

CRM in a Recession

Uncover the inner
workings of good
customer management.



A photograph of Sir Ken Robinson, a man with short blonde hair and glasses, wearing a dark suit jacket over a light-colored shirt. He is standing on a stage, gesturing with his right hand raised and pointing towards the right. The background is dark with a blue light source. The text "Sir Ken Robinson" and "TED" is overlaid on the right side of the image.

Sir Ken Robinson
TED

The Recession, Fear & Change

Uncover the inner
workings of good
customer management.



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- The Vault
- Backing Brit Biz
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- Planet News
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Sun MONEY

Black Monday as thousands axed

By STEVE HAWKES
Business Editor
and ROBIN PERRIE

Published: 27 Jan 2009

[ADD YOUR COMMENTS](#)

THOUSANDS of workers were reeling last night after the darkest day of the year so far for British jobs.

Steel giant Corus confirmed it was to axe 2,500 – a tenth of its UK workforce.

Hours later, 5,450 shoe shop staff were facing the boot



MYSun

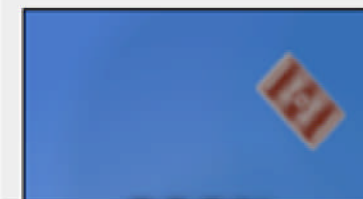


WHAT DO YOU THINK?
Strike it lucky: Raw deal for workers?

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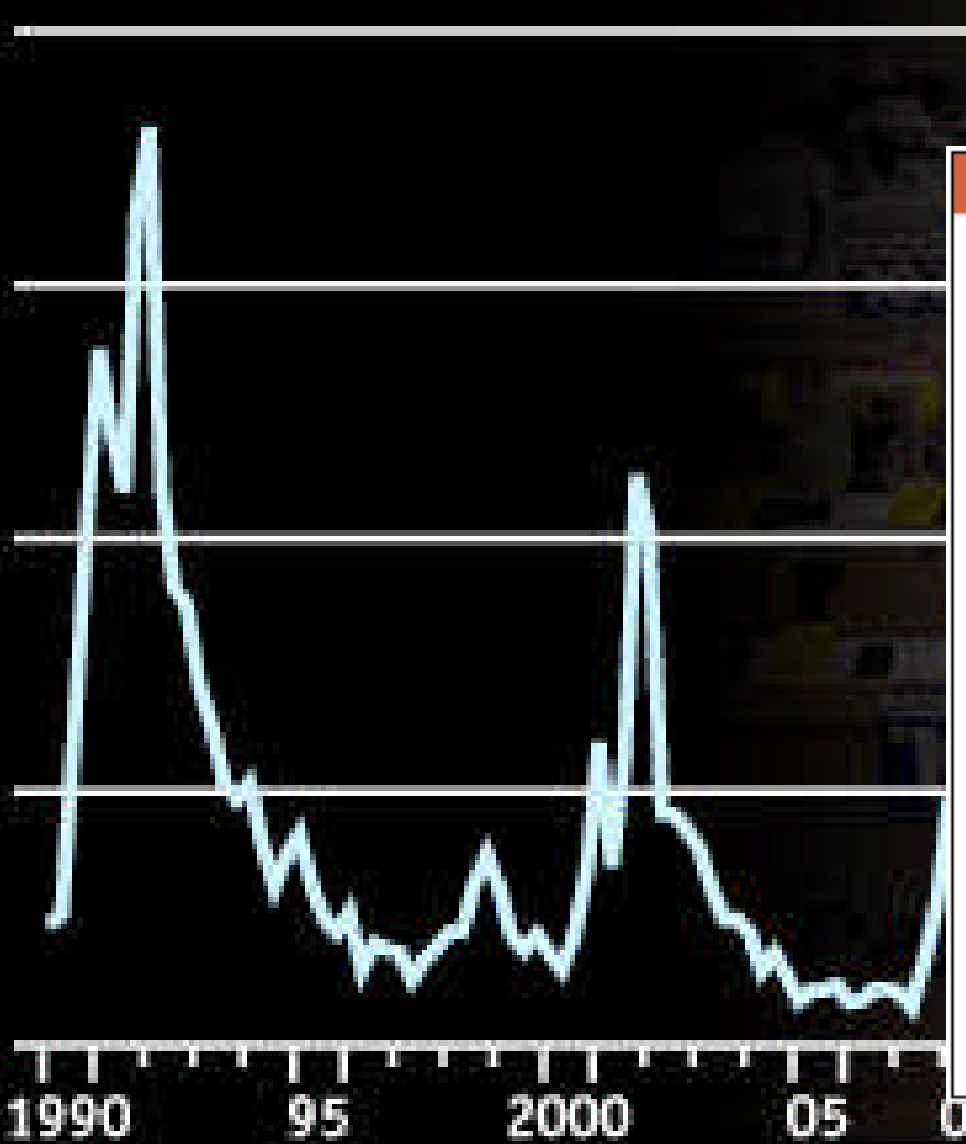
The
Economist



rejected (or embraced) any solutions categorically.

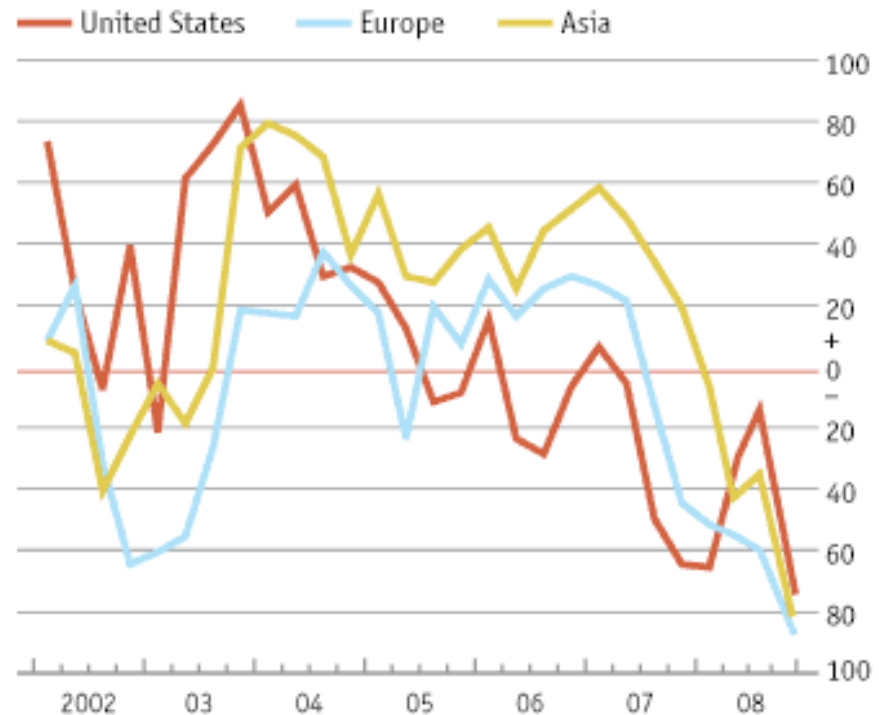
But the re-emergence of a spectre from the darkest period of modern history argues for a different, indeed strident, response. Economic nationalism—the urge

Newspaper* stories that mention "recession"



CFO optimism index

% of chief financial officers with more optimism in regional economy minus those with less optimism



Source: CFO, Duke University and Tilburg University

*In the *New York Times* and the *Washington Post*
Source: Factiva.com

TQ1 forecast

Home > Research > BMJ 2008;337:a2338, doi: 10.1136/bmj.a2338

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Research Dynamic network: the Framingham Heart Study

