

Customer lifecycle case study: toyota and hp



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Let us raise a question – what is the main goal of a business company? What is the common aim of all its internal units? The answer did not change from the old times till nowadays – it's simply a profit or the rise of the wealth owned by its shareholders. But as the years went by, the business theories improved, and the ways to approach company's goals developed as well. During the years of experience smart entrepreneurs understood, that there is something behind seeking the profit, something more than numbers and rational decisions. That something turns out to be a company's relationship with customers.

Customer relationship management is a concept that became very popular during the 1990s. It offered long term changes and benefits to businesses that chose to use it. The reason for this is because it allowed companies to interact with their customers on a whole new level.

There are few different strategies of CRM. We are going to discuss more specifically about one – the customer lifecycle. Customer lifecycle is the behavior of a customer with a company over the time. A high knowledge in this theory of CRM is a great tool for a company to reach its goals and surpass the competition.

We have chosen this topic because we see a great importance of it in business life and it is very handy for us as business students to expand our knowledge in this specific subject. For grounding the theory and our ideas we have chosen two different companies – HP and Toyota. HP is providing other enterprises with CRM decisions. We are going to disclose briefly the background of HP enterprise services as a company and talk a bit more

specifically about their services and attitude about the importance of CRM and customer lifecycