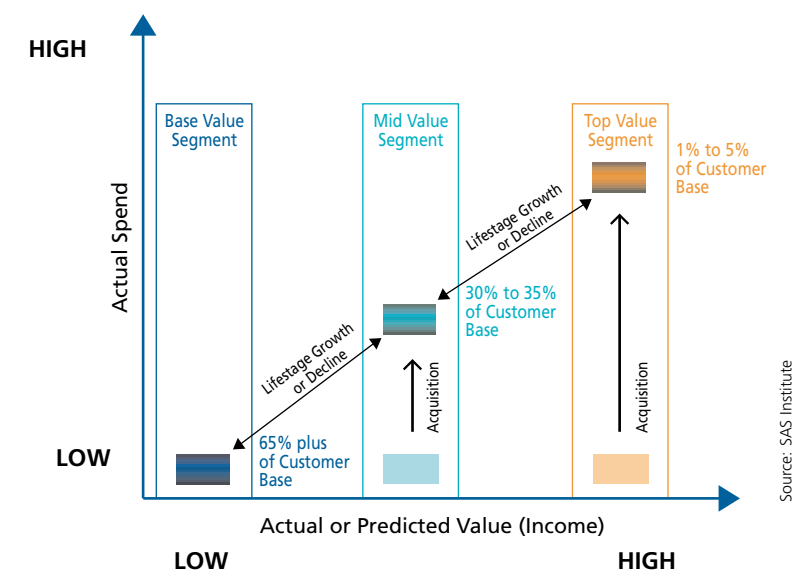
3.2.1. Why shopper segmentation?

'Members' of a segment have important characteristics in common. It is therefore more effective to develop a value proposition that better answers the needs of that specific group than to offer a 'common denominator' value proposition that has to satisfy the whole market.

Segmentation also helps the identification of under-served needs of particular groups. It is therefore an essential ingredient of an ECR demand strategy.

Research has found that in identification of shopper segments with high potential value, often the 80/20 rule applies. Segmentation is therefore the basis of a more efficient deployment of marketing resources.

Customer Equity Management Model in Segmentation:
How to grow acquisition of secondary shoppers?



Source: SAS Institute

3.2.2. When to adopt a shopper segment?

- A segment must be of such a size that the value proposition developed to serve the segment is economically viable.
- Differences must exist between a segment and the 'rest of the market' and these differences must be measurable.
- A segment must be accessible through one or more communication channels or media. There must be a store, retail banner, magazine, TV programme, Internet medium, SMS, or some other medium that can be used to reach the people in the segment.
- Capabilities must exist to design marketing communications that address the needs of the segment. If promotions, advertising or merchandising that communicates to a segment cannot be developed; there is little value in knowing that those segments exist.
- Segments must not only differ on demographic and psychographic characteristics, but must also differ on the benefits sought from the value proposition. If everyone ultimately wants the same things, there is no reason to segment buyers.
- The expected profits from more effectively targeting shopper segments must exceed the costs of developing multiple marketing programmes, redesigning existing value propositions and/or creating new value propositions.

Various requirements for definition of useful segments

Illustration	Description
<p>1 Measurable</p>	<ul style="list-style-type: none"> • Quantification of segment size, current value and growth potential, etc. • Quantification of qualitative criteria <ul style="list-style-type: none"> - Transformation into quantitative data
<p>2 Substantial</p>	<ul style="list-style-type: none"> • Critical size of segment • Maximum homogeneity within the segment (same approach for all customers included within the segment)
<p>3 Differing</p>	<ul style="list-style-type: none"> • Clear differences between the segments (different approaches of different segments)
<p>4 Acces</p>	<ul style="list-style-type: none"> • Possibility to adress the defined segments/customers • Contact possible directly or indirectly via different channels
<p>5 Data availability</p>	<ul style="list-style-type: none"> • Availability of necessary data (existing, primary and secondary research) • Useful degree of detailing segments to limit complexity • Make sure that whole approach is still efficient (expected profits must exceed costs)

Source: ECR D-A-CH; Roland Berger Strategy Consultants

3.2.3. How to segment shoppers?

There are two basic ways to segment shoppers.

Through available segmentation criteria

This segmentation involves the use of segmentation criteria that have been developed earlier and are available from third-party data providers or from internal databases.

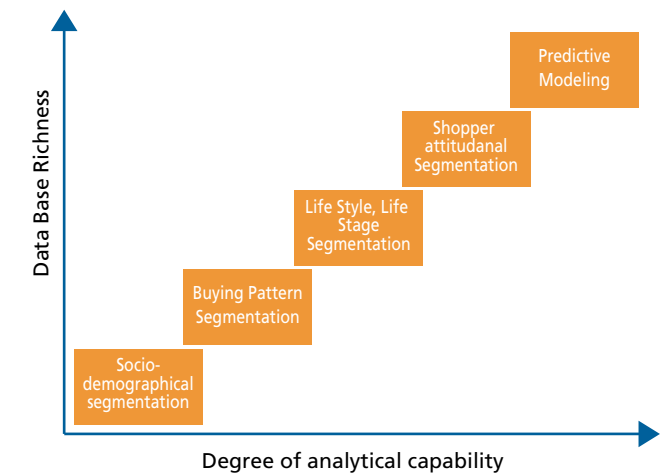
A few examples: life stage segmentation, segmentation based on sensitivity to promotions, heavy vs. light users, loyal shoppers vs. disloyal shoppers, younger users vs. older users, buyers vs. non-buyers.

'Greenfield' segmentation

Greenfield research is used to collect classification variables for members of the segment. Segments are not defined until after collection and analysis of all relevant information. Multivariate analytical techniques are often used to identify and define segments.

Consumer Segmentation is at the heart of the matter, but ... don't barbecue the elephant at once!!

- Retailers collect data from consumers via different tools, enriching their database. Segmentation can be gradually built and tested...



Source: Cap Gemini Ernst & Young

3.2.4. Analytical segmentation methods

In 'greenfield' segmentation we recognise three basic steps:

1 Shopper, store, category and brand data collection:

Data is gathered from purchasers of brands and from stores on, for example:

- number and timing of purchases
- reasons for purchases
- consumers' attitudes towards various brand and store attributes
- importance of the product and the store to the lifestyle of the consumer
- category user information (demographics, psychographics, media habits, etc.)

2 Factor and cluster analysis:

The collected data is analysed to find correlations between product purchases, store choice and other factors. Segments are identified when there are identifiable numbers of buyers or users who share the same characteristics.

3 Importance ranking:

This addresses whether segments are sufficiently viable to merit spending marketing funds on them and whether potential segments fit strategic company objectives; i.e. does marketing to this group fit your existing image and long-term goals? (Also refer to section 3.2.2.)

Some other analysis methodologies

Most multivariate analytical techniques can be used to identify segments. Each methodology has advantages and disadvantages. Various techniques should be tested before selecting the 'best' solution. Common techniques are factor analysis, correspondence analysis, conjoint analysis, cluster analysis, classification and regression trees, multiple regression, and multidimensional scaling. Each of these analytical techniques, as well as other techniques not listed, can be applied for shopper segmentation.

3.3. Roadmap for Collaborative CRM

3.3.1. The Roadmap Framework

During 2002, national ECR organisations in both Italy and D-A-CH carried out breakthrough work in developing a CRM business process. In the following table we attempt to standardise the language and the key steps of a European CRM roadmap. In so doing, we do not want to detract from the value of the German and Italian work, but rather emphasise the fact that both approaches are very complementary and similar:

Collaborative CRM ROADMAP: Resumé of ECR Nationals	ECR Italy CRM Roadmap (overview of steps)	ECR DACH CRM Roadmap (overview of steps)
<p>I. STRATEGIC ASSESSMENT</p> <ul style="list-style-type: none"> • What is the business challenge; • Who are the potential partners; • Which information and data is available? • What is the capability of my systems? • Who are my solution providers? Do they offer me capability? • What is the capability of my organisation? • Resources I want to put into CRM work; or resources available; • What is my current collaboration strategy/philosophy? <p>II.STRATEGIC ALIGNMENT</p> <ul style="list-style-type: none"> • Scope of CRM work • Methodologies and Business processes: <ul style="list-style-type: none"> - Segmentation approach shopper/ consumer; - Stakeholders for equity- building within defined scope; - Choices made on resources: technology, solution providers, organisation; integration to other business processes; - Rules of collaboration; 	<p>AREA'S OF IMPACT</p> <ul style="list-style-type: none"> • competencies • organisation • consumer data • technologies <p>STRATEGIC FRAMEWORK</p> <ul style="list-style-type: none"> • scope and definition • goals • key success factors • common principles/rules of the game: <ul style="list-style-type: none"> - basis for collaboration: - critical success factors, - partner responsibilities, - cost benefits sharing rules, - privacy protection 	<p>STRATEGIC ALIGNMENT Strategy</p> <ul style="list-style-type: none"> • What are the overall strategic targets of the partners? • What is the framework given by the elements of the marketing mix? <p>Organisation</p> <ul style="list-style-type: none"> • Who has the necessary know-how within the organisation? • Who is responsible for the process? • How does responsibility for CM conflict with or fit to that for CRM? <p>Culture</p> <ul style="list-style-type: none"> • What factors drive today's motivation of employees? • Who will be effected by the CRM project and how much? • What is the readiness and willingness of employees for a change? <p>Technology</p> <ul style="list-style-type: none"> • What are current technological resources of the partners? • To what extent data are available to fuel the CRM process?
<p>III. COLLABORATIVE BUSINESS PROCESS</p> <ul style="list-style-type: none"> • Target segments definition process <ul style="list-style-type: none"> - Analytical framework - Value enablers for segmentation • Shopper knowledge building • Objectives and KPI's <ul style="list-style-type: none"> - translating business goals into work targets • Business planning <ul style="list-style-type: none"> - strategies and tactics • Implementation • Monitor/measure/learn 	<p>PROCESS MODEL</p> <ul style="list-style-type: none"> • process framework: <ul style="list-style-type: none"> - alignment - strategy - execution - review • steps and activities • basic activities <p>ANALYTICAL FRAMEWORK</p> <ul style="list-style-type: none"> • enablers • analytical framework • Key Performance Indicators 	<p>COLLABORATIVE PROCESS Client segmentation</p> <ul style="list-style-type: none"> • How can customers be differentiated? • What is the importance/role of different customer groups? <p>CRM analysis</p> <ul style="list-style-type: none"> • What benchmarks are useful/available? • What kind of analytical instruments are necessary to measure these benchmarks? <p>CRM Objectives</p> <ul style="list-style-type: none"> • What are quantitative/qualitative CRM targets? • When should these targets be realized? <p>CRM tactics</p> <ul style="list-style-type: none"> • What measures for what target group? • What channel should be used to address the target groups? <p>CRM actions</p> <ul style="list-style-type: none"> • How do we realize the selected tactics? • Who is responsible? • What kind of resources are necessary? <p>CRM monitoring</p> <ul style="list-style-type: none"> • When should be monitored? • Could the targets be realized? • What adaptations are necessary?
<p>IV. ORGANISATION</p> <ul style="list-style-type: none"> • capability building/change management • reward systems • building ownership /commitment in the line as we move from project to process • managing interface with other companies 	<p>ORGANISATION</p> <ul style="list-style-type: none"> • Capabilities • Involved function • internal alignment • Contacts Retailer/Manufacturer 	<p>ORGANISATION</p> <ul style="list-style-type: none"> • Change Management • Job descriptions • People Capabilities • Training • Reward systems
<p>V. DATA</p>	<p>VALUE ENABLERS FOR CONSUMER SEGMENTATION</p> <ul style="list-style-type: none"> • Data types • Analysis models • KPI's 	<p>DATA</p>
<p>VI. SYSTEMS</p>	<p>ENABLING TECHNOLOGIES</p>	<p>TECHNOLOGY</p>
<p>VI I .COMMUNICATION CHANNELS</p>		

The experienced category manager probably recognizes that this is a framework that aggregates category-focused work with strategic shopper/consumer solutions that support the differentiation of the entire store banner.

Now we reach the essence of Collaborative CRM:

How do we offer the portfolio of categories in a store in such a way that needs of specific shopper/consumer target groups are so well satisfied that store and brand differentiate themselves from the competition, and increase loyalty from the targeted shoppers?

Let's walk through the steps involved.

3.3.2. Strategic Assessment

Before engaging in Collaborative CRM or CRM, a lot of time, money and energy can be gained by first assessing what it will take to actually deliver a satisfactory result for the business.

This really starts with some key business questions, of which the most important is:

'What business results do I expect from Collaborative CRM?'

A good strategic analysis of the current market position is a must to ensure that you will invest strategically in Collaborative CRM and not just in the short term. Collaborative CRM will be of particular help if you suffer from a price war while your cost structure is more oriented towards value creation rather than just price. In this context it is important to understand which of your company's core competencies will help you differentiate it from the others. Collaborative CRM will then be the core strategy to find the turnover in the market that recognizes the specific value added by your offer as opposed to your competition.

Another key question here is whether you have the capability to do this work, looking at it from certain angles:

- Does your organization have the knowledge capability to drive effective decision making in setting up CRM projects? Can your management make choices that have to do with how CRM can support your business strategy, what data and information are needed and in which format, what kind of system investments are required, etc., and how will this interfere with current business processes and practices?
- What is the financial picture of a CRM adventure? Do you have resources available for this? If a joint win can be achieved with a supplier or a retailer, how can this help soften the investment? How do you measure the ROI of Collaborative CRM, track the KPI's?
- Who are the partners you can rely on for expertise and/or co-investment, e.g. IT or business partners who, strategically and from a capability standpoint, are fit to engage in Collaborative CRM? Is your current IT provider up to the task?
- What information and data are available in your systems, and how 'user-ready' are they?

It is important to benchmark your readiness for Collaborative CRM. For a high-level readiness overview please refer to chapter 6.

3.3.3. Strategic Alignment

In this phase you need to make some very important choices, while also keeping the end in mind. Below you find some questions that other CRM practitioners have asked themselves whilst embarking in CRM.

What will be the initial scope of CRM work in my company? Which external partners can I involve, what is the size of my investment, which internal business processes can this affect, what's my choice on data sharing, how will communication with the end customer (consumer/shopper) be managed, what tracking process will I use, how will I measure success?

Will I pursue a single CRM or a Collaborative CRM relationship strategy? Both can be successful at a certain stage. You have to keep in mind that when it comes to developing a superior value proposition for a certain shopper segment, there needs to be an evaluation of the potential synergy that can be created if two companies invest in this value proposition rather than just one.

Agree with all parties on which methodologies and business process will be followed within the scope of the CRM work. This will set the expectations on how all parties involved will work, what tools need to be used, timelines followed, (co-) investments made, etc.

- Within this work the most strategic bit is about how the segmentation process will lead to value recognition and marketing action;
- A clear definition of the win for each stakeholder, and how it will be measured;
- Aligned choices on who will pay for what in terms of resources brought to the table;
- Briefing and alignment with all functions in the organisation on how this may affect their work;
- Rules of collaboration, data sharing, cost of development, analysis, etc... up to how communication to the consumer will be managed and owned.

Strategic alignment is enabled by the following factors:

- 1 Senior management understanding, buy-in and support.
- 2 A shared Collaborative CRM vision by both companies. The Collaborative CRM vision should be consistent with the individual CRM visions of both parties. The vision should at least describe:
 - what (generic) type of shoppers the process needs to address
 - the generic Consumer Value Proposition of both companies.

A (collaborative) Consumer Value Proposition is a unique and differentiated mix of manufacturers' and retailers' capabilities that attract shoppers to buy. A Consumer Value Proposition is built, very basically, from three elements: costs, proposition uniqueness and excellence, and level of shopper understanding.

- 3 The Collaborative CRM strategy. This includes:
 - current position in terms of loyalty, value delivered, shopper satisfaction;
 - currently targeted shopper segments;
 - indication whether further segmentation during the process is expected;
 - shopper objectives in terms of acquisition, retention, development;
 - agreed metrics to monitor the success of implementation;
 - indication of capabilities and resources needed;
 - timing.

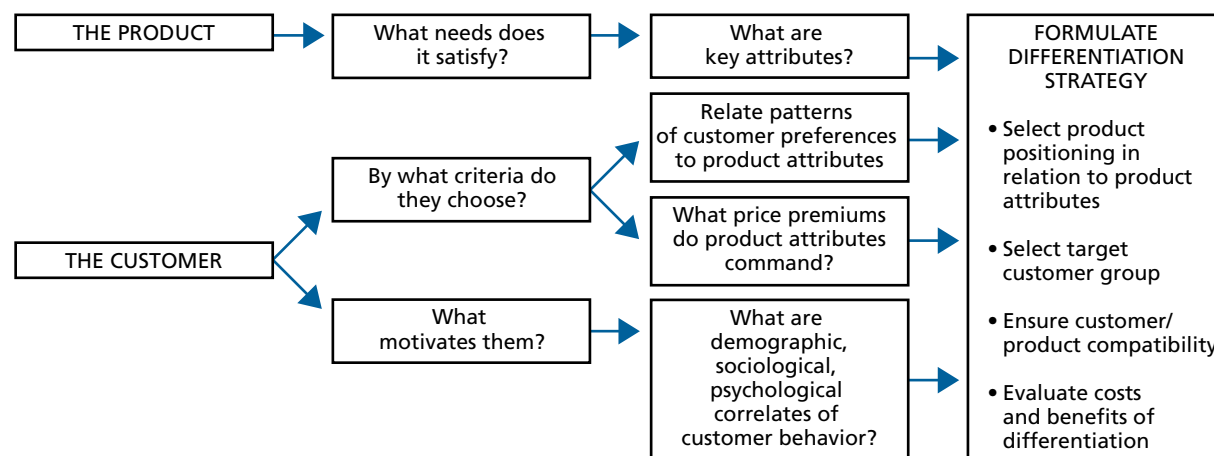
3.3.4. Collaborative Business Process

3.3.4.1. Target segments definition process

As soon as a collaborative environment for data sharing and decision making has been agreed in the above component, the actual analysis, learning process and decision making can begin. This will always start by organising the information in such a way that we can segment the consumers/shoppers into actionable targets for whom we can develop differentiating value propositions, marketing plans and category plans. This iterative process, leading us to a deeper understanding of the shoppers, not only clarifies how we can serve the consumer better, but also builds our knowledge for objective and KPI setting, thus turning this work into a true data based business engine.

3.3.4.2. Shopper knowledge building

In the process to segment shoppers/consumers we need to be driven by our business goal, i.e. we must identify actionable segments that allow us to create a meaningful value proposition for the shoppers/consumers within that segment. For this we refer to our section on segmentation (3.2.2). It is here that we find the key to differentiation. Creating from the shopper/consumer knowledge a value proposition that makes this shopper segment prefer our solution above any other in the market is the basis for creating brand and store loyalty. See Chart below:



Source: Prof. R.M. Grant

3.3.4.3. Objective and KPI setting

To do this in an economic way we need to translate our business goals in concrete objectives and Key Performance Indicators. As we know the size of the shopper segments we want to work, we can define business potential and set the benchmark measures. Benchmark measures include consumer/shopper satisfaction, financials, competitive productivity, etc...

3.3.4.4. Business planning

As we know the business potential, and the derived business targets, we can define the level of resources we can afford to work the business plan.

Strategies

- In this collaborative work piece we need to assess which communication channels we will use to convince the target shopper segment of our new value proposition. It is here that the collaborative power comes to full scale. See 3.3.8 on communication channels to find more details on this. Complementary knowledge and tools on the consumer AND the shopper can create very powerful marketing.
- Within each communication channel we need to build on the value drivers of the target segment. If service and performance is driving the appreciation, we should obviously not follow a price discount strategy, but rather formulate our value proposition on the uniqueness of our offer to deliver better than competition the dimension of service and performance.

Tactics

- In the category plans we need to adapt our tactics and segmentation work towards creating this superior shopper experience;
- There needs to be an element of consistency in the way we work our tactics, dictated by the higher goal of the shopper experience we want to develop.

3.3.4.5. Implementation

The implementation of the business plan is going to be more complex than the typical category management plan implementation. We can see several parts in the implementation that should be very well co-ordinated to deliver the desired effect on our target segment:

- 1 Turning the consumer into a shopper, which is about creating awareness and motivation for trial.
- 2 Turning the shopper into a buyer, taking the proposed experience, ready to expand/repeat the experience based on the perceived satisfaction.

This requires the right organisational set up and a good priority setting mechanism.

3.3.4.6. Monitor/Measure/Learn

As in the day to day category management model, the best way to monitor progress and learnings is to pull our measures from the value drivers of the target shoppers on the one hand and from the financial results on the other hand. A scorecard reflecting the right KPI's, competitive benchmarks and financials will keep the work focused to delivering the results we are after. The common denominator between a cross category shopper solution and the work on the level of the category plan is the target shopper. This keeps good overview of progress and failure, and will avoid over –investment.

3.3.5. Organisation

CRM entails a new cross-functional area of work that has to be integrated into existing organisations. There are a number of questions to be answered:

- How should we measure the performance of CRM managers?
- How can we deal with potential conflicting interests and performance targets between Category Managers and CRM Managers?
- Who should have the final right to decide/prioritise?
- How do retailer and manufacturer organisations work together?
- How can we avoid redundancies or multiplication of teams (for example, segments multiplied by categories)?
- How does CRM affect commercial discussions and negotiation aspects?

In essence, the organisational aspects of CRM deal with two areas. Firstly, a new business process is being created aimed at learning about shoppers and consumers through segmented information on buying behaviour. Secondly, the knowledge that results from this process, in order to be put to effective use, needs to be integrated in existing business processes.

As a result of an initial focus on the first aspect, CRM is often brought under the umbrella of a group of experts in the area of market data, qualitative research and data mining. Even more often these are people from various organisations, including business partners, data providers, consultants, and the like. It is important that the owners of existing business processes that eventually make use of the knowledge created understand and are involved in the work.

The organisational impacts of CRM can be grouped into two broad areas.

- The internal organisational aspects, within Manufacturing firms and Retailers, include the functional areas involved, process responsibilities, leadership aspects and resource aspects such as training, objectives for the functions involved and appropriate performance indicators.
- The aspects to do with the interfaces between Manufacturers and Retailers include, again, the functions involved in the partner firms and collaborative process responsibilities.

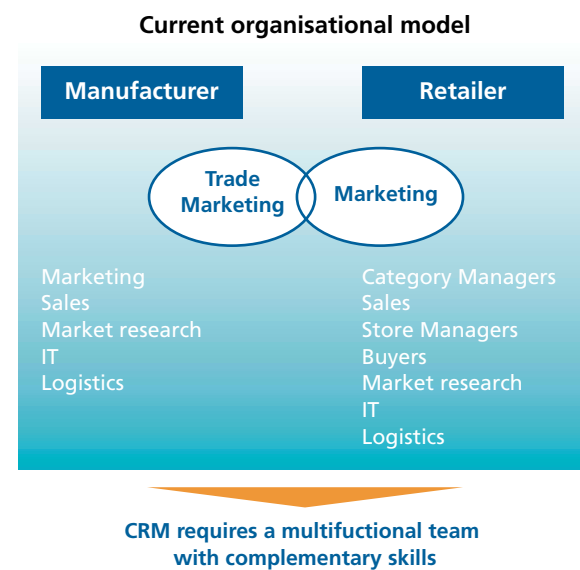
Regarding the first aspect, the internal organisation, there are numerous functional areas involved in CRM. First of all, it is key for senior management to support the work and to recognise its potential, as the resources and time that line managers need to put into the process, together with experts and partners, requires a significant commitment.

Typically, the functional areas responsible for CRM, in Retailers and Manufacturing firms are, respectively, Marketing and Trade Marketing. Other functions involved are Market Research, Category Management, Sales and Information Systems.

Especially with respect to the latter, a significant number of firms outsource parts of the work involved in CRM, such as database maintenance and data mining. Clearly, with the various outsourcing options available the organisation of CRM varies accordingly.

The figure below shows the multifunctional teams involved in the process, as indicated by the 30 companies participating in the ECR Italy project. The ECR Italy model leaves the responsibility for various parts of the process with line managers of each function.

Organisational Impact: current CRM organisational model in Italy

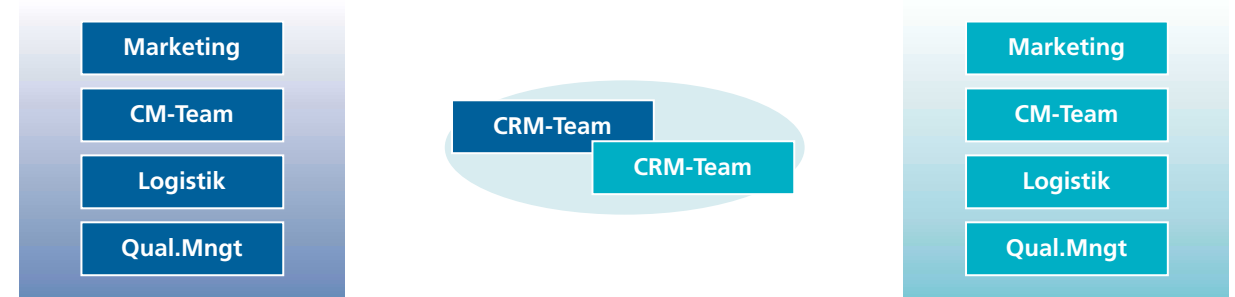


Source: ECR Italy

The solution proposed by the ECR DACH project puts the emphasis on building a CRM function involving expertise from across the various areas of the business. It envisages a starting point with CRM managers working as integration managers for the entire organisation.

Whereas the ECR Italy approach is typical for the initial stages of CRM implementation, the ECR D-A-CH approach is more common in organisations with an established and consolidated approach.

CRM is a cross-functional job on both sides with a high amount of integrative work



Source: ECR D-A-CH; Roland Berger Strategy Consultants

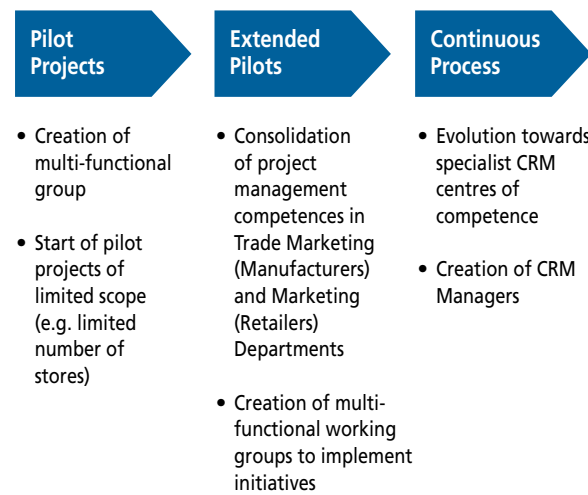
In both cases the recommendation is to give process responsibility to line managers (i.e. with budget responsibility). The sophistication and detail, especially of the analytical part of CRM initiatives, very quickly leads to 'analysis paralysis'. To avoid this, the work should be driven by the business owner.

Many companies are frustrated by the lack of a clear view on investment returns on CRM. However, a return on investment is dependent on creating the necessary CRM skills and capabilities. In other words, the investments already made in systems need to be complemented by investments in human capital.

A key aspect of CRM training is the overview of the entire process that it provides to a group of people from varying functional backgrounds. Whereas each person involved may have an idea of the steps involved in their particular areas of competence, efficiency can be greatly improved if all members of the team are aware of how their contribution fits into the overall scheme. In addition, communication and collaboration among team members is greatly facilitated by a common body of knowledge.

Despite the importance of formal training, a large part of CRM skills will be developed on the job. The introduction of CRM within and between companies, will initially take the form of individual projects, and gradually evolve into a continuous process. Similarly, CRM competencies (as well as project management competencies) will be developed in the Trade Marketing and Marketing functions leading the effort. Eventually, these competencies can be harnessed into an actual CRM function.

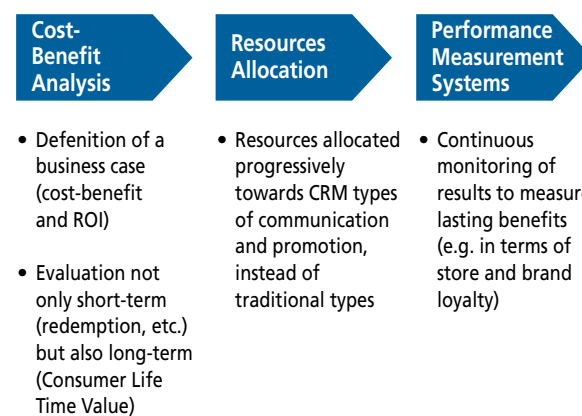
Developing CRM Competences



Source: ECR Italy

In conclusion, as with the gradual development of CRM competencies, also the performance management systems of CRM resources will evolve with each new initiative and should be formalised once the process-tag is reached.

Efficient use of CRM Resources



Source: ECR Italy

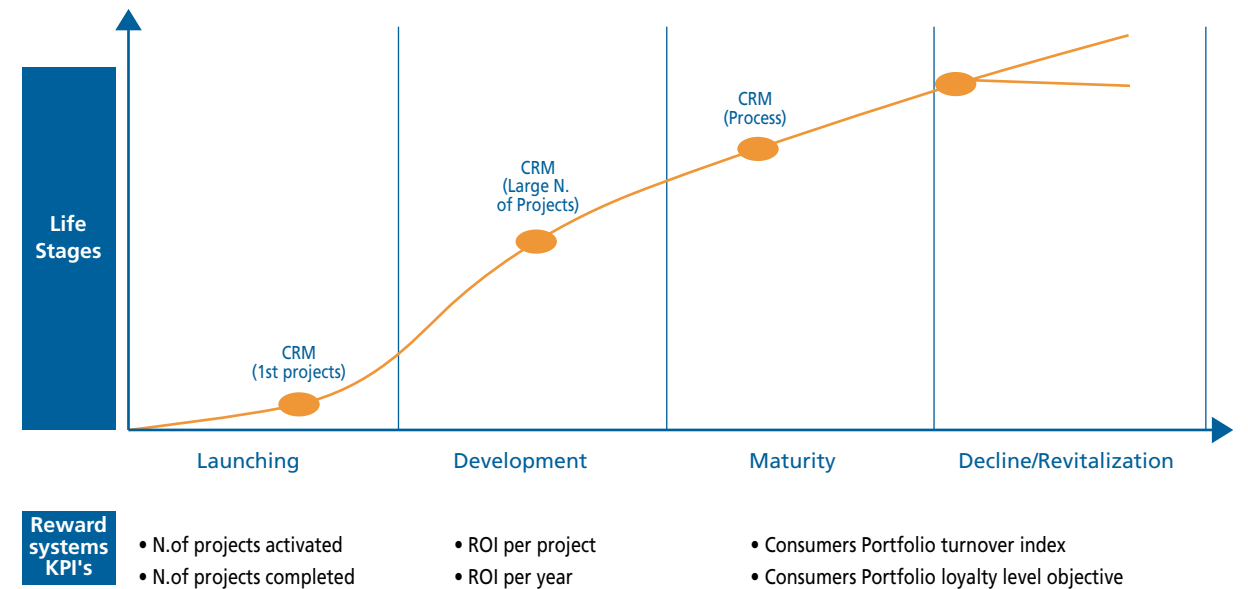
When a company adopts CRM it needs to develop a coherent reward system for the resources involved in the CRM process. This should affect not only the team leaders or the process owners, but also other functions involved, to guarantee the success of multifunctional teamwork.

The reward system should evolve with the different stages of the process adoption. Different KPI's per different stage of life are highlighted in the picture below. They are achievable for both retailers and manufacturers.

In the early stage (Launching) it is important to start collaborative projects and to complete them. In the Development stage, when the number of projects has increased, it becomes very important to select the most profitable among them.

When the process reaches Maturity, the focus has to be the consumer portfolio value in terms of turnover rate of loyal consumers (which has to be minimised) and in terms of loyalty level (which has to be maximised).

CRM reward systems per different stages of life



Source: KPMG Business Advisory Services, 2003

Moving on to the aspect of the interface between trading partners the principal areas of contact between Manufacturers and Retailers are Trade Marketing and Marketing, respectively. In addition, important roles are reserved for Sales (Manufacturers) and Procurement (Retailers), in the definition of commercial initiatives based on CRM. Furthermore, at the operational level, it is key to involve early on the areas of logistics, sales and in-store operations, as they are responsible for the implementation and monitoring of initiatives at the point of sale.

There are a number of key competencies that Manufacturers and Retailers need to bring to the table.

At a general level, Manufacturers need to contribute know-how relative to consumer and shopper behaviour and of product positioning in the respective market. Retailers need to contribute know-how on shopper behaviour in their stores and of the positioning of their stores in the retail environment.

At a more specific level, both partners need know-how in the following areas:

- Consumer target needs and behaviour
- Segmentation drivers
- Direct marketing
- Product brand positioning
- Analytical skills
- Innovative promotional instruments
- Category management

An effective organisation to manage the collaborative process is an indispensable part of CRM, necessary to make Strategy, Communication channels and Systems work in an integrated way.

3.3.6. Data

3.3.6.1. Data types

Data is key to Collaborative CRM. It must be acquired, stored, analysed, and converted into shopper information. It is the basis of shopper knowledge.

In section 3.2 we discussed various types of data. Most data types can be used for initial shopper segmentation. Once the segments are defined, the identified data types can also be used to analyse shopper segments.

3.3.6.2. Which data are needed to segment shoppers?

So-called 'classification' data are used to classify shoppers into segments.

Demographic, geographic, psychographic, behavioural and attitudinal data can be used to classify people into segments:

- **Demographic data** – Age, sex, income, education, race, marital status, size of household, geographic location, size of city, profession, etc.
- **Geographic data** – City, state, post code, region, metropolitan or rural location, population density, climate, etc.
- **Psychographic data** refers to personality and emotionally based behaviour linked to purchase choices. For example: attitudes, lifestyle, hobbies, risk aversion, personality traits, magazines read, television programmes watched, PRIZM clusters, etc.
- **Behavioural data** – Brand loyalty, usage level, benefits sought, distribution channels used, reaction to marketing stimuli, etc.
- **Belief and value systems** include religious, political, nationalist, and cultural beliefs and values.
- **Life stage** refers to classifying people's lives into different (st)ages (e.g. pre-teens, teenagers, empty nesters, etc.).
- **Character of shopping trips/missions/occasions** – for example: bulk trip; top-up trip; convenience trip; fresh trip; health and beauty trip; daily food trip; specialist trip; etc.

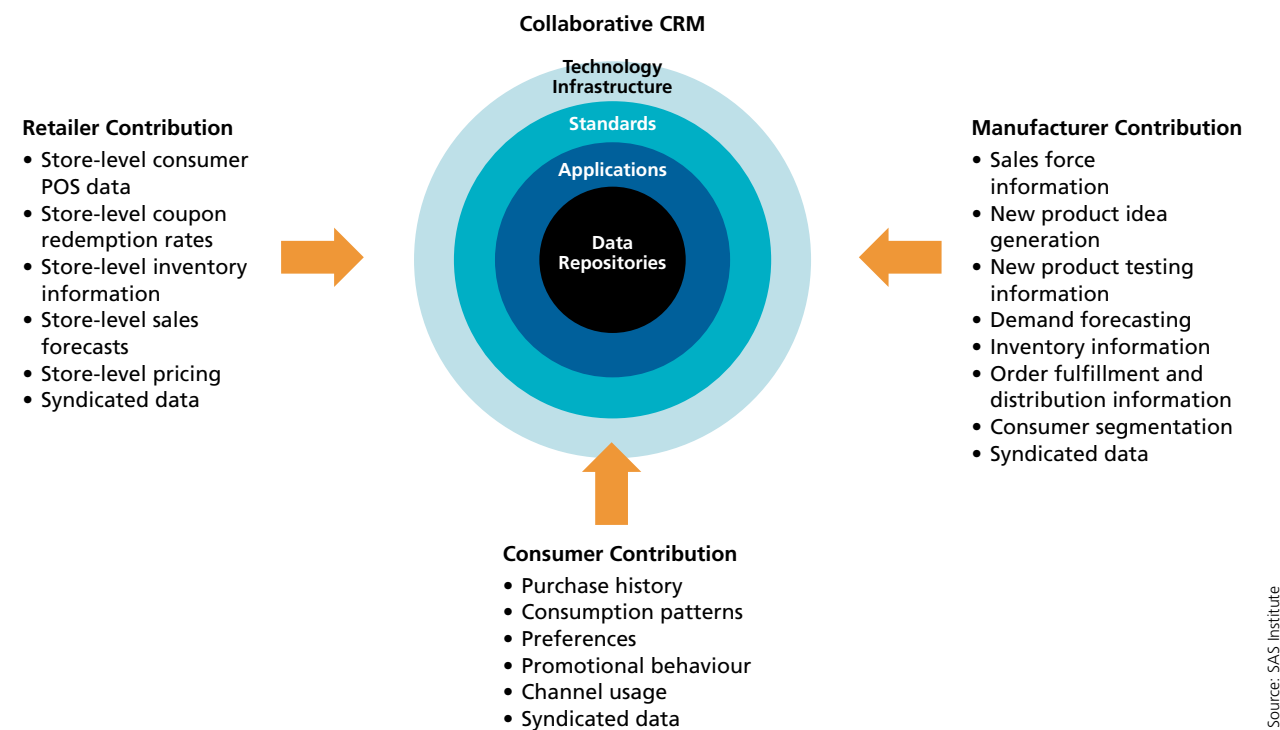
3.3.6.3. Data definition

Incorrect and inconsistent data definition is one of the key reasons for the failure of CRM projects. The subject of this brochure is Collaborative CRM. Collaborative CRM involves at least two parties. It is therefore likely that data used in a Collaborative CRM process will be sourced from participating parties.

In such a situation data consistency becomes crucial.

During the process it is a prerequisite to develop a good understanding of what exactly is covered by which data label. Any well-intended assumption in this stage can be deadly later on. Experience proves that data labels like loyalty, region, life stage, primary shopper, etc. usually have totally different meanings in different companies.

Collaborative CRM offers both retailers and manufacturers the ability to work together to improve efficiencies and enjoy new growth



3.3.6.4. Data mining

'Data mining' is a term that is often used in CRM discussions. It is probably worthwhile shedding some light on this concept.

Data mining gives answers to business questions. Other approaches are also possible, such as ad hoc queries, multidimensional models and decision support systems. Each approach has its own strong points and weaknesses.

Data mining combines data-based knowledge, statistical analysis and business knowledge.

- Business knowledge provides the business questions that should be asked.
- IT provides the data that could answer the questions. Moreover, it also provides the tools and knowledge to manipulate the data.
- Statistics provide the mathematics that should be used to find correlations within the data or clusters along which the data are grouped.

A few examples of business questions:

- Why do shoppers stop buying?
- How can we explain differences in volumes between shopper segments?
- Who are the shoppers with volume and/or value potential?
- Is it possible to predict the future behaviour of shoppers?

3.3.6.5. Data mining techniques

Generally speaking, four types of technique exist:

Market basket analysis

This analysis tries to identify relationships between seemingly unrelated variables, like groceries in a shopping basket. A famous example is the relationship between the sale of beer and the sale of nappies. It is argued that young males who are sent out to do the bulk shopping for their young family buy these two products in conjunction. Whether it is true or not, the story is a nice example of an unexpected relationship between seemingly unrelated variables. This finding could be translated into merchandising in store.

Classification techniques

These techniques are primarily used in segmentation and establish the relationship between the characteristics of an observed object and its behaviour. Which store a certain shopper will choose can be predicted from shopper characteristics like income, life stage, lifestyle, time available; from the trip types this shopper recognises (whether the store is close by, has a parking facility, weather conditions, low prices); and other characteristics (like the need to take children).

Clustering techniques

This technique tries to group observations into a limited number of subgroups.

For example, we may want to divide shoppers, based on observed store loyalty, into platinum, gold, silver and bronze shoppers.

Forecasting

When a relationship between two variables is established, it is tempting to make a forecast on a change in one variable, once the second variable is changed. For example, when a relationship between ice cream sales and outdoor temperatures is established, one might attempt to predict the change in ice cream sales based on the weather forecast.

3.3.6.6. Data mining tools

Data mining generally uses three kinds of tools:

- 1 Database tools to handle the data. It is necessary to combine data from different sources. Once the data has been collected, it has to be 'cleaned' before analysis. This requires a set of database tools.
- 2 Statistical tools to analyse the data.
- 3 Dedicated tools to perform data mining. These tools sometimes have nice graphical interfaces and are created for use by people who are less well educated in statistical analysis: underlying statistics are not shown and the outcomes are presented in a clear, understandable fashion.

3.3.7. Systems

CRM often requires a lot of data analysis. Think of loyalty card databases where a lot can be learned from the shopper, or how to bring information together ready for use by the user.

Call centre systems, field automation systems, and activity-planning systems are often referred to as CRM systems, but often these systems don't fulfil even the shallowest definition of CRM. This is the unfortunate result of CRM becoming a buzzword in the IT and consultancy industries on the one hand, and lack of understanding of the CRM concept in the business world on the other.

We want to clarify how to think about 'systems' in the context of CRM.

It's always good to start with the end in mind: delivering value to the consumer.

Systems can help us in many ways to make this happen, but it is important to stick to your business strategy and to make clear choices on which systems can bring a breakthrough in achieving your business goals.

Clearly, for CRM it is strategic to get information about your customers (consumers and shoppers). In a Collaborative CRM process, information about your partner is also key.

The gathering of data from shoppers, consumers, retailers and market data providers and its translation into meaningful information is a challenge where systems can provide help.

In the previous section we talked about the different types of data and what to do with it in order to turn it into added value information to create value for your customer.

We recommend that non-system experts review the strategy and see where systems will enable them to achieve their business goals. Systems then add value in the following areas:

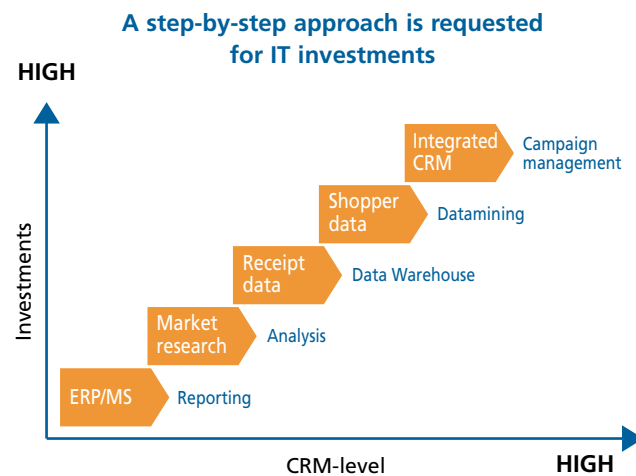
- Stocking data on your consumers/shoppers in an efficient way; this probably means you want to keep your data accessible for use in order to translate it into value adding information (database systems, data warehouse)
- Tools to analyse and read the data (analytical tools)
- Organising the gathering of data (field automation, loyalty card systems, call centre)
- B2B and B2C systems to facilitate communication (even B2B2C systems)

In the last chapter of this booklet, a number of IT providers summarise their CRM offerings. This will help you make choices.

Since IT investments for most CRM activities are high, a roadmap to a fully-fledged and integrated system should help to develop a step-by-step approach and reduce investment risks. In order to start CRM activities; it is not necessary to have all possible systems in place, but to clearly define the starting point and match CRM targets with IT requirements.

For beginners, it could be a good idea to start with internal data from the ERP system plus data from market research. Even with these rather unspecific data, CRM activities can be started on a rather generic level, but might help with entering the learning curve (e.g. the possibility of linking the spend index of certain categories to shopper groups).

Collecting and analysing till and shopper data allows you to enter the world of personalised CRM; however, this needs heavy investments in data warehouse solutions and data mining tools. This step is proposed if all the other steps are fully managed and data are clear and clean.



Source: ECR D-A-CH, Roland Berger Strategy Consultants

3.3.7.1 Outsourcing systems

One of the most profound system challenges is developing the required analytical CRM capabilities in order to make the transition towards a database marketing approach. Horror stories abound of multi-year, multi-million Euro data mart projects which were

ill conceived and which delivered no value. Considering that existing transaction systems and databases within companies today are often not well suited for the kinds of analysis required, new tools are needed. Software vendors in turn are selling increasingly sophisticated products which demand ever-higher levels of technical ability and the need for specialized skills not present in many companies. Marketing and customer analysis applications are also not well connected to IT departments and the existing management information infrastructure. Inexperience with the required tools, combined with a natural competition for in-house MIS resources, raises an important question: How can companies start today and quickly move to generate value while keeping investments as low as possible and minimizing risk?

Many companies are turning towards outsourced customer database management service providers. Due to economies of scale in both workforce and infrastructure, costs are often lower than starting from scratch in-house. Just as important, the time required to get useful information and to gain experience with CRM approaches can be much shorter.

There are a number of other benefits including:

- get access to scarce talent, tried and true expertise;
- bring in fresh thinking from outside;
- take advantage of pre-configured, ready made analysis frameworks;
- accelerate implementation timeframes;
- demand higher service levels;
- use as a transition to shorten the learning curve and develop own, high-level capabilities.

New forms of outsourcing allow companies flexible, dynamic on-demand access to advanced analytical CRM capabilities with limited up-front investment. These services are often priced on a monthly or per report basis.

Perhaps the most important advantage in using outside service providers is allowing retailers and CPG manufacturers to focus on their core competency of creating consumer value and actually applying the insights derived through increased customer insight, while leaving the plumbing to someone else.

Companies considering outsourcing are often worried about loss of control, particularly where customer data is concerned. Experience from companies profiting from outsourcing today indicates that it is important to make clear contractual agreements about privacy, data security, control of service quality and knowledge transfer.

3.3.8. Communication Channel Management

By channels we mean the different communication channels to the customer, the consumer and the shopper. For manufacturers today the primary means of communication with the consumer is advertising on TV and in magazines and newspaper, sample distribution, direct mail, etc; the shopper is then reached via the distributor and retailer. For retailers the store is obviously the main communication channel with the shopper, and the in-store environment and store personnel are then key for an efficient and effective communication. Leaflets, advertising, and direct mail from third-party databases or their own loyalty card databases are the means to communicate with the shopper beyond the store floor. New technology on the market in the form of in-store kiosks or trolley communication devices helps to make this communication more direct or even interactive.

There are several strong opportunities to work these channels more efficiently when working in

a Collaborative CRM process. In this collaborative context joint channel management brings all the resources between retailer and manufacturer in line to communicate with the shopper and the consumer simultaneously. And to announce a personalised value proposition at the right time and place in order to translate it into satisfactory spending and value creation for all.

When the target segments with whom both retailer and manufacturer want to create value have been clarified, the value proposition can be developed. This could be a shopper or consumer solution we want to offer to a specific target segment. The expected outcome of this work will be more loyalty from that target, i.e. higher spending.

To bring this value proposition to market we need to follow the old rules of marketing: create awareness, get trial, build on satisfaction to repurchase and, over time, build the desired level of loyalty and equity for that shopper/consumer solution. Another approach which could be considered in Systems Management is outsourcing.

For each of these marketing functions we can use different communication channels and decide to tackle them jointly or independently.

Joint channel management	Build awareness	Buil trial	Repurchase	Expand into loyalty
Advertising...				
In-store demo				
Sampling				
Direct mail				
All loyalty card related tools				
In-store design/shelf/solution				
e-mail/sms				

It would be a good exercise for a retailer and manufacturer to fill out the above table with regard to their equity build channel management, and then sit down together to see what can be done to gain synergy.

A front runner of such a customised solution centre is the Baby Care Center. As an example from last year's ECR conference we retain the Greek Baby Care center.