James H Fowler

¹ Department of Psychology, Harvard University, Cambridge, MA, USA; ² Department of Sociology, Harvard University, Cambridge, MA, USA

Correspondence: James H Fowler, Department of Psychology, Harvard University, 380 Oxford Street, Cambridge, MA 02138, USA (jhfowler@fas.harvard.edu)

Abstract

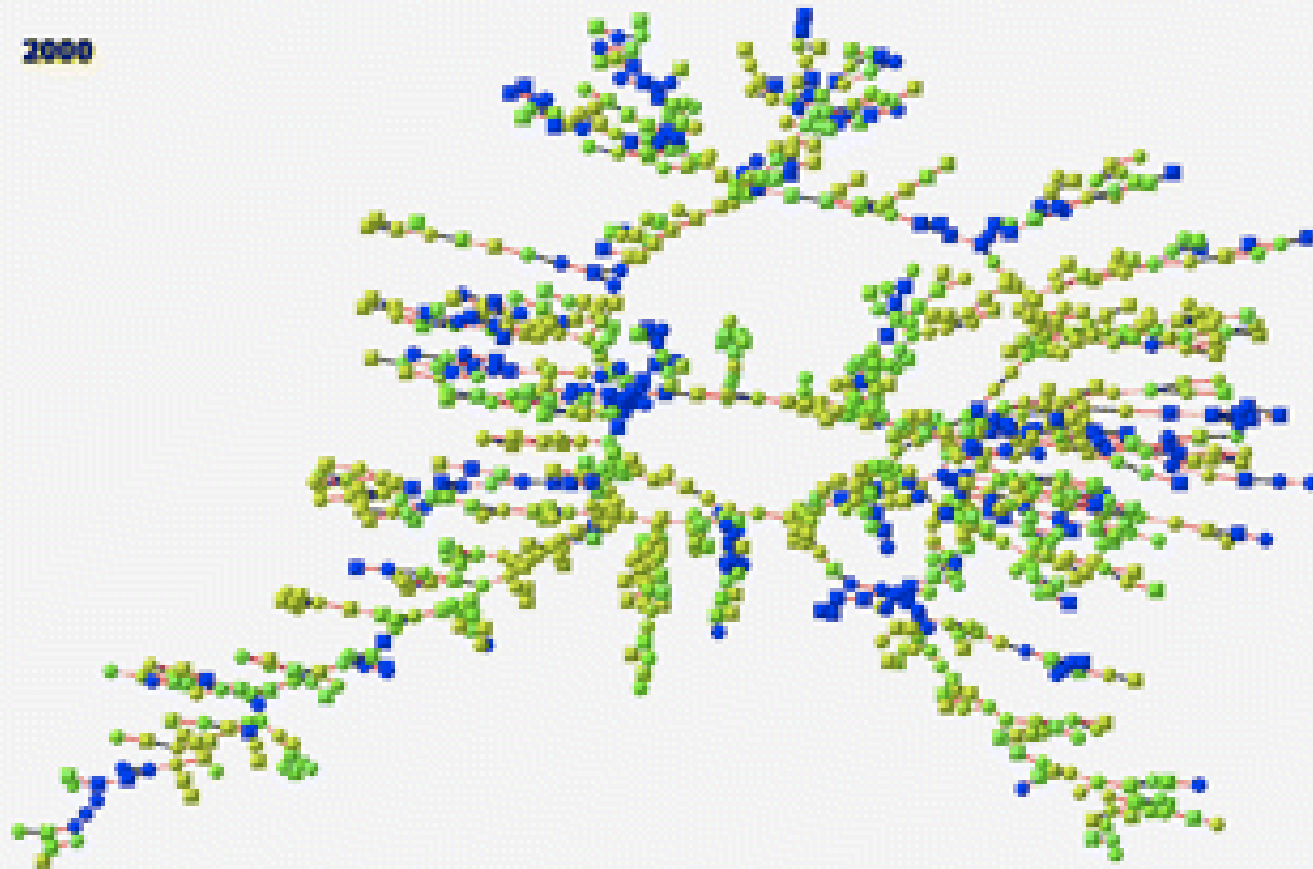
Objectives To describe the structure and dynamics of social networks and whether network structure predicts health outcomes.
Design Longitudinal study

Setting Framingham Heart Study

Participants 4739 individuals followed from 1983 to 2003.

Main outcome measures Happiness measured with validated four item scale; broad array of attributes of social networks and diverse social ties.

2000

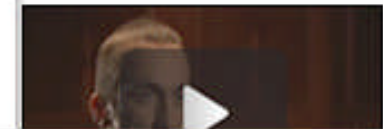
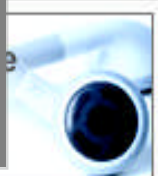


- Clinical Review: [Alzheimer's disease](#) (5 Feb 2009)
- Clinical Review: [Dementia](#) (5 Feb 2009)

Now

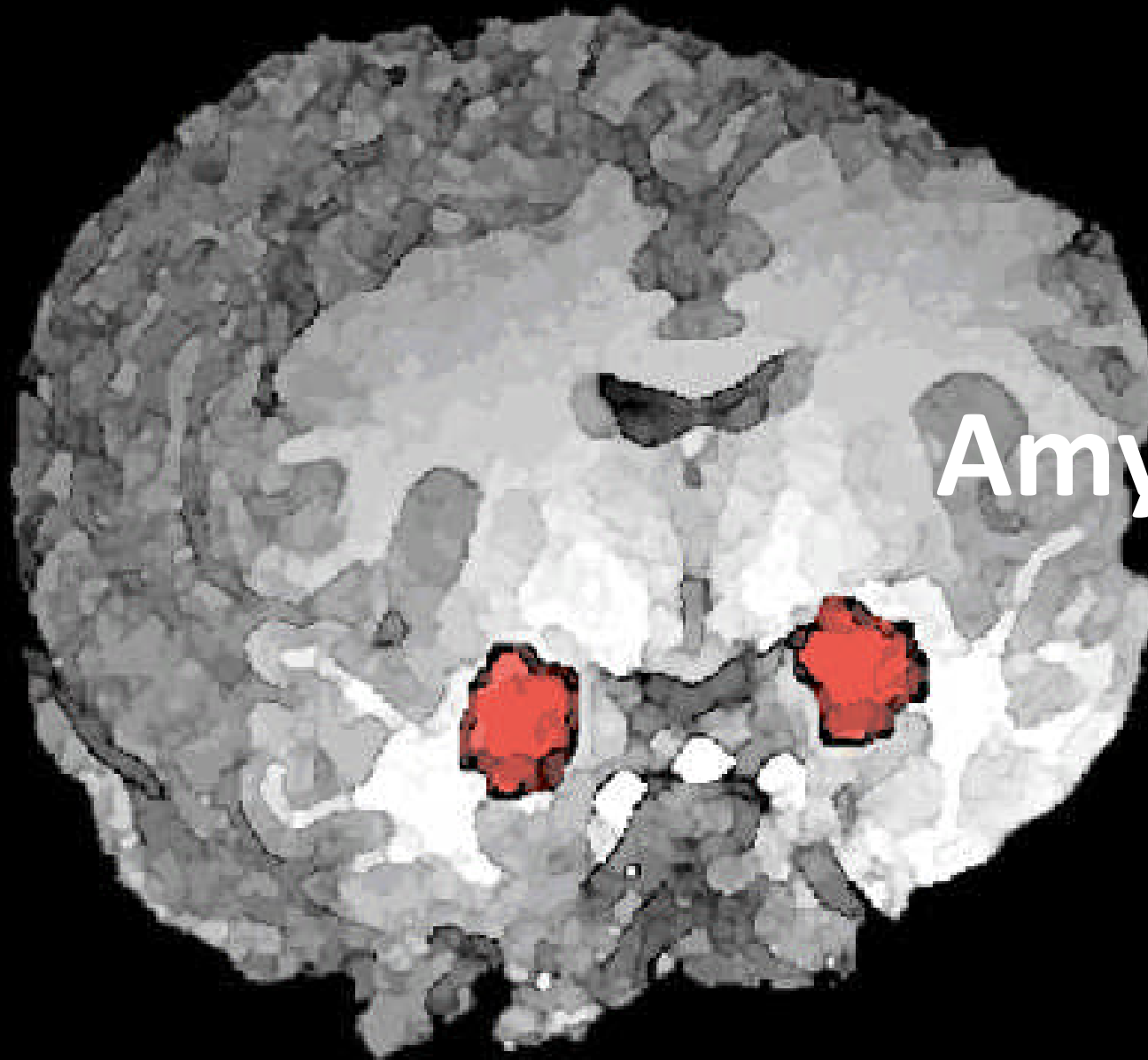
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Biographie

"Sobald wir alle unsere Arbeit auf dieser Welt hinterlassen, wird unsere Seele, wie ein Kokon den Schmetterling werden lassen, und wir werden frei sein."

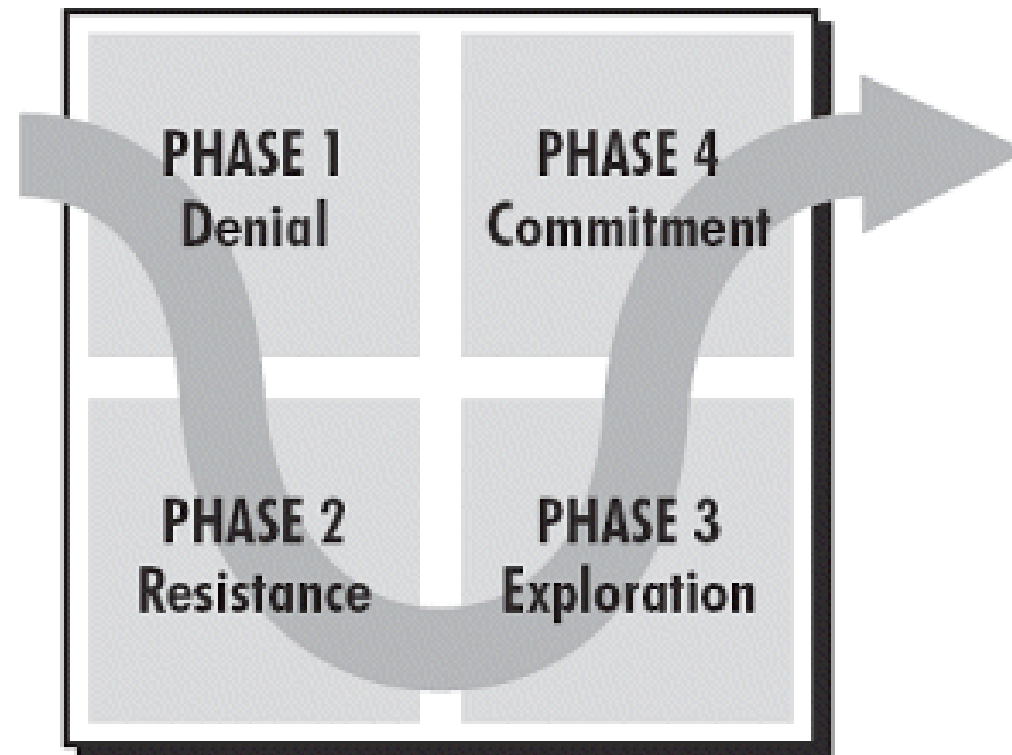
Am 24. August 2004 ließ Elisabeth ihren irischen Freund von der Fülle der Teilnahme überwältigt, die sie so freundlich mit ihr Verbundenen ihren aufrichtigen

Wir erhielten 1000 Kondolenzschreiben über Elisabeth. Zu deren Zwecke gestiftet, die Elisabeth am Herzen liegenden Krankenhäuser ehrten Elisabeths Leben auf vielfältige Weise. In den Aussprüchen über umfangreiche Zeitungsartikel in Funk und Fernsehen, in Zeitungen und Zeitschriften. Balfour Mount bemerkte: "Ihr Leben war eine reiche Quelle existentiellen Fragestellungen und zur Linderung ihrer Gegenwart bereichert. Sie hinterläßt eine Vision

Elisabeths Werk wird weiterleben. Die Elisabeth Kübler-Ross Stiftung zur Förderung und Unterstützung der von Elisabeth entwickelten Zielrichtung entwickelt: Sie stellt sich die Aufgabe, die Basis von Elisabeths Prinzipien über Tod und Sterben zugute kommen soll.

Die Elisabeth Kübler-Ross Stiftung plant in Paris eine Vereinigung, die Familien beim Tod eines Kindes ein "Community Compassion Center" als Refugium bietet. Das Elisabeth-Haus bietet seine Dienste jedem Leidtragenden

The Change Curve



24, 2004

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Dying Patient", ihr "Real Taste of Life Journal", sowie zahlreiche andere Objekte aus ihrem Archiv anbieten. Die Website wird außerdem ermöglichen, ihre vielen Bücher in verschiedenen Sprachen direkt von Amazon.com zu erwerben.







The Importance of the Customer Experience in a Down Economy

International Thought Leader Report

First Edition, December 2008



Peter Lavers, Publisher
Customer Futures

John I. Todor, Ph.D. and William D. Todor, Ph.D., Editors
The Whetstone Edge, LLC

Authors

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Colin Shaw

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...

Let the Value Equation Guide You Through the Recession

Graham Hill, Ph.D., Germany

We are probably entering into a prolonged recession. Some even talk of a new depression. Many companies have responded with knee-jerk cut-backs. But smart companies are using the 'value equation' to guide their actions. The value equation looks at which customers are critical for the company, how they create profitable value for core customers and what they must do to maintain growth in core customer profitability. The value equation is the key to understanding which business activities to invest in, which to maintain and which to cut back. It is the key to driving profitable growth in a prolonged recession.

When times are hard, cash is in short supply and customers are in even shorter supply, you need to carry out a 'strategic due diligence' to

Type in the word "recession" into Google and, at the last count, it returned over 32 million hits. Everyone is talking about the recession and many companies have already started to do something about it. Often this means cutting swathes of staff without much thought to their long-term success: British Telecom announced it is cutting 10,000 jobs, Citibank that it is cutting 52,000 jobs and the City of London is forecast to lose over 370,000 jobs during the recession!

No Company Ever Shrunk to Greatness

Six Rules for Recessionaries

Uncover the inner
workings of good
customer management.



Strategic Due Diligence

Customer
Needs

Real
Brand

Value
Creation

Customer
Experience

Delivery
Capabilities

C3EB Model



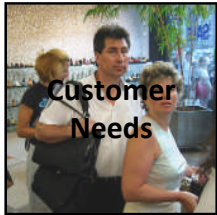


Rule 1

CUSTOMER FUTURES
Learning, Insight, Experience

Understand the **Value Equation**

Understand the Value Equation



Understand
Customer
Needs

Identify core customer jobs
Identify desired outcomes
Prioritise jobs & outcomes



Understand
Delivery
Costs

Identify delivery system costs
Identify delivery system revenues



Understand
Customer
Value

Calculate customer value
Understand contribution to cashflow
Identify associated risks, issues

By James Moed

Reframing Recession: Lessons from the potato

The headlines have been intimidating us for months. Between the credit crunch and skyrocketing costs for food and fuel, a recession of some kind seems imminent. Of course, we have experienced much of it before, but as we busily develop plans to weather the downturn, we tend to forget that recessions have plenty to teach us about optimism. Go back 200 years and consider the humble potato. In the 1790s, conflict, political upheaval and even climate change had created a situation we would recognise today. Across Europe, repeated crop failures had devastated the grain market. Into the gap stepped the unloved, unconsidered and until then, unpopular, potato. Two centuries after being introduced to England, it became a staple of the British diet.

