

Delivering Competitive Advantage

A white paper by
Siemens Communications

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Introduction

In increasingly global markets, the development of relationships which add value to a product enables companies to charge a premium above that commanded in a simple exchange. Relationship marketing is about enhancing customer relationships, engaging in two-way communication and maximising the life-time value of the customer. This will result in a profitable and long term relationship between supplier and customer.

Whilst generally accepted as a good thing many organisations could not justify the increased investment required to develop relationships with individuals in mass markets — it was both impractical and uneconomic to seek to build mutual dependency into relatively simple product sales. Until recently, relationship marketing was restricted to high value complex products — typically involving business to business manufacturer/supplier relationships.

Recently technology has become available which enables small to medium sized companies develop relationship marketing which has, until now, been the sole preserve of the global enterprise.

This white paper quantifies the benefits of relationship marketing and indicates how the smaller organisation can develop the necessary systems and procedures to deliver competitive advantage.

Why a Strategic Commitment to Relationship Marketing is Important.

History

Competition and the Development of Relationship Marketing

In the years that followed the Second World War business followed a marketing strategy which worked well in large and relatively uniform marketplaces.

Market research provided the intelligence required to break the market down into segments. If the segment was accessible then attractive products would be developed to serve the segment's needs. Businesses would then bring their offerings to market using the 'marketing mix' paradigm of product, price, promotion and place. As globalisation developed during the mid to late eighties many companies found their market share being eroded by foreign importers competing on price.

The need to be globally competitive has forced manufacturers to develop management systems such as Just in Time (JIT) and Early Supplier Involvement (ESI). Such programmes provide efficiency and quality gains which translate into lower costs and higher quality products for the marketplace. These initiatives require closer collaborative ties between manufacturers and suppliers. In other words:

The development of relationships is a natural consequence of the collaborative arrangements developed by manufacturer and supplier to provide competitive advantage in the global marketplace.

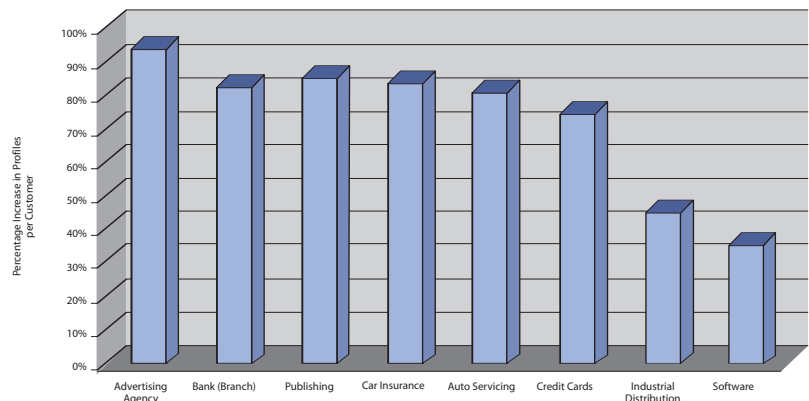
How Relationship Marketing Benefits the Smaller organisation

Acquiring customers is often the dominant focus of many marketing programmes. In mature markets these new customers can only come from your competitors. And your competitors will be targeting the customers you have worked so hard to win.

Customer churn can be expensive: an organisation turning over £5m losing 10% of their customers each year may need to find £500,000 worth of new business just to stand still. Winning new customers is expensive: up to five times more expensive than marketing to existing customers.

Retaining customers also means that you retain the value of their business. This significantly improves profits:

Figure 1
The impact of a 5% increase in retention on profit



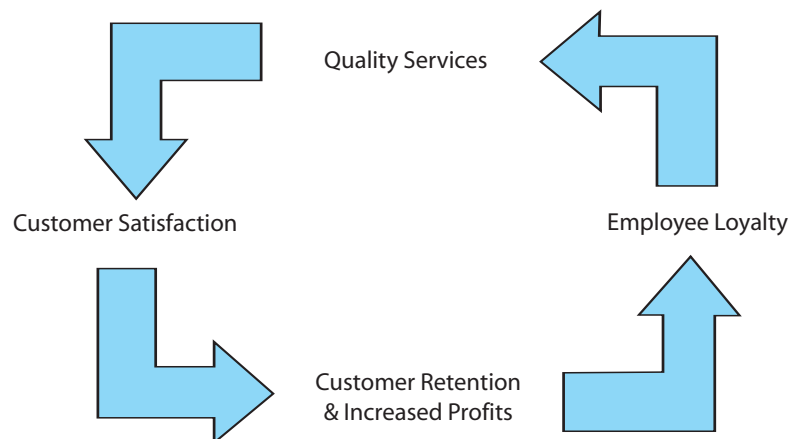
Companies that develop procedures, cultures and reward structures to practice relationship marketing soon find there are indirect benefits.

A survey of business executives found that employee satisfaction was a major contributor to long term shareholder value. Jobs are more satisfying when employees are able to serve happy customers rather than having to deal with complaints and fight for new business.

Retaining employees has two benefits. It reduces the investment in attracting and training new employees and secondly the longer an employee remains with a firm, the more experienced they become and the better able to serve customers.

Relationships provide a foundation for future growth. Figure 2 illustrates the benefits of Relationship Marketing to an organisation. Developing a relationship with customers aids retention and thus the full lifetime value is earned from the marketing investment originally spent acquiring customers.

Figure 2
The benefits of Relationship Marketing to an Organisation

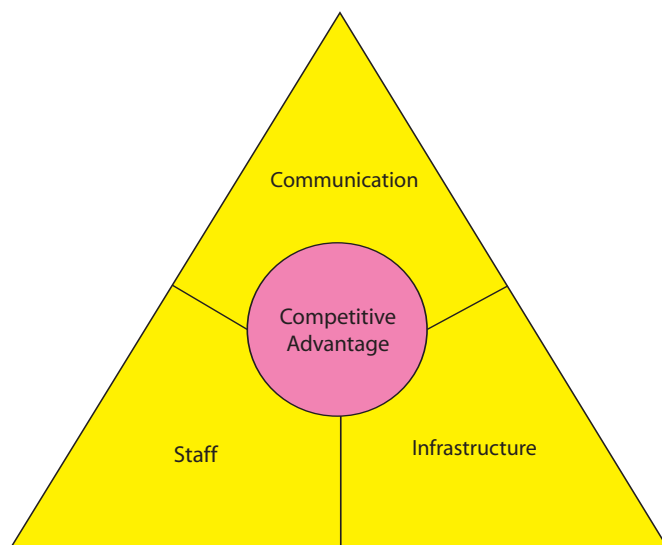


A second indirect benefit comes from referral. Satisfied customers provide free word of mouth advertising. Thus the company that does a good job for their clients is likely to be rewarded with more business as clients tell their colleagues and partners.

How Can a Smaller Organisation Deliver Relationship Marketing?

Over the past thirty years major corporations have identified three building blocks which form the foundation for relationship marketing programmes. These building blocks use to require significant investment. Recent developments in technology, combined with increased use and availability of the Internet means that small to medium sized businesses are now able to develop their own relationship marketing programmes.

Figure 3
Three building blocks of
Relationship Marketing



Communications

The ability to communicate with clients, potential customers and the marketplace is vital in order to develop relationships. Individuals interacting with the organisation should feel as though their needs are being dealt with efficiently.

We have all experienced poor customer service: leaving messages that do not get picked up until the next day; being put through to the wrong person; repeating the enquiry to several people in different departments; an operator leaving us on hold; being told that our call is important but we are held in a queue. These scenarios are extremely impersonal, inefficient and lead to customer dissatisfaction. The result; defection is unfortunately all too common.

Customers use a variety of channels to communicate with your organisation. It is important that a consistent strategy for retention and development is implemented across all communication channels. At the core of this strategy is a customer centric approach. It was found that companies adopting a high degree of personalisation and an integrated strategy for new clients, optimize the profitability of new small business customers over the long term.

Companies reported a "take rate" of between 15-20% for additional products when customer centric personalised communications were implemented in the first 90 days of a client's relationship. These activities also increase customer retention and help the company identify trigger points and develop programmes where offers and dialogue are based upon customer behaviour.

The Right Staff

Once the outside world has successfully and efficiently connected to your organisation the impression it delivers is dependent upon your staff. Each individual touch is a moment of truth and can either develop or dissolve the relationship. Recruiting, training and retaining staff enables organisations to ensure that each moment of truth is dealt with by an efficient and motivated member of staff.

Recognising that staff need to balance work and life is an important element in maintaining motivation and retaining key employees. A communications infrastructure which allows staff to work effectively independent of location improves efficiency and improves the work/life balance. The concept of Lifeworks developed by Siemens Communications, enables staff to take control of how and where they work. Importantly, it ensures that clients communicate with staff efficiently and appropriately (email, voice mail or phone).

These communications systems also reduce cost; flexible working means fewer journeys, less office space and higher productivity: time is spent productively rather than sitting in traffic.

It is no use having knowledgeable, motivated staff and great communications systems if access to key information is compromised. An infrastructure which enables staff to access and process information quickly and efficiently is the final building block upon which relationship marketing is built. Staff need visibility — know where the information resides (whether that be electronically or individuals) and access — the ability to see and process the relevant information.

Supporting Technology

Decentralised resources, employee mobility and the needs of relationship marketing create new challenges for enterprise communication systems.

Demands for information sharing between co-workers, partners and suppliers have greatly increased, with more people working at home and at customer premises. These staff need access to the same content and service as their office based counterparts.

Enterprise communications are being radically transformed and it is up to the organisation to take advantage of them and in a way that can help leverage existing IP infrastructure investment.

A unified communications solution brings together your telephony and PC into a single converged environment. All contacts, whether they be by email, instant messaging or telephone are managed via a single, intuitive interface. This significantly improves the productivity for your customer facing staff, helps to speed up your organisation, and reduce the time taken to make decisions by bringing together people and information.

It enables users to prioritise who they are available to, and on which device. They can make informed decisions about how to contact co-workers and preferences can be updated from the desktop, or mobile phone. Clients will no longer be frustrated by endless voicemail and email tags because they can be directed to the appropriate available contact through the most suitable communication device. This enables employees to work effectively and securely away from the office, and provides the opportunity of a more balanced private/professional life.

Real time collaboration enables secure and reliable communication anywhere your staff may be. It is enabled through the work group portal where the user can set up sessions ranging from a single phone call through to group conferences, with multimedia document sharing. Discovering real time collaboration solutions can help the company to achieve differentiation, competitive advantage and enables you to be open for business 24/7.

Summary

In increasingly global markets relationship marketing can assist companies to deliver competitive advantage. Traditionally only economically viable in industrial markets, relationship marketing is now, through the introduction of technology, available as a strategy for the small to medium sized operation. They are able to employ it in a multitude of markets — both industrial and consumer. Relationship marketing provides a variety of benefits including customer loyalty, employee retention and increased profits.

Technology is available which can develop customised individual service for a large number of clients. A unified communications solution helps to streamline business processes, leverage your existing IP infrastructure and enables real time collaboration. This facilitates long-term added value relationships through significantly improved efficiency and enhanced exchanges between your organisation and clients, partners and suppliers.

About Siemens Communications

Siemens Communications improves company efficiency by providing a range of products and services that help companies communicate with their customers, staff and the market effectively. Siemens is the only provider in the market that offers their customers a full-range portfolio, from devices for end users to complex network infrastructures for enterprises and carriers as well as related services.

Siemens Communications is the world's innovation leader in convergent technologies, products and services for wireless, fixed and enterprise networks.

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