1 Awareness was created by sending a letter to all the mothers in the catchment areas of the stores. In this letter the mothers learned about the new in-store

offer, and were invited to pick up a sample bag with coupons; this was worked out by the manufacturers that participated in the CRM project;

2 The gift bag was delivering the motivation for trial on this new value proposition.

3 The new in store design and layout with extra service and convenience, the category management plans on all baby care related categories delivered a superior shopping experience drove the retention loyalty building, and lead to more than 30% growth.

The Business Case for Collaborative CRM

Although the most lucrative opportunities for both manufacturers and retailers should lie within creation of consumer demand through meaningful innovation (comprising products, services and formats) the industry focuses on short-term measures such as cost centred pricing and trade terms negotiations.

This approach tends to lead to a trading environment in which increasing scale drives consumer value down, and added value competition out.

This trend has the potential to result in a further limitation of consumer choice and an increasing dissatisfaction of consumers with the products and services our industry has to offer, losing overall share of disposable income to the strongly competing entertainment, technology, fashion, motoring, education, home improvement or OOH industries, which are all seeking to increase their share of wallet at the expense of the FMCG industry.

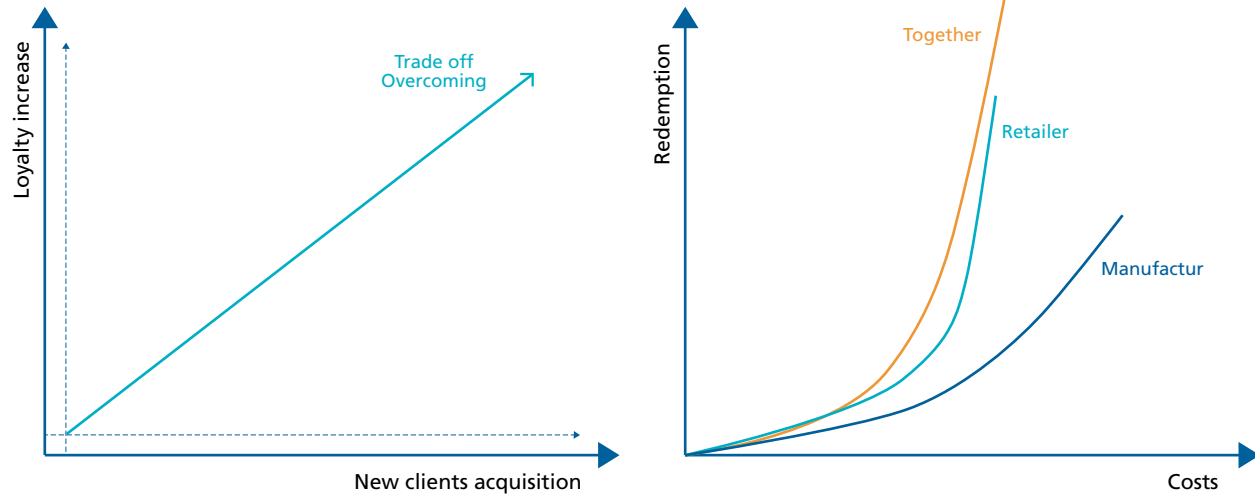
Building a loyal and satisfied consumer base is crucial to the success of any firm.

Collaborative CRM is characterised by an approach aimed at contributing to the reduction of consumer turnover and the construction of a lasting relationship with consumers:

- Identification, based on combined know-how, of the segmentation variables that best reflect specific shopping and consumption behaviours
- Joint identification of opportunities
- Joint development of targeted value propositions and service improvements to satisfy specific customer needs

Working together, it is possible to leverage both brand and store loyalty and to reduce the cost of acquiring new customers through the use of a partner's knowledge of such customers, the screening of their potential value and the presence of existing customer relationships and communication channels. Finally, investments in customer loyalty are shared.

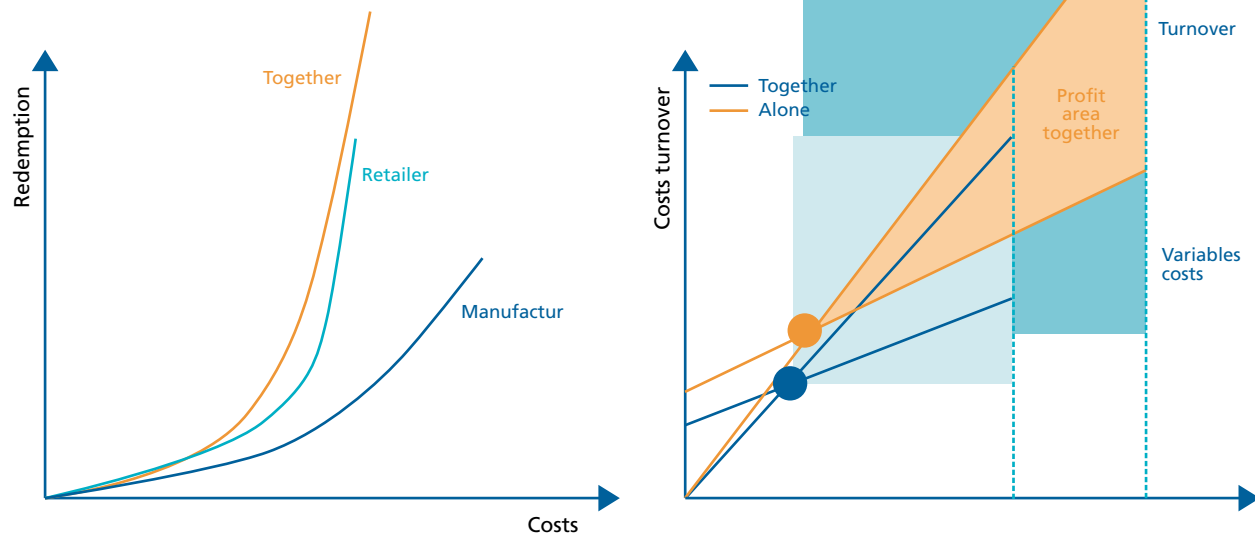
Working together companies share information and databases and optimise investments overcoming the trade off between increase loyalty and acquire new clients



Source: KPMG Business Advisory Services, 2003

Working together, it is possible to increase customer loyalty and broaden the customer base at the same time, maximising the effectiveness of marketing initiatives and improving the return on investment in CRM.

Working together it is possible to significantly increase the redemption rate and consequently the turnover and profits



Source: KPMG Business Advisory Services, 2003

The benefits that have been identified in Collaborative CRM projects are many. Amongst the currently proven benefits are store merchandising optimisation, trade promotion optimisation, and business process alignment between CRM partners. Even collaborative new product development has been mentioned in the occasional case.

Both retailers and CPGs will garner benefits from CRM, improving operations across the value chain

Sample CPG/Retailer CRM Initiatives

Benefits to Retailers and CPGs

- | | |
|---|---|
| <ol style="list-style-type: none"> 1 New Product Development 2 Store-Level Optimization 3 Trade Promotion Optimization 4 Distributed Process Management | <ul style="list-style-type: none"> • Dramatically reduced cycle times • Highly improved success rates • Full collaboration with CPGs, retailers and consumers • Improved product mix management • Collaborative promotional management • Price synchronization • Collaborative forecasting and replenishment • Improved reconciliation and settlement • Improved demand planning • Closed loop promotional development and tracking • Creation of individual, personalized promotions • Development of true loyalty-based promotions • Seamless workflows • Process automation • Cross-enterprise collaboration • Improved, shared and well-communicated business rules |
|---|---|

Source: SAS Institute

5.1

Conad – Barilla

GETTING CONSUMER SATISFACTION:
A NEVER ENDING STORY

“Every time a consumer is satisfied by his purchase, a sort of trust starts between him and his supplier (namely a brand or store). Once trust is ensured, time by time, without failing, it transforms into loyalty. Loyalty is based on a long-term relationship, therefore a loyal consumer will be the source of business development and profitability”.

There was scepticism about this paradigm, but the perspective of a price war scenario brought Barilla and Conad to start their co-operation in CRM in 1999 with the aim to increase loyalty of bread substitute shoppers.

New to CRM, but with a long history of co-operation, Barilla and Conad were matching complementary assets:

- marketing capabilities which lead to strong consumer franchising in pasta as well as in bakery products
- consumer care aided by store integration with the local community.

THE CRM START UP:
INCREASE SHOPPER LOYALTY

Common ground was on sliced bread: Barilla customers were heavy Conad spenders, product category had 38% of household penetration and sales' locations were concentrated in North West Italy, a region covered by Nordiconad, one of Conad's co-operatives.

A promotional campaign via mail was launched differentiating between product users (addressed with point collection take over) and non-users (invited to product trial).

The “virtuous wheel” started moving: 47% of the contacted shopper redeemed the coupon finding the offer satisfactory, subsequently, since product shopper were high spenders, the store loyalty increased by 4% (from 2,5 to 2,6 store visits/month) and Barilla increased its product users getting an additional 10,4 %.



As loyalty is a long-term relationship, the situation was tracked for 22 months. It was discovered that additional users were more loyal than previous ones (76% of loyalty vs. 45%).

The "wheel" was turning. It was therefore necessary to target key Conad shoppers with a specific action plan for the entire bread substitute category. Among the expected results, there was a considerable reduction of cost per contact.

THE CRM FOLLOW UP:
FOCUS ON TARGET & STRETCH THE SCOPE

New CRM experience was founded on Conad segmentation in order to target the key customer groups from among 3.000.000 card holders which develop 82% of total turnover. Conad obtained the best comprehension of shopping targets with a life cycle segmentation matching: number of family components; presence of babies; presence of over 65s. By evaluating each segment (turnover and number of shoppers) two key classes were identified. Barilla investigated their demographics and discovered that the key Conad customer groups had the highest value for consumption concentration in bread substitutes. On the common key target the objectives of Barilla and Conad were to deliver superior value in order to reinforce the "virtuous wheel".

Three conditions had driven the plan:

- 1 build up on Barilla and Conad brand equities to drive differentiation
- 2 exploit existing complementary competencies related to different Company functions and shared thanks to a co-operative process
- 2 be efficient.

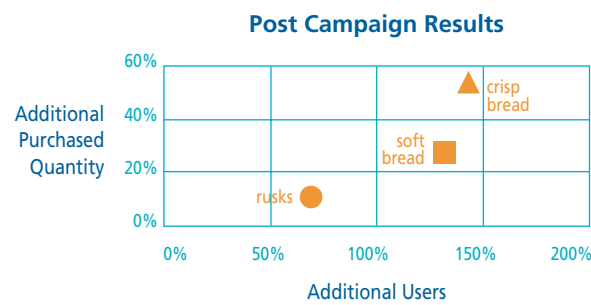


This alignment produced a full program for bread substitutes entirely integrated by a CRM approach:

- 3 new references (namely: rusk, crisp bread and soft bread) have been launched in the market
- they have been sustained by television advertising, billboard in Conad locations, in-store communications and informative leaflets mailed to the customers
- they have had shelf and display exposure
- they have been promoted with coupons mailed to the customers, rewarding single (25 points) as well as multiple buying (150 point for 3).

CRM program doubled the advantage of mass action plan in acquiring additional users as shown by comparing the two results: CRM got 74% of additional users on targeted shoppers rather than 36% achieved via product launch with advertising, and target shoppers increased their purchased quantity by 37% rather than 24%.

By comparing results on additional users and purchase quantity, Barilla and Conad plotted a map of product sensitivity to the CRM programme as shown below:



Finally cost per contact decreased by 20% compared to first 1999 campaign, thanks to the wider scope of the program that included other product categories (ice creams, mozzarella cheese and vinegar) in the same mailing.

The "virtuous wheel" was really spinning round.

... and our task is to provide good fuel, not only financial resources but that magic mix of marketing capabilities, recognition of shoppers' different needs and creativity to find solutions that differentiate and satisfy them.

5.2
Volendo.com – Colgate

CRM activity:
strategic opportunity and segmentation criteria

CRM activity objective and description

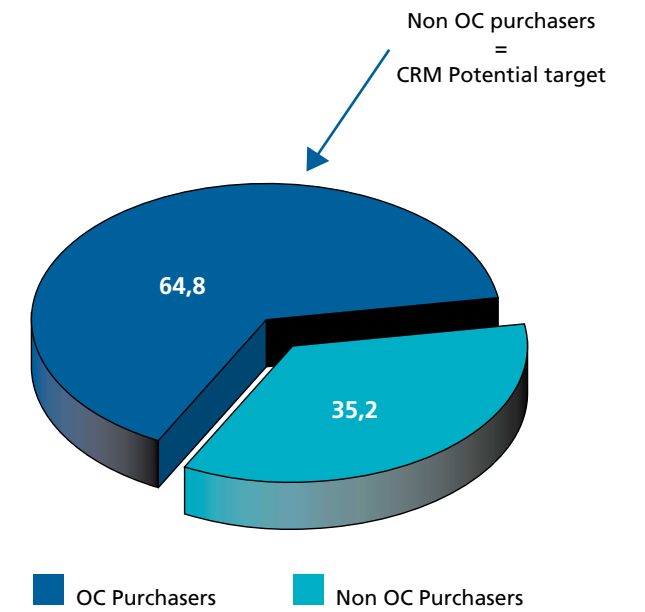
- Increase penetration of Oral Care category among Volendo shoppers with Colgate products
- E-mail to selected target with special offer on Colgate products purchase

Strategic opportunity

- Category assessment showed increase of OC penetration among Volendo.com shoppers as a clear opportunity to increase business for both CP and Volendo.com

Segmentation approach

- In depth analysis into 64,8% of Volendo shoppers
- Leveraging on key segmentation criteria
- Purchase frequency (targeting in high frequency shoppers)
- Spending level (targeting on medium-high spending level shoppers)



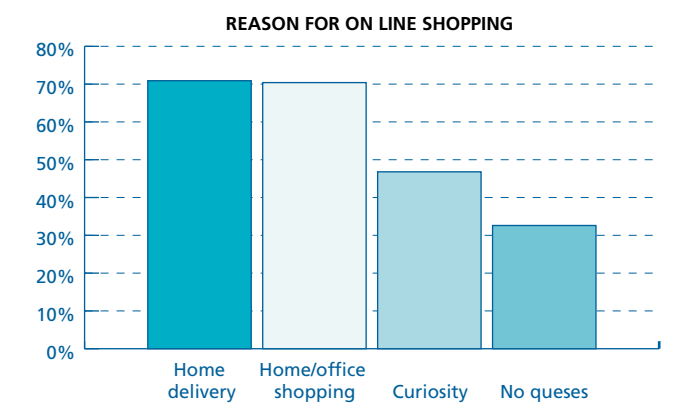
CRM activity:
collaborative approach and results

Collaborative process

Colgate and Volendo.com shared informations and datas during all steps of the process:

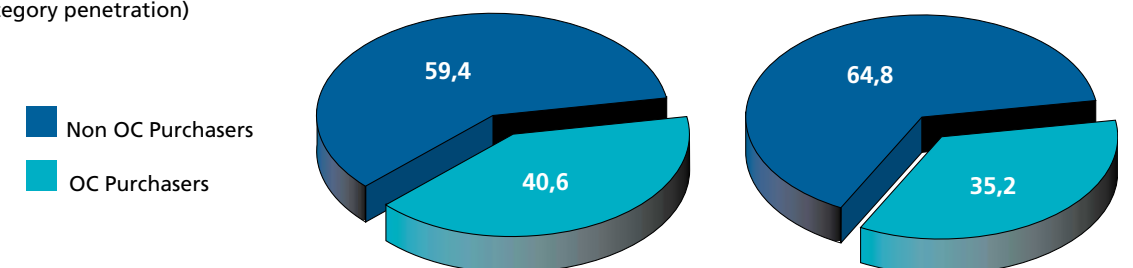
- Consumer datas and usage attitudes of Oral Care Category
- On line shopping behaviour and attitudes
- Shopper Basket analysis

Survey about "on line purchase drivers" helped to define the best promotional driver for on line shoppers (free delivery at home)



Results

- Penetration of Oral Care category in Volendo.com shopper basket increased from 35,2% to 40,6%
- Particularly significant vs previous untargeted promotions (increasing brand switching but not category penetration)



5.3

Selex - Kraft

Twin-Track CRM stimulating impulse buying

Introduction: a strategic opportunity for differentiation

Kraft and Selex are running an innovative CRM project aimed at stimulating consumers' impulse purchases and at developing an understanding of the best way to achieve this objective. The CRM approach is based on shoppers' propensity to buy impulse products, with targeted promotions for different impulse shopping behaviours observed through the use of loyalty card data. The initiative results are measured on a "twin-track" basis: quantitative redemption data as well as interviews with consumers on their perceptions of the initiative. We not only measure how successful the promotion was, we also want to know why it was successful: the motivations behind the various consumer preferences observed.

Kraft is a leading company in the Italian food market and a key player in the confectionery category with 13 per cent market share in the chocolate tablet segment, the primary focus of the CRM initiative.

Selex is one of the major retailers in Italy, with a market share of 6.4 per cent and over 2,300 outlets. Selex has some 1,700,000 active loyalty cardholders. The project team is working together with Catalina who, with their voucher systems at cash registers in Selex stores, are making a key contribution to the project managing the mechanics of communications with consumers and providing shopper analytics.

The focus on stimulating consumers' impulse behaviour and studying the drivers of their motivations and preferences are strategic choices for both partners. For Selex, stimulating impulse purchases – and with them, the feel-good factor of shoppers – is part of its differentiation strategy. Against a backdrop of a slowing economy this part of its strategy becomes even more pronounced. For both Selex and Kraft the measurement of qualitative as well as quantitative results is important as a first step in broadening the impulse approach to more stores and more products. Key is also to test the effectiveness of an innovative method of communicating with consumers: immediate in-store communication through vouchers emitted at the check-out, triggered by loyalty cards.

Segmentation approach

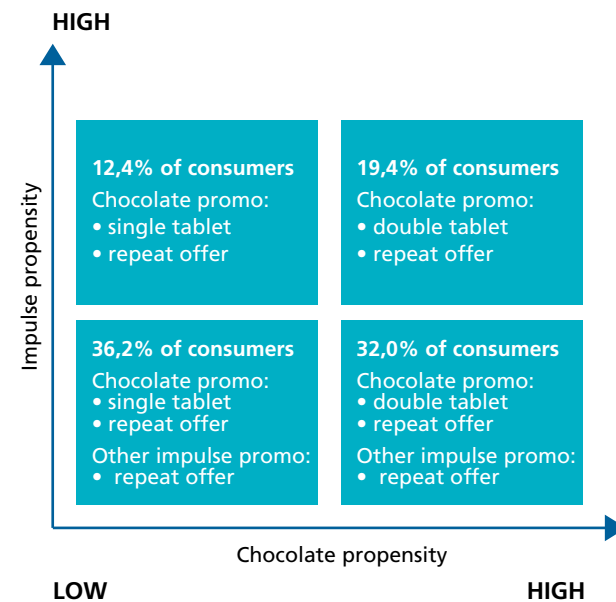
The CRM approach started out from data on impulse shopping behaviour in Selex stores with various store formats and in different geographical areas. We plotted the frequency of consumers' purchases of impulse products and formed four target groups based on high-low propensity to buy on impulse and high-low propensity to buy chocolate. We set specific promotion objectives for each target group:

Hi impulse, hi chocolate: average spend and purchasing frequency in chocolate

Hi impulse, lo chocolate: penetration and purchasing frequency in chocolate

Lo impulse, hi chocolate: average spend and purchasing frequency in chocolate

Lo impulse, lo chocolate: penetration and purchasing frequency in all impulse products



We then created a number of promotion mechanisms to provide a differentiated offer to each group and to provide consumers with a choice of three promotions: (1) a cash discount on the purchase of impulse products and chocolate, (2) loyalty card bonus points with the chase of chocolate. Both the size of the discount, points bonus and the gift, as well as the minimum qualifying purchase amounts were differentiated for the target groups.

Collaborative process

For each target group we created a specific promotional message ranging from "Chocolate, a passion!" for high chocolate consumers to "Chocolate, sweet temptation..." for low chocolate consumers. We also created a brochure containing not only the three vouchers to be redeemed in the stores but also some additional material such as a history of chocolate, recipe suggestions, and leisure and consumption occasions. The mechanics of the promotion itself are ideally suited to impulse products. **The communication to consumers takes place not through a mailing but through vouchers emitted at the check out, triggered by loyalty cards.** The initial communication advises consumers to collect the promotion material at the information desk.

The promotional material contains the three options (discount, points or gift) and consumers can redeem the promotion of their choice, provided they purchase the respective products, either immediately or at a subsequent visit to the store. Upon redemption of one of the vouchers consumers receive another voucher of the same type, directly at the cash register, to be used during yet another shopping occasion.

The overall project, including the initial segmentation of consumers, the analysis of shopper data, the preparation of promotional material and implementation on the shop floor, has taken 6 weeks (in elapsed time) up to the start of the promotion. The availability and flexibility of the data and of the process itself make the approach easily **repeatable at relatively low cost.**

Tangible results

Penetration in the low propensity groups improved markedly. Purchasing frequency and average spend for the high propensity groups increased even more, with a quarter of consumers completing the cycle of two purchases in three visits within two weeks of the start of the promotion (for a product type that normally has a purchasing frequency of once in three months). The results of the initiative show a redemption of close to 20 per cent for the high impulse propensity target groups, and 9 per cent for the low propensity groups, taking into account the entire target group.

The communication mechanism to be proved extremely effective, as the loss of consumers between the check-out and the information desk has been minimal.

Across all targets, almost all consumers collected the promotion material upon receiving the communication at the check-out. This means that a very direct and low-cost CRM initiative (the cost of in-store vouchers is lower than that of a mailing) still manages to reach almost all intended consumers.

Comparing the effectiveness of the different voucher options (consumers were allowed to redeem only one type of voucher), the gift was the preferred choice, redeemed by almost 60 per cent of consumers in the high impulse propensity groups and just under 50 per cent in the other target groups. The first preference was followed by bonus points with some 30 per cent, and finally the cash discount with 15 to 20 per cent in the various target groups. These preferences varied somewhat between stores in the south (Selex associated firm Megamark) and those in the north (Selex associated firm Unicomm), with consumers in the south showing more of a preference for cash discounts.

Adding the information from consumer interviews (still on-going) to the quantitative results helps to understand consumers' perception of the attractiveness and ease of use of each type of promotion and of the various mechanisms. The information also indicates various reasons for non-redemption of the initiative.

The qualitative information supports data on the effectiveness of the mechanics of the initiative, i.e. the fact that so few consumers are lost between the check-out and the information desk. First indications show that – especially for the high propensity target groups – the process does not constitute a barrier to the take up of the promotion, if the initial communication is clear, the incentive is attractive, and the service in-store is at a high level.

Overall, the interviews seem to confirm that the repeat aspect of the promotion and the focus on impulse products stimulates consumers more often to consider a "treat" as part of their shopping list.

5.4

dm – Procter & Gamble

dm / P&G – Collaborative CRM

Objective

Objective of dm and P&G's CRM collaboration is to build store and brand loyalty through developing shopper differentiated marketing and in-store executions. dm's Payback loyalty data and P&G's shopper insights will be leveraged to achieve this goal.

Background

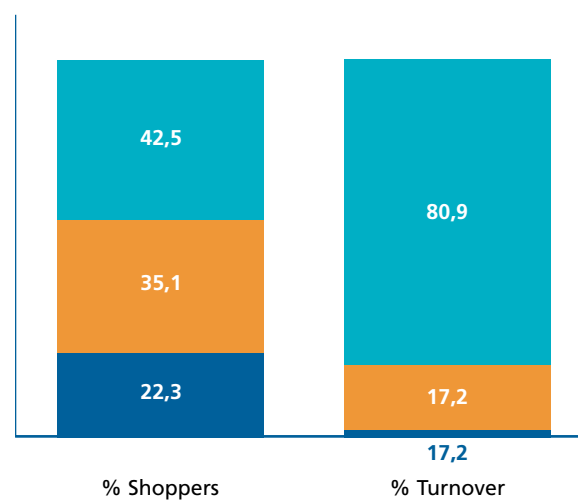
dm started with its loyalty card program in October 2000 by joining the biggest German loyalty club "Payback". Today, Payback has more than 20 million members and about 10 participating retailers. 40% of all purchases at dm are done via the Payback loyalty card. Up to 2002, dm distributed 18 mailings per year with shopper selection done based on demographics and top-category level purchase behaviour.