Potato Learnings

1. Hang out with customers
2. Watch out for unlikely competitors
3. Be inspired by extreme value
4. Go elephant hunting with a slingshot
5. Prototype best ideas

Focus on Customer Jobs



Quote...

“People don't want to buy a quarter-inch drill. They want a quarter-inch hole!”

...Unquote

Ted Levitt

Marketer

We 'Hire' Products to Do Jobs

JOB



...Make a 6mm hole in
e.g. to hang-up a

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Giving Customers a Fair Hearing

With a clear definition of what a customer need is, companies are able to get the inputs that are required to succeed at innovation.

Anthony W. Ulwick and Lance A. Bettencourt

If there agreement in your company that innovation is the key to growth? Is there agreement that understanding customer needs is the key to success in innovation? Is there agreement on what a customer need is? We have asked this series of questions to people in hundreds of companies, and in doing so have made a surprising discovery. Even though there is broad agreement that innovation is the key to growth and that understanding customer needs is the key to innovation, not even 9% of the companies said there was agreement within their company as to what a customer need is. This suggests a very disconcerting question: How can a company confidently innovate customer needs, determine which are correct and systematically create products that address them if it cannot agree on what a customer need is to begin with? The answer is, it can't! — and this is a root cause of failure in the innovation process.

Most companies already understand that there are four basic approaches to product and service innovation: growing core markets, capitalizing on adjacent market opportunities, discovering new markets and disrupting existing markets. But when it comes to understanding customer needs, voice-of-the-customer programs are undertaken in two ways. First, there is no consistent standard that defines just what a "need" is — what its purpose, structure, context and format should be. Although companies talk to customers, the inputs they gather differ in purpose, structure, context and format, introducing variability that can derail the innovation process. Second, companies do not understand that to succeed at all these innovation strategies, two very different types of customer inputs are needed — in other words, they do not realize just how a "need" must be defined given the type of innovation initiative being pursued. Only when companies learn what needs are will they be able to consistently uncover hidden opportunities for growth through innovation.

Our purpose here is to introduce a set of six basic standards that define the purpose, structure, context and format of a customer need statement and thereby to transform the art of requirements gathering, and hence innovation, into a rules-based discipline. These standards, and the theory that supports them, are the result of our analysis of over 10,000 customer need statements collected for products and services covering nearly every industry. These standards apply to the four basic innovation strategies and other innovation strategies that a company might pursue and can benefit any company that wishes to bring predictability to the process of innovation.

Anthony W. Ulwick is the founder and CEO of Strategem Inc., an innovation management consultancy based in Aspen, Colorado. He is the author of *What Customers Want* (McGraw-Hill, 2005) and *Turn Customer Input into Innovation* (Harvard Business Review, January 2010). Lance A. Bettencourt is a senior consultant with Strategem and a former member of the marketing faculty at Indiana University. Comment on this article or contact the authors through awulwick@stratagem.com.

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78 RPM
Record



1935
33 RPM
LP Record



1970
Tape



1990
CD-ROM



2008
iPod
Gold
Edition

Customer Value Calculator

Stage 1



Stage 2

Stage 3

- Costs
- Revenues
- Lifetime
- Discount Rate

- Portfolio of customers
- Risk adjusted value

- Referral value
- Network value

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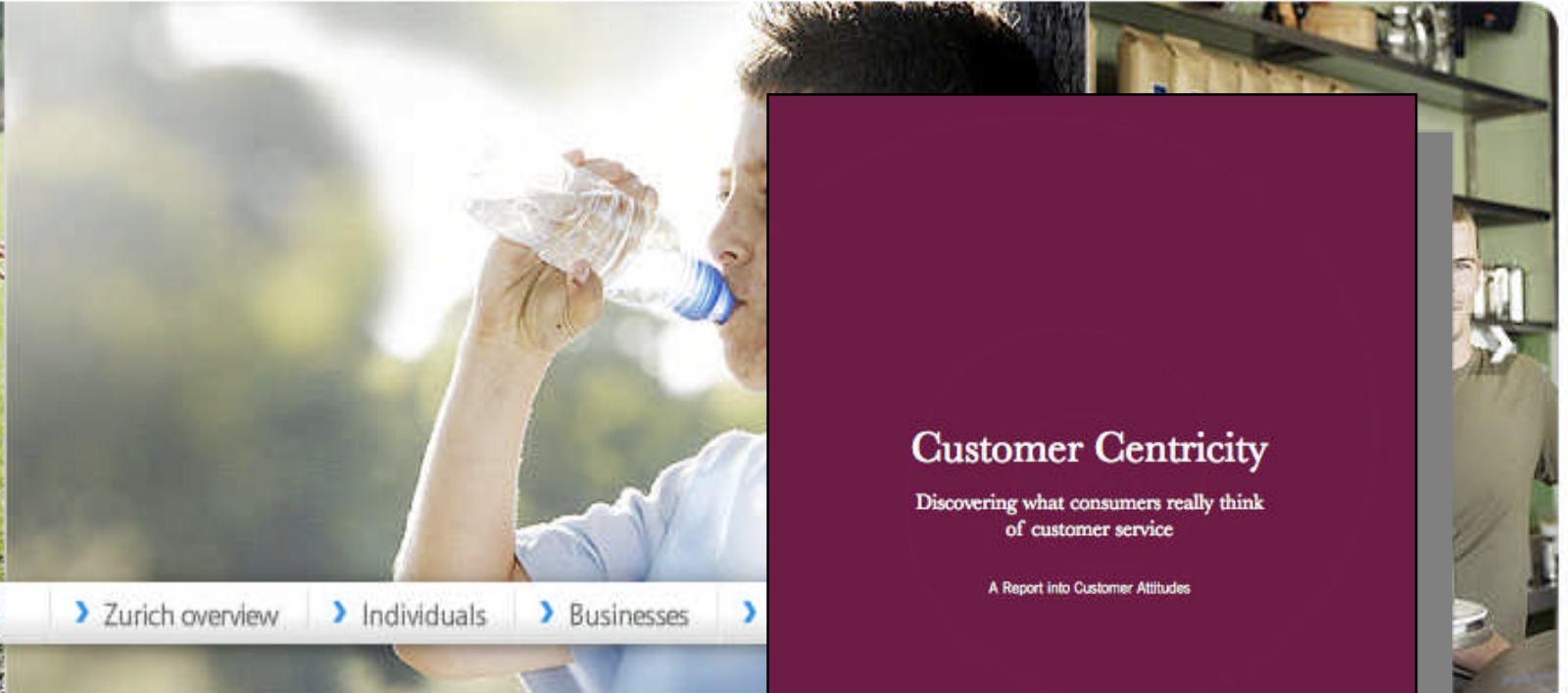
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Discovering what consumers really think
of customer service

A Report into Customer Attitudes

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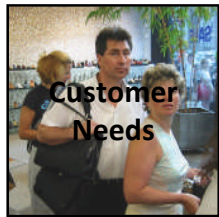


Rule 2

CUSTOMER FUTURES
Learning, Insight, Experience

Focus on your
Best Customers

Focus on Your Best Customers



Understand
Customer
Needs

Protect
Best
Customers

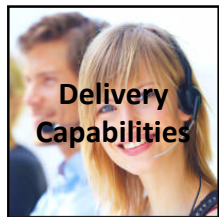
Identify best customers
Identify products most used



Understand
Customer
Experience

Protect
Critical
Touchpoints

Identify critical touchpoints



Understand
Delivery
Costs

Protect
Critical
Delivery
Systems

Identify critical delivery systems
Identify supporting delivery capabilities



Understand
Customer
Value



SEARCH

GO

HOME

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WHY CHOOSE US?

