



Integrating CRM and RM

- A myth or must? -

eConference 2007

Singapore

5 – 6 November 2007

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- Agenda
 - Trends in CRM and RM
 - Conflicting Objectives of CRM and RM
 - Aligning the two Fields
 - The Potential of Customer Relationship Revenue Management
 - Potential Benefits
 - Conclusions

- Loyalty Management – Airline Industry
 - Few evidence of true loyalty found (Accenture, 2006)
 - Loyalty is predominantly “to the loyalty program”
 - Loyalty can be impacted by external factors (e.g. airports)
 - Increased “loyalty” in parallel to increased shopping
 - Huge liability has led to promotions, new partners
 - Tier levels and benefits stimulate captivity, i.e. it works
 - FFPs now used for analytics-driven CRM

Trends in CRM and RM

- CRM

- From FFP → CRM → CEM
- Profiling, analytics
- Deep segmentation
- Touch point integration
- Choice-based offering

- RM

- Simplification of pricing
- Value-based offering
- À la carte
- Unbundling
- Subscription-based

Objectives of CRM and RM

- CRM
 - Facilitating life-time loyalty for repeat business and revenue growth
- RM
 - Optimize revenues for maximized profitability

Methodologies

- CRM

- Value bundles of benefits
- Redemption opportunities
- Discretionary products
- Integration
- Standardization
- Analytics and BPR
- Focus on customer differences

- RM

- Manipulating product availability (mix)
- AU controls on differentiated and undifferentiated products (yieldable vs. priceable)
- O.R.-based modeling
- Decision-tree and choice-based modeling

Conflicting Objectives

- CRM
 - Focus on individuals
 - Focus on long-term
- RM
 - Focus on market segments
 - Transactional-level focus

Wherein lies other Conflict?

- Current and new redemption policies
- “Loyalty” is often driven by lowest fare
- Product availability would depend on the individual requesting the product + customer value, including the propensity of ancillary spend
- Thus, customer-centric RM would be discriminatory at the product availability level

Some Thoughts

- Can one forecast propensity for ancillary spend?
- Can one predict individual travel?
- Is eCommerce not the enabler of “CR²M”?
- What if the customer enters through different channels (price parity issues) and/or cannot be identified?
- Do FFP spin-offs conflict with CRM objectives?

Aligning CRM and RM

- eCommerce as the facilitator
 - Booking engines
 - Upselling (add-on)
 - Cross-selling (alternatives)
 - Selling upgrades
 - Subscription-based offering based on profiling
- Enhanced RM modeling integrated with RES and CRM
- Manipulating the mix of offers and prices based on individual customers