P&G built comprehensive shopper knowledge through five years of shopper research. The shopper research data gives insights on what shoppers do and especially why they do it. It offers benchmarking of retailers by showing strengths and improvement areas. CRM expertise has been gained through CRM programs on key P&G brands as well as through projects with different CRM/loyalty card programs globally.

A work group of dm and P&G managers was set-up to leverage both assets to better meet shoppers needs.

Strategic Opportunities for differentiation

dm already has a very loyal shopper base. 42.5% of dm shoppers are loyal shoppers, representing more than 80% of dm's total turnover (according to P&G Shopper Insights data).



The huge group of loyal shoppers is a very diverse group and offers significant potential for further differentiation – with the help of dm's Payback loyalty card program. Differentiation will be driven by clustering shoppers into distinct groups, understanding the respective purchase behaviour and developing specific marketing/in-store executions which address shoppers needs and build loyalty over time.

segmentation approach

The segmentation approach was divided into 3 main phases:

• Phase 1 - Segmentation:

Clustering shoppers by frequency and spend to determine distinct shopper groups for marketing and in-store executions. The "frequency and spend" model was chosen among five different models tested, as it revealed to be best fit. It allows to differentiate different shopper types and approach them with different loyalty strategies

(#1: retain loyal shoppers and further increase loyalty, #2: build frequency with less frequent shoppers, #3: build basket with low spenders)

is actionable and easy to implement for day-to-day operations is manageable from a cost point of view for the first phase to CRM.

		Purchase Frequency			
		Weekly	Monthly	Sporadic	One Purchase
SPENDING PER PURCHASE	> € 20	A customer	B customer	C customer	
	€ 10 - € 20	B customer	C customer	D customer	
	€ 5 - € 10	C customer	D customer		
	< € 5	D customer	All others		

• Phase 2 – Profiling of shoppers according to demographics and purchase behaviour:

Demographic profiling of shopper segments was used to determine which "types" of shoppers (age, income, gender, family status) the different segments consist of. The profiles are then used to determine respective campaigns and also as selection criteria for direct marketing activities.

Purchase behaviour analysis of the different segments builds understanding of what categories, brand, products shoppers buy, which they do not buy and where opportunities for up-selling, cross-selling or rewarding loyalty for repetitive purchases exist. Purchase behaviour analysis also includes cross purchase analysis that outlines what products/categories etc is purchased together in the same basket or by the same household.

• Phase 3 - Implementation

Based on phase 1 and 2, dm & P&G jointly defined the shopper segment with which the CRM approach should be piloted and determined the program/executional details.

The pilot test is a joint mailing campaign to the high potential loyal shoppers, which have disproportionate low spendings in the laundry category. The mailing underlines dm's and P&G's (ie. Ariel/Lenor) competence in the laundry area. It provides relevant product information and offers an incentive to generate "need" and trial.

Collaborative process work

The CRM project started with several meetings determining the overall framework of the co-operation and the objective of the CRM work. Following this, a joint project group was set-up, consisting of functional experts from both companies.

CRM and shopper data has been exchanged between dm and P&G as a base to evaluate different segmentation models and determine the biggest opportunities for both parties.

Joint analysis, evaluation of analysis and pilot execution has been done as outlined above.

Following the direct mailing pilot execution, the scope of the CRM collaboration will be broadened to cover the optimisation of promotional materials and pricing as well as in-store shelving layouts and assortment ranges.

Tangible Results

Overall CRM collaboration results

The learnings from the collaborative work will be added to dm's new loyalty card system/warehouse strategy.

The CRM segmentation approach supports more targeted mailing programs, offering higher variety of mailings due to better targeting resulting in more effective spendings.

The CRM model is used in day-to-day co-ordination between dm & P&G.

Specific mailing results

The mailing achieved excellent coupon redemption rates of 32.7 %. Compared to the average redemption of dm mailings of 20.2 %, this is an increase of 62 %. The increased redemption not only indicates success of CRM activity from a shopper perspective (high relevance and acceptance) but also from dm/P&G perspective due to significant lower cost per trial contact and possibly satisfied shoppers.

More detailed breakouts on redemption rates (i.e. control vs. test group), development of shares as well as repurchase and loyalty analysis have not been available before copy deadline. Those results will be included in the handouts of the 2003 Berlin ECR conference.

Before embarking on a Collaborative CRM process you need to assess the CRM capabilities of the participating parties.

Below we assess, through a questionnaire, the level of sophistication of the CRM capabilities achieved by both the manufacturer and the retailer. The total number of points a party scores determines the level of its' sophistication in CRM.

We have identified three CRM sophistication levels.

In general, it is advised that only parties with the same level of CRM sophistication engage in truly Collaborative CRM with each other.

It is recommended that both parties, during the strategic alignment phase, share their (perceived) level of CRM capabilities. This will prevent huge disappointments later on in the process, and set realistic targets.

Please have a look at the following statements and tick the Yes or No boxes as you feel applies to your company.

STRATEGY	Y	N
We have a CRM Strategy in place, which is aligned with our overall business strategy		
We have clear and measurable objectives for implementing a CRM strategy in our company		
We have segmented our consumers/shoppers in line with clearly structured criteria. We know the segments' needs, cross-selling and up-selling potential, and their lifetime value		
We decided to go for Collaborative CRM and are sharing our CRM visions with at least one partner already		
ORGANISATION	Y	N
The CRM function in our company is explicitly owned by a dedicated business manager		
CRM responsibilities are well established in our company. People are trained and measurements are put in place so that all involved are rewarded to the CRM successes		
For our Collaborative CRM we build multifunctional teams for both partners, grouping CRM skills from strategy over analytical to operational		

PROCESSES AND CHANNELS	Y	N
We adjust our product & service range to identified consumer/shopper segment needs in order to obtain competitive advantages		
We use multiple communication and sales channels (stores, catalogue, internet...) in order to cater for the target shopper/consumer segments in an integrated way (i.e. getting a cross channel view of the consumer)		
We have shopper/consumer retention programs for specific target groups that contribute effectively to retaining profitable consumers		
DATA AND INFORMATION	Y	N
My company has established a clear data Model laying out which individual consumer/shopper data from which data sources will be stored and used for analysis		
We have a consistent information sharing policy with partners in place		
With partners we share consumer and shopper data we have gone through a data alignment exercise, both using the same data labels with the same definitions		
SYSTEMS	Y	N
We have (a) data capture system(s) in place that consistently collect(s) consumer/shopper data at each interaction we have with them		
We are using Data Mining techniques for analysing and clustering consumers/ shoppers purchase behaviour and profiles		
We have Campaign Management tools in place, allowing to launch individual interactions with our consumer/shopper base and monitor the results for quick reaction		

If you ticked 10 times or more the 'Yes' box, you may consider your company well capable of going into Collaborative CRM.
If you obtain a score between 5 and 10 Yes's, your company might embark on individual CRM approaches first, whilst laying the foundation for Collaborative CRM with one partner of choice.
If you obtain less than 5 Yes scores, you must review your CRM strategy considering if Collaborative or even individual CRM is a road to go in your business model.

The above assessment is a 'quick scan' only. If you want to obtain a more complete scoring and precise benchmark towards your industry peers, either retailers or manufactures, ECR Europe now provides you with an on-line tool to do so.

Please visit the ECRnet.org website on link: to be integrated asap and enjoy your capability and readiness assessment.



Who is Who in the CRM world in Europe?

Accenture

Accenture is recognised by industry analysts as the world's leading supplier of CRM services - both in terms of completeness of vision and ability to execute. We provide innovative solutions across the full spectrum of CRM activities, from strategy creation to ongoing service support:

Marketing & Customer Strategy: We help define and execute the vision for large, complex CRM programs using disciplined, fact-based analytical tools and methods for calculating and optimising the return on CRM and marketing investments.

Customer Insight: We offer solutions and services for collecting and analysing customer information, and designing information-based processes that enable more profitable customer treatment decisions across all channels.

Customer Interaction: We help clients optimise their current sales, service and support operations and deliver innovative new capabilities for maximum profitability, in-house or out-sourced.

To deliver these capabilities across Europe we draw on our global network of more than 5000 Accenture CRM professionals, our strong relationships with leading technology providers - including Siebel, SAP, CAS, PeopleSoft and NCR Teradata - and experience gained at engagements with 1300 clients.

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BearingPoint - Business and Systems Aligned. Business Empowered.

BearingPoint is an international consultancy offering services in Strategy and Business Consulting, Customer Relationship Management, Supply Chain Management, World Class Finance, Systems Integration and Managed Services. BearingPoint's strengths in Customer Relationship Management include its enterprise value creation abilities, its gain-sharing focus, its positive field experiences and its capability to execute large-scale solution implementations.

Our approach on enterprise value creation is based on collaborative initiatives ranging from upstream suppliers to consumers in the chain. We have extensive experience in conceptually developing, running and executing collaborative projects. We're partners of ECR Europe since several years and have supported companies throughout Europe in working together and achieving measurable results.

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The Boston Consulting Group

The Boston Consulting Group is a global leader in strategy consulting, present in all European countries. Over its 20+ years of helping clients increase customer value, and drawing from about 50 studies over the past 5 years, BCG has developed a strong expertise in CRM, and a clear framework for executional success.

BCG's value added comes from strategic and economic grounding (linkage to business objectives and strategies, customer understanding, economic analysis...), a broad customer strategy and CRM track record (CRM successes with key clients), the ability to provide organizational support and program management (rapid piloting for insight, change and complex process management expertise...), and a deep expertise in IT navigation (capability gap analysis, critical and unbiased IT vendor assessment...).

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Bristol Technology

Bristol Technology is a leading developer of software solutions that empower corporations across the globe to capture, analyse, and profit from critical information. Bristol's DataAlchemy @ suite provides powerful sales and marketing analytics that form the basis of successful customer relationship management. Using DataAlchemy, organisations perform timely and effective analysis of transactional data that supports initiatives in the areas of efficient consumer response, category management, fact-based selling, post-promotion analysis and key performance indicators. DataAlchemy aggregates disparate data sources into a central data repository and transforms this raw transactional data into actionable information. With its intuitive, easy-to-use interface and both Web- and PowerPoint-enabled distribution options, DataAlchemy facilitates the rapid assembly and sharing of market intelligence enterprise-wide and is an effective driver of collaboration between retailers and manufacturers.

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Cap Gemini Ernst & Young (CGE&Y)

Cap Gemini Ernst & Young (CGE&Y), one of the world's largest providers of Consulting, Technology and Outsourcing services, has been active in the Customer Relationship Management (CRM) arena since 1998. We conducted breakthrough research and offer our clients a whole range of CRM specific services, in all sectors and across all geographies.

In particular, the CGE&Y consumer products sector has helped numerous clients to establish their CRM strategy, to transform towards a customer driven organisation and to integrate operational and analytical CRM architectures and packages. CGE&Y has also worked with many of the world's leading retailers to successfully establish and implement loyalty strategies and systems, allowing them to better understand, segment and target their most profitable shoppers in a direct and customised way.

This experience and know how can of course greatly assist in easing the path towards Collaborative Consumer Relationship Management.

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Claritas

Successful CRM is about knowing your customers. Knowing your customers is possible with the right information about them, and that is the quality of Claritas.

Claritas Europe is the leading provider of lifestyle data, as well as data collection and segmentation solutions to consumer focused companies. We help to find, contact and retain the most profitable customers while maximising their lifetime value, on- and offline. Using extensive databases and analytical expertise, Claritas enables clients to grow market share and sustain profitable long-term customer relationships, by working at the heart of CRM. Services are offered in France, Germany, Italy, Ireland, the Netherlands, Portugal, Poland, Spain, Sweden and the UK.

For more information please go to:
www.claritaseurope.com.

dunnhumby

Founded in 1989, dunnhumby has grown to become one of the UK's most innovative providers of CRM services, including data management, data analysis, segmentation and insight, campaign planning and management, research and creative solutions. The aim is to provide a total range of CRM support whatever the client's individual need, from the provision of specialist IT support to the creation and design of an email promotion.