YOUR ACCOUNT

HOW DO I?

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- 150mins/250texts

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Rule 3

CUSTOMER FUTURES
Learning, Insight, Experience

Sweat your
Business Assets

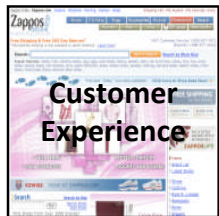
Sweat your Business Assets



Protect
Best
Customers

Cross/up
Sell to
Customers

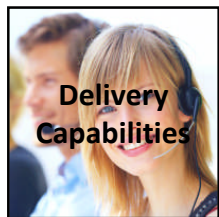
Identify cross /up-selling opportunities
Minimise spending on customers
Monitor customer retention, loyalty & profitability



Protect
Critical
Touchpoints

Sweat
Customer
Experience

Invest in critical touchpoints
Minimise spending on customer experience
Convert touchpoints to self-service



Protect
Critical
Delivery
Systems

Sweat
Delivery
Systems

Invest in critical delivery systems
Minimise spending on delivery capabilities
Maximise use of delivery infrastructure



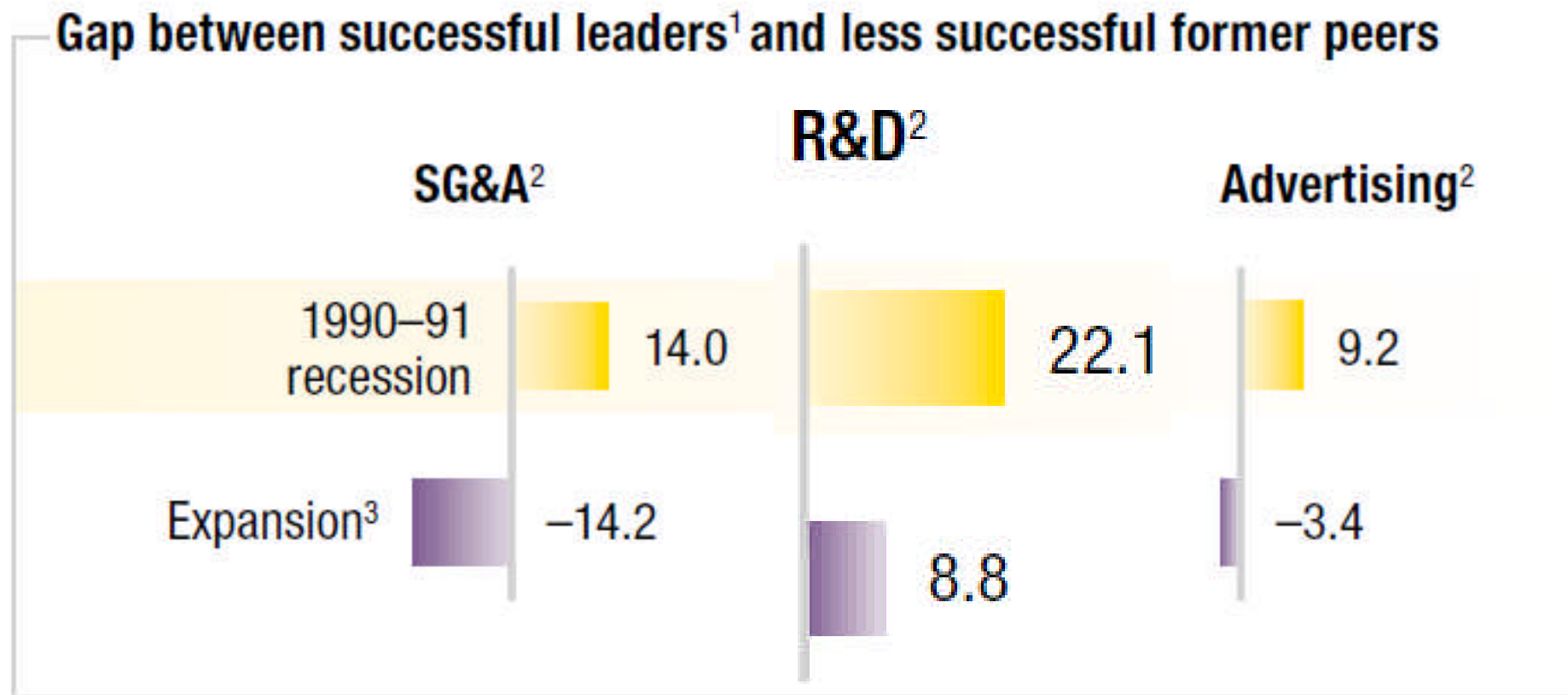
Understand
Customer
Value

Invest
In Core
Business

Invest in business innovation
Minimise borrowing, spending and risk
Identify disruptive business opportunities

Targeted Investments Pay-off

Change in spending behavior, percent





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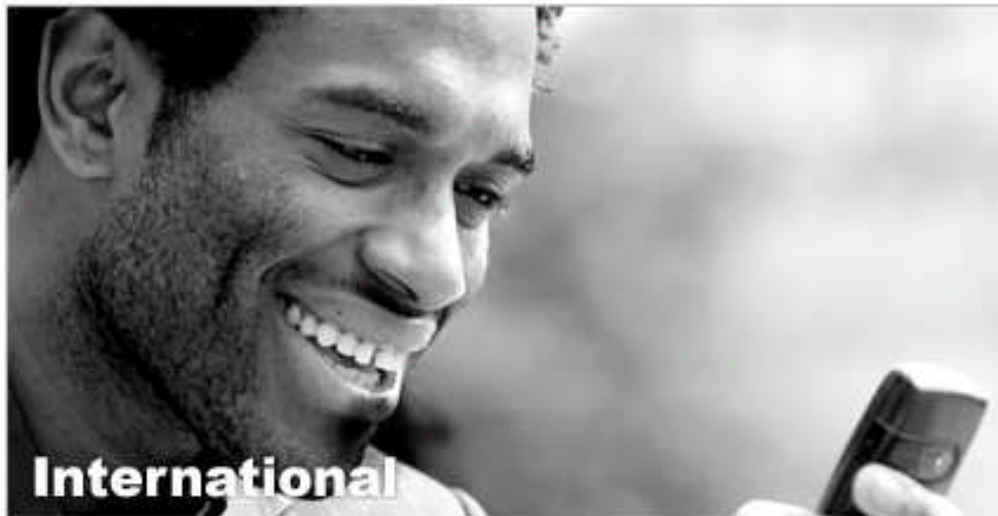
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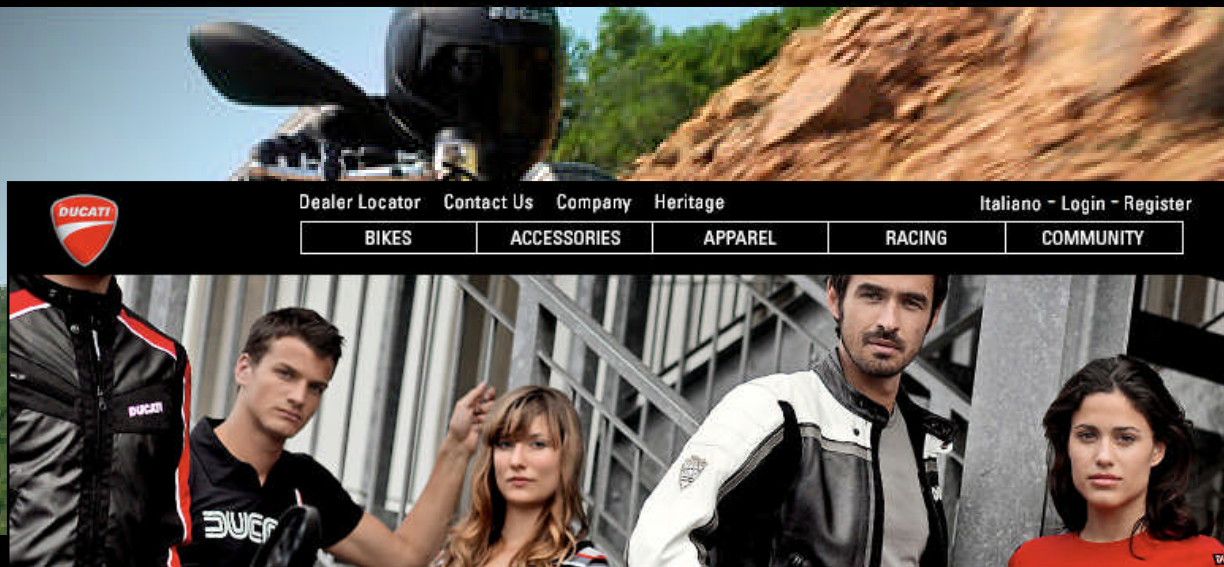
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Ducati and Hypermotard stars of new movie with Jim Carrey in theaters on December 19. If there's no snow on the ground, make a grand entrance by arriving on your Ducati! [MORE...](#)