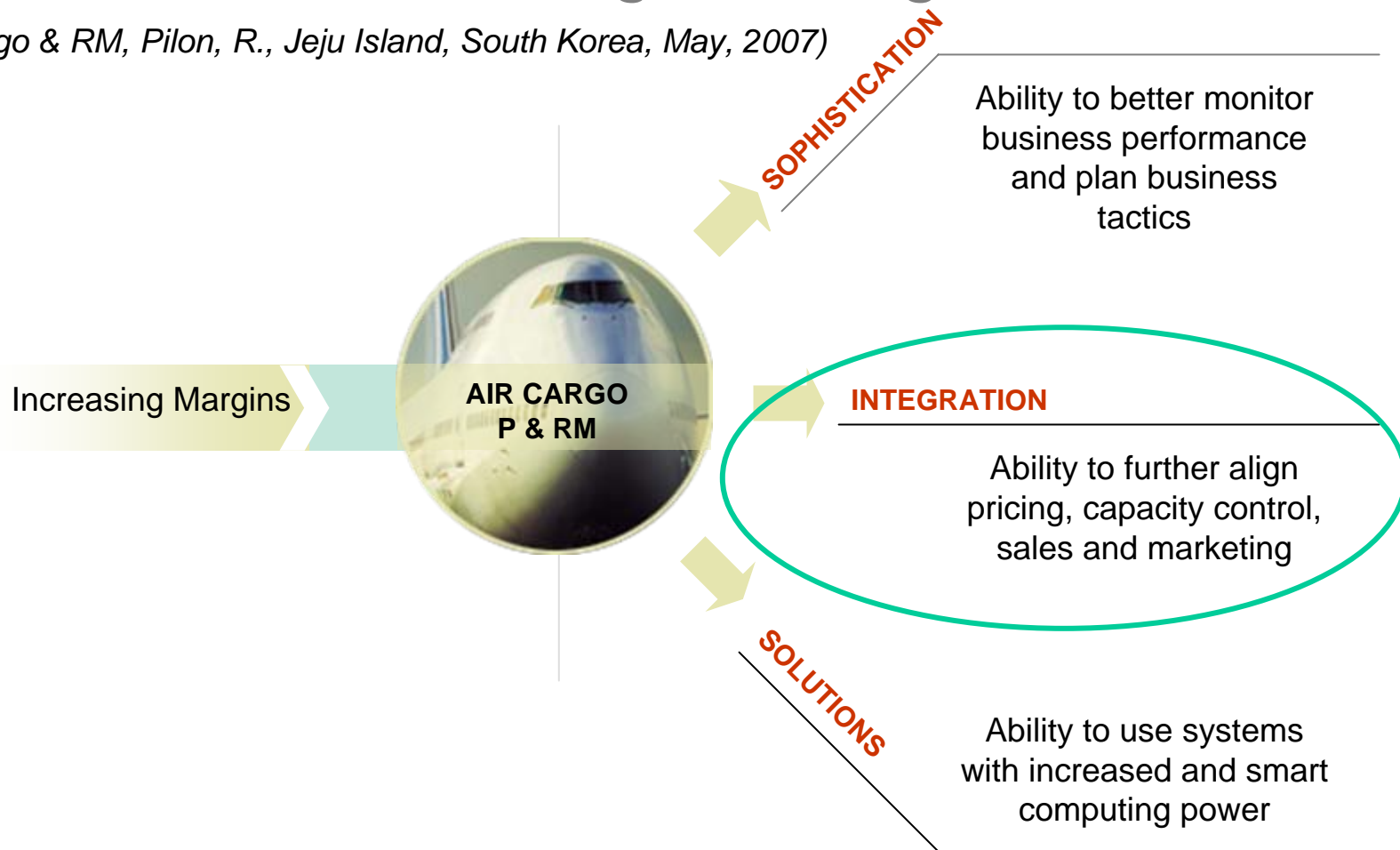
- Case: Air Cargo Loyalty Context

(Agifors Annual Symposium 2007, Pilon, R., Bangkok, Thailand, 3 October 2007)

- Cargo is driven by one-to-one relationships
- Carrier preferences might outweigh price pressures
- Loyalty driven by: *(Advantex, 2007)*
 - Price 67%
 - Access to capacity 13%
 - Reliability (service-level) 9%
 - Ease of dealing with carrier 7%
 - Other (security, etc.) 2%

• Future Directions of Cargo Pricing & RM

(Agifors Cargo & RM, Pilon, R., Jeju Island, South Korea, May, 2007)



- Case: Air Cargo Loyalty Context
 - Cargo RM and CRM is driven by:
 - Customer value
 - Shipment value (yield, revenue)
 - Integration leads to customer and shipment value based bid price
 - Access to capacity is manipulated by shuffling dates and itineraries, and reshuffling bookings
 - “Global local-based pricing” depending on network performance

- The Debate
 - Who should drive CR²M?
 - Should marketing be restructured into an integrated team?
 - Are there intermediate approaches, i.e.:
 - Analytics and profiling
 - Estimating willingness to pay, and ancillary \$
 - Estimating product utility
 - Redesigning the sales process?

- Conclusions
 - CRM has delivered real benefits
 - RM has delivered real financial gains
 - With new technology and computing power, a real opportunity exists for “CR²M”
 - An active dialogue should continue on further integration



Thank You !

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