The company behind the Tesco Clubcard, dunnhumby provides retail analysis and insight to companies which supply Tesco, including innovative products such as Coupons@till, which issues Tesco customers with personalised money off coupons on their till rolls. Dunnhumby has offices in the UK and the USA. We are currently seeking to expand into other European countries.

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IBM Business Consulting Services

Created just last year from the combination with PricewaterhouseCoopers Consulting, IBM Business Consulting Services is already the world's largest consulting and integration firm, spanning more than 150 countries. We are an industry leader in CRM, unmatched in our ability to fuse business insight with technology to create pragmatic solutions that drive lasting economic advantage for our clients. Only IBM offers complete services from strategy crafting through solution deployment with full accountability for measurable results through on-site, outsourced or on-demand delivery. Our services to the food industry are aimed at growing revenues, reducing costs, raising productivity and transforming trading relationships between retailers and CPG manufacturers, and include:

- CRM Visioning and Transformation: Develop differentiating customer strategies and roadmaps for economic value creation to guide successful CRM transformation programs.
- Architecting Consumer Experience: Drive brand equity and customer satisfaction by leveraging consumer experience as the core value proposition.
- Trade funds: Getting Control & Delivering Value: Align trade funds with strategic objectives, dramatically improve ROI on promotions and maximize consumer value.

- Marketing & Customer iAnalytics: Provide decision-makers with unique insights and actionable information while seamlessly sharing with trading partners.
- Collaborative Consumer Category Management: Take category management to the next level by enabling collaborative management of categories of shoppers and consumer households, focusing on satisfaction, loyalty & maximizing share of consumer life.
- CRM Management Services: Gain strategic advantage through outsourcing entire parts of the CRM value chain such as customer data management and consumer interaction centers.

We also bring Collaborative CRM to our clients through on-demand delivery which provides flexible access today to advanced, real-world capabilities without the risk of large upfront investments. We develop open solutions together with our alliance partners including Siebel, CAS, SAP, Peoplesoft, Oracle, SAS, Genesys, & Avaya. In addition, IBM offers world-class CRM-enabling tools such as DB2, Intelligent Miner, WebSphere, and our Integrated Market Management integration architecture.

Our innovative solutions are delivered by more than 5.700 CRM consultants and are grounded in deep insights direct from IBM Research, the IBM Institute for Business Value and our worldwide client project experience.

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KPMG Business Advisory Services

KPMG Business Advisory Services — the consulting arm of KPMG International — provides end-to-end CRM support. Our services range from CRM Strategy design to the management of technical implementations, and from analytical support to the development of innovative operational marketing initiatives and campaign management. We have real client experience with both Manufacturers and Retailers on the development of strategy, design, selection and implementation of CRM solutions such as customer service centres, sales force support and loyalty card programmes. We place a high value on the aspect of innovation and on the integration of CRM in day-to-day business processes. For example, in a joint project with a top global Retailer and FMCG Manufacturer we developed the innovative Customer Category Management approach: directly linking customer information to practical marketing initiatives and category management and ensuring a real return on investments in CRM.

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LogicaCMG

LogicaCMG is an end-to-end Solution Provider operating in 34 countries. We deliver business consultancy, software implementation and outsourcing services in target markets with a specific focus on Retail and CPG. One of our main value propositions is yCRM. This proposition includes consumer intelligence, marketing & campaign management, sales force automation, customer service, mobile solutions, multi-channel contact centres and point of sales integration. yCRM focuses on achieving mutual value in relationships with customers throughout the customer lifecycle and across integrated channels. To achieve this organisation, knowledge, process and systems are aligned. In Europe, LogicaCMG has 500+ CRM consultants based in Austria, Belgium, Czech Republic, France, Germany, Hungary, Ireland, Italy, Luxembourg, The Netherlands, Norway, Slovakia, Spain, Sweden, Switzerland and the United Kingdom.

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Roland Berger Strategy Consultants

Roland Berger is one of the leading global strategy consulting firms with a network of 31 offices in 21 countries. We offer our clients: Entrepreneurship, creativity and a pragmatic “down-to-earth” sense for successful implementation. Roland Berger is at the forefront of CRM and has a wealth of experience in business-to-consumer and business-to-business CRM through numerous assignments across industries such as retail, banking, high-tech, telecommunications and airline. We support corporations in defining clear CRM strategies and transforming their processes, functions and businesses to become customer-oriented and maximize customer value.

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About SAP

SAP is the world's leading provider of business software solutions. Through mySAP Business Suite, people in businesses around the globe are improving relationships with customers and partners, streamlining operations, and achieving significant efficiencies throughout their supply chains. Today, more than 19,600 companies in over 120 countries run more than 62,000 installations of SAP® software. With subsidiaries in over 50 countries, the company is listed on several exchanges including the Frankfurt stock exchange and NYSE under the symbol "SAP."

(Additional information at <<<http://www.sap.com>>>)

mySAP(tm) Customer Relationship Management (mySAP CRM) is part of the family of cross-industry solutions within mySAP(tm) Business Suite. Drawing on 30 years of proven experience at building integrated business processes, SAP delivers an integrated CRM solution that aligns and connects employees, partners, business processes, information, and technology within a closed-loop customer-interaction cycle. With an easy-to-use interface, mySAP CRM empowers every user to better serve the customer by having personalized applications, knowledge, and information at the user's fingertip. The solution provides companies with a variety of capabilities such as marketing, sales, service, analytics, interaction center, campaign management, and channel management for ongoing customer care and service across all channels. The comprehensive integration capabilities of mySAP CRM support the complete customer interaction cycle and reach a wide scope of business processes, such as supply chain logistics or product lifecycle management. mySAP CRM provides the necessary insight and analysis to anticipate and fulfill customer needs, helping companies serve their customers in real time by seamlessly addressing questions about product availability, pricing, and shipment. SAP customers benefit from best-in-class functionality, increased efficiency, low cost, and the ability to extend business processes across the entire e-business value chain. 2074 companies out of the consumer products industry are using SAP's software, 335 of these bought mySAP CRM (status March 2003).

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SAS Institute – Providing Analytical Software solutions

Built on our award-winning technology and methodology, SAS CRM solutions combine enterprise data management, advanced analytics, integrated segmentation profiling and campaign planning and management, to synthesize your customer data across your lines of business and across all of your customer interaction points, including Internet, call center, and Point-of-Sale data. By integrating online and offline customer information you will have the ability to predict your customer's behaviour across all channels, targeting the right customer at the right time. By providing you with the customer intelligence you need to act efficiently and effectively, with measured and validated results, your resources will be effectively allocated and your customer profitability will increase. SAS provides local support to all European countries and is head-quartered in Heidelberg, Germany.

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Wincor Nixdorf Retail Consulting GmbH (WN)

WN offers strategic and process consulting in CM / CRM for the retail and CPG industries. The application software CMplus has been developed by WN in cooperation with suppliers and retailers. IT consulting, services and support complete the pan European offering. CMplus supports CM as well as Collaborative CRM by Internet technology and the synopsis of multiple data sources from retailers, manufacturers, market researchers and third parties. CMplus aligns decision support to target customers in the areas of scorecard, marketing strategies, assortment and integrated shelf management. CMplus is prepared for customer targeted decision support in strategic positioning, category structures, role assignments, assessment and tactics like promotions, campaigns and pricing.

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Loyalty Consumers who repeatedly purchase products and services from the same company or brand are described as being loyal.

Attrition Used in the banking industry to describe when your customers leave you to avail of the services of another bank. The more commoditised products become the more frequently the process takes place. In the telecommunications industry the same process is called Churn.

Bandwidth The data transfer capacity of a digital communications system.

Bar Code The Special identification code printed as a set of vertical bars of differing widths on products. Used for rapid error-free input, the coding can include a combination of letters and numbers.

Call Centre The location or facility housing a telemarketing operation. Increasingly referred to as a consumer interaction centre as systems move away from traditional telephone only systems.

Churn A term referring to customer disloyalty (see Attrition).

Collaborative Commerce (C-Commerce) The collaborative, electronically enabled business integration amongst an enterprise's internal personnel, business partners and customers throughout a trading community. The trading community could be an industry, industry segment, supply chain or supply event segment.

Content Provider A firm whose products are information-based (content), including services to access and manage the content.

CRM Customer Relationship Management or Consumer Relationship Management.

Customer Interface/Points of Interaction (POI) The point of interaction between your customer and your organisation. This can include the web, telesales operator, call-centre or face-to-face.

Consumer retention The strategy of keeping your existing consumers.

Data analysis A Really Big Deal in CRM. Data analysis, also called business intelligence, is using software for ad hoc query, reporting and analysis, and supporting strategic decision-making processes with a data warehouse or data mart. Basically it means slicing and dicing your data to figure out how to keep consumers and find new ones. Isn't that why you were collecting all that data in the first place?

Data Cleansing The process of removing inaccurate and historical data from operational systems to use in a data warehouse.

Data Marketing The process of building, maintaining and using consumer databases for the purpose of contacting and transacting business.

Data mart data repository in which are stored elements of data on a consumer.

Data Migrating The process of translating data from one format to another or moving data from one storage site to another. Most common when a new system is implemented in place of a legacy one or after an acquisition of a company or its data using another format.

Data Mining The function of database applications that probe for hidden or undiscovered patterns in given collections of data. These applications use pattern recognition technologies as well as statistical and mathematical techniques and can have a key impact on the return on investment (ROI) for a technology expenditure upon discovering marketing or customer service data about one's clients. Data mining is not simple, and most companies have not yet actively mined their data, though nearly all have plans to do so in the future.

Data models In order to analyse data it is often necessary to build a data model. In its simplest form a data model takes a number of given inputs and produces a number of outputs.

Data warehouse single database containing an organisation's entire customer records in compiled, unified format.

Database A file composed of records, each containing fields, together with a set of operations for searching, sorting, recombining and other functions.

Direct Marketing An interactive marketing system that uses one or more advertising media to effect a measurable response or transaction at any location.

EAI Enterprise Application Integration. The merging of applications and data from various new and legacy systems within a business. Various means are employed to accomplish this, including middleware, in order to unify IT resources, maximise new ERP investments, diminish errors and get everyone on the same page.

EDI Electronic Data Interchange. The Electronic exchange of trading documents (e.g. invoices) to enable eCommerce. Originally conducted only through value-added networks, EDI is gradually moving to the Internet.

Firewall A security system intended to protect a network against external threats (like hackers) from other networks, such as the internet. A firewall prevents computers on the organisations network from communication directly with computers external to the network and vice versa. Instead all communication is routed via a proxy server outside of the organisations network and the proxy server decides whether it is safe to let a particular file or message pass through the organisations network.

Legacy system existing computing base, often out-of-date.

Market of One Continuous customisation of the content, services and interactions with consumer to deliver exactly what he or she needs and to create the sense that he or she is a market of one.

Partner relationship management (PRM) This is the practice of providing sales, marketing, customer service, and other enterprise business functions to partners to foster more collaborative channel partner relationships.

Permission Marketing communications to individuals who have opted in to the sales and marketing programme.

Personalisation This means determining a user's interest based on his or her preferences or behaviour, constructing business rules to decide how to deal with such a person, and dealing with that person according to those preferences.

Relationship Marketing The ongoing process of identifying and creating new value with individual customers over the lifetime of the relationship.

ROI Return on investment.

Sales Forecasting A measure of the sales volume (both revenue dollars and product sales projections) a sales team expects to realise during a designated future time period.

Sales metric A process to rigorously measure and critically analyse the flow of customers through your structured-selling methodology.

Segmentation Consumers are individuals. Different customers have different needs and privileges. Traditionally marketers have divided their target market into segments with homogenous characteristics such as lifestyle, income and demographic. CRM aims to make each consumer a 'section of one', meaning each consumer is known so intimately that you can provide a product/service specifically tailored to their needs and preferences.

SFA Sales Force Automation - generally refers to all software solutions that help salespeople take better care of their customers.

Disclaimer

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Collaborative CRM work and the data sharing related to this work, is restricted within the context of delivering the insights and commercial proposition for serving the consumer better. And cannot be leading to acts that are not compatible with EC law.