THE HYPERMOTARD RULES PIKE'S PEAK

Ducati is proud to announce victory for a customer spec Hypermotard at the 86th annual Pike's Peak International Hill Climb in Colorado. [MORE...](#)

1100% Monste

RACING

DUCATI XEROX TEAM CONCLUDES TEST

Fabrizio and Haga have concluded the Pirelli tyre development tests.

MOTOGP - GC SEPANG TEST

Stoner finishes on top as Hayden further progresses.

DUCATI XEROX JUNIOR TEAM COMPLETE TESTING

The 2009 season got underway with a four-day test session in Spain.

MOTOGP - SE DAY 2

During Malaysia, Stoner on the pace despite pain as Hayden improves.

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Superbike

COMMUNITY

Biking passion is reignited

SHOP



Rule 4

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Use Lean to Take Out
Non-Value-Adding Costs

Use Lean to Take Out NVA Costs

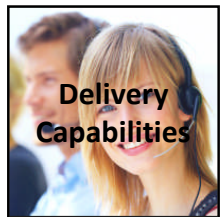


Cross/up
Sell to
Customers



Sweat
Customer
Experience

Lean
Customer
Experience



Sweat
Delivery
Systems

Lean
Delivery
Systems



Invest
In Core
Business

Understand value stream processes
Identify non-value-adding activities
Remove non-value-adding costs... Lean
Remove non-value-adding variation... Six Sigma
Introduce customer pull mechanisms
Continuously improve through Kaizen

Toyota's Lean Principles

1. Know what customers **value**
2. Identify the **value stream**
3. Line up value so that it **flows**
4. Let the customer **pull** value
5. Strive for **perfection**



Prototype vehicle shown with optional equipment. Production model may vary.

50 Most Innovative Companies

BusinessWeek

	Country	Region	Revenue Growth 2004-07* (In %)	Margin Growth 2004-07* (In %)	Stock Returns 2004-07** (In %)	Most Known for its Innovative... (% who think so)
1	USA	North America	47	69	83	Products (52%)
2	USA	North America	73	5	53	Customer Experience (26%)
3	Japan	Asia	12	1	15	Processes (36%)
5	USA	North America	16	8	12	Products (26%)
6	India	Asia	NA	NA	NA	Products (58%)
7	Japan	Asia	37	4	77	Products (63%)
8	USA	North America	16	4	12	Processes (30%)
9	Japan	Asia	8	13	17	Products (56%)
10	Finland	Europe	20	2	35	Products (36%)
11	USA	North America	29	-11	28	Customer Experience (33%)
12	USA	North America	1	11	4	Processes (31%)
13	Canada	North America	56	-1	51	Products (37%)
14	Germany	Europe	6	-5	11	Customer Experience (40%)
15	USA	North America	10	17	35	Processes, Business Models, and Customer Experience (27% each)
16	Japan	Asia	12	6	14	Products (40%)
17	USA	North America	6	14	7	Customer Experience (63%)
18	USA	North America	-2	-98	-11	Products (55%)
19	India	Asia	31	-7	94	Business Models (31%)
20	USA	North America	9	32	21	Products (63%)
21	USA	North America	30	6	28	Processes and Business Models (33% each)
22	USA	North America	7	5	3	Products (45%)
23	USA	North America	10	-2	-2	Processes (48%)
24	USA	North America	11	3	NA	Customer Experience (67%)
25	USA	North America	NA	NA	NA	Customer Experience (51%)

Direct



Sale - more lines added! >

Groceries



Half price offers >

Wine by the case



33% off over 100 wines >

Entertainment &



New 007

Finance

Phones & broadband

Help raise money



Race For Life.
Walk it, jog it.
Just don't ski

FORTUNE INDUSTRIAL MANAGEMENT & TECHNOLOGY

BONUS FEATURE: BOOK EXCERPT



Teaching the Big Box New Tricks

What Toyota knows about supply chains—and how to apply it to almost anything, even mega-stores.



Manufacturing guru James P. Womack and David T. Jones have been studying the lean practices of Toyota's business for more than two decades. Their 1990 bestseller on the topic, *The Machine That Changed the World*, has been translated into 12 languages. In their new book, *Lean Solutions*, excerpted here, Womack and Jones apply the Toyota system to service industries, including retailing, auto repair and medical care. A key part of their "lean consumption" message is that customers' time is a critical component of their total cost—and that a major opportunity awaits business executives who build on this insight. One of their surprising revelations is that the British supermarket chain Tesco, featured in the excerpt below, has applied Toyota's logistics methods so successfully that, the authors contend, it's beating Wal-Mart's British subsidiary, ASDA, in the race

for where customers will shop and in what format: price-conscious shoppers at Wal-Mart; time-pressed, higher-income customers at the stores near their homes or offices, or consumers on the web. The lean-consumption approach is very different. Rather than focusing on customer attributes, the lean provider looks at customer circumstances. Time is a constraint for most consumers today. This is where lean consumption can fundamentally change the equation—because the customer can actually obtain the same items cost-effectively through the entire range of store formats without being forced to make these trade-offs between time and price.

Tesco in Britain has been a pioneer in lean provision for more than a decade. In the mid-1990s, as he looked at the opportunities for retailers provided by the emergence of lean logistics, Graham Booth, Tesco's supply-chain director (now retired), had a very simple insight: A rapid replenishment system triggered by the customer would work in any retail format. What's more, it would work even better if the same replenishment system, using

ILLUSTRATION BY STEPHEN KENNEDY



Clubcard
Points on purchases



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New you



Community
FREE half-term
coaching



Environment
Great tips for
greener living



Baby &
Toddler
Join our



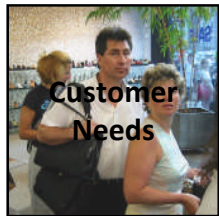


Rule 5

CUSTOMER FUTURES
Learning, Insight, Experience

Empower Staff To Deliver

Empower Staff to Deliver

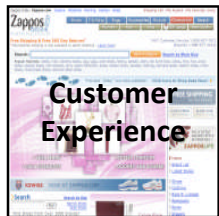


Cross/up
Sell to
Customers



Increase
Customer
Self-
Service

Identify self-service opportunities
(Modularise products & business rules)

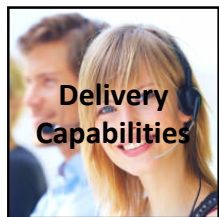


Lean
Customer
Experience



Empower
Front-line
Staff

Introduce front-line delivery targets
Empower front-line staff to deliver targets
Monitor and support delivery of targets



Lean
Delivery
Systems



Empower
Support
Staff

Introduce delivery system targets
Empower support staff...
Monitor and support delivery...



Invest
In Core
Business

Flights

Hotels

Cars

Country of departure

[Book multi-city](#)

From

To [Where we fly](#)

Depart

One way only

Return

My dates are fixed

Class

Ticket type

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 Flexible conditions

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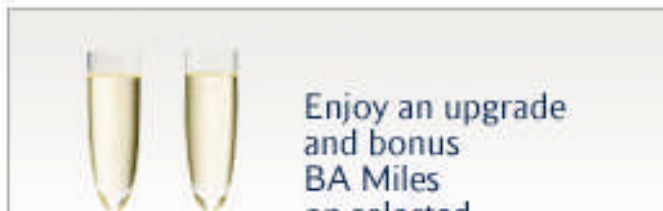
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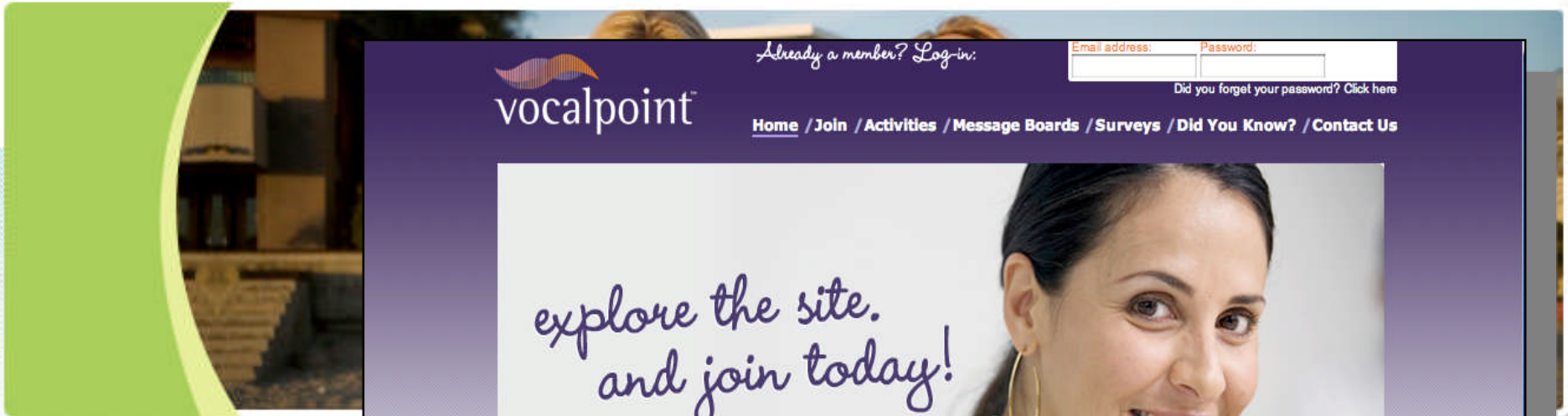
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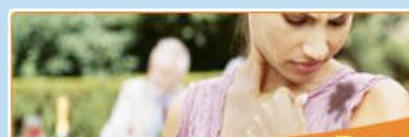
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What's for dinner?

How do you trim the fat from your nightly dinner routine? Share the recipes and meal planning ideas you use to get healthy dinners on the table. Visit [Tunavision.com](#)

P&G Tremor...the

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services provide a total sol
campaign execution and qu

Our Word of Mouth Measurement

We harness our [Science, Scal](#)

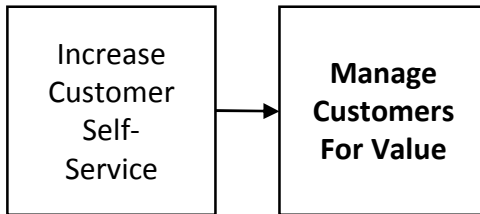
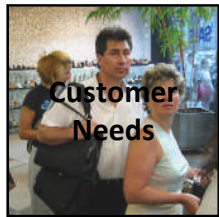
Connectors (Vocalpoint Moms - Tremor Teens) with discussion triggers to create consumer-
to-consumer relationship marketing that delivers [measureable results](#) on a national scale.

Rule 6

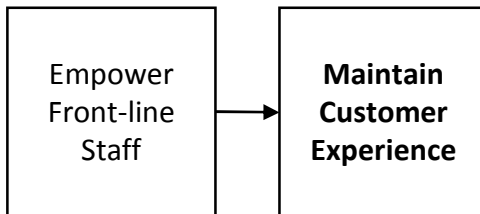
CUSTOMER FUTURES
Learning, Insight, Experience

Focus on the
Short & Long-term

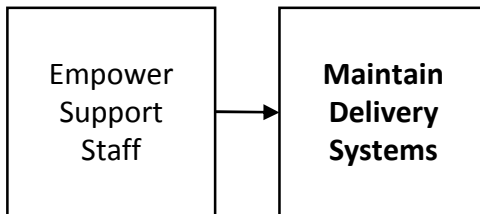
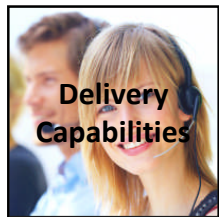
Focus on the Short & Long-term



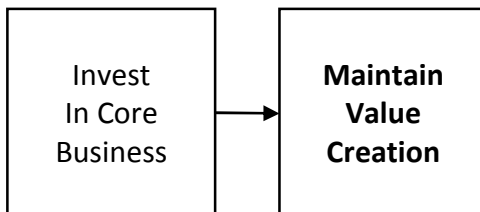
Maintain customer profitability
Balance customer lifetime value
Balance customer portfolio



Maintain customer experience
Invest in future critical touchpoints



Maintain delivery system
Invest in future core systems



Maintain business profitability
Minimise borrowing, spending and risk
Maintain options for future growth

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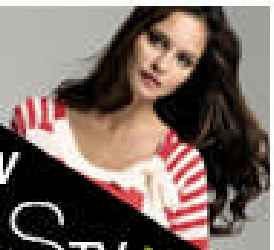
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Six Rules for Recessionaries

Rule 1: Understand the **Value Equation**

Rule 2: Focus on your **Best Customers**

Rule 3: Sweat your **Business Assets**

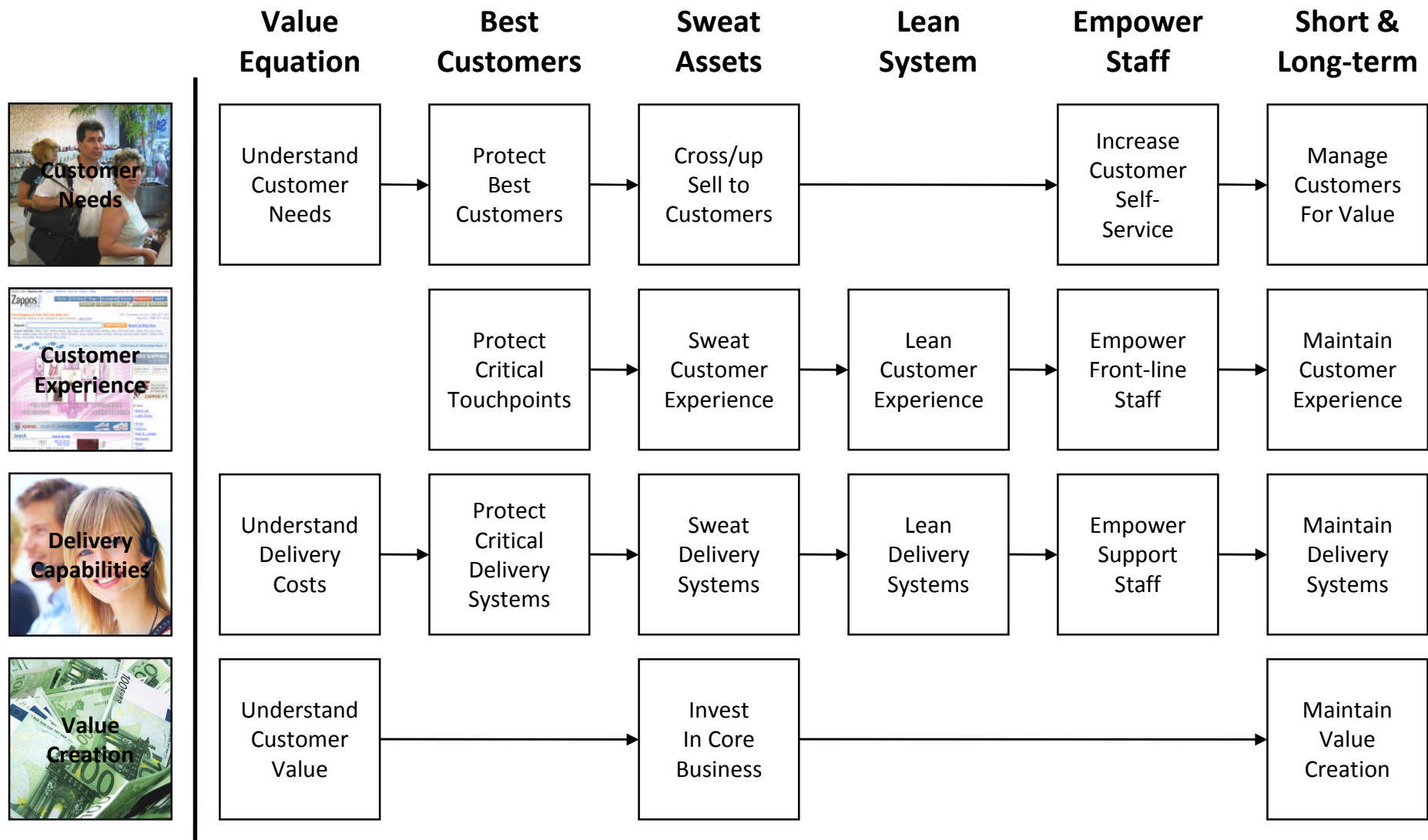
Rule 4: Use Lean to Take Out **NVA Costs**

Rule 5: **Empower Staff** to Deliver

Rule 6: Focus on the **Short & Long-Term**

Uncover the inner
workings of good
customer management.

And Many Activities to Do



A photograph of a busy stock exchange floor. In the foreground, several traders are visible, some wearing headsets and holding papers. Many of them have their arms raised in the air, some in a celebratory gesture. The background is filled with large digital screens displaying colorful data, likely stock market information. The overall atmosphere is one of intense activity and excitement.

Quote...

“Creative destruction is
the essential fact about
capitalism”

...Unquote

Joseph Schumpeter

Austrian Economist

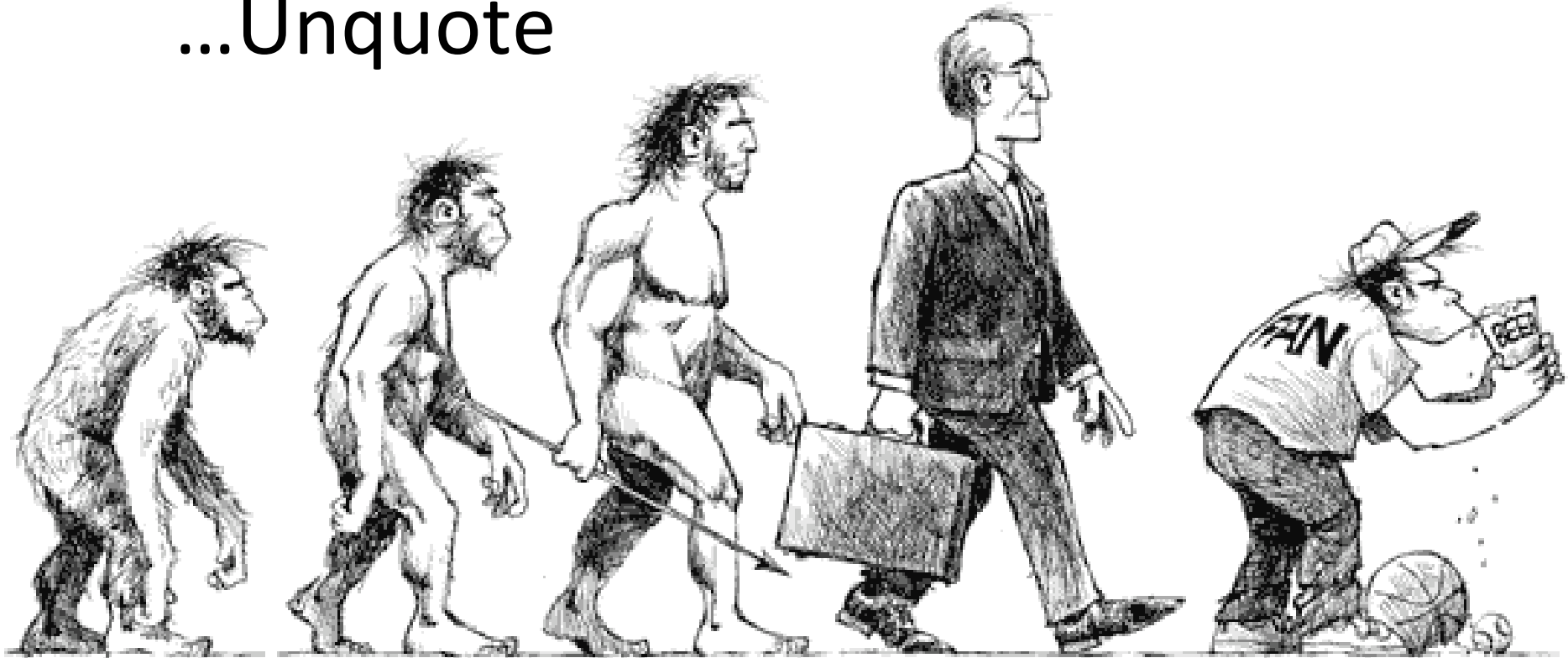
2000

1500

Quote... **business**

“Nothing in ~~biology~~ makes sense except in the light of **evolution**”

...Unquote



Thank You

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Uncover the inner
workings of good
customer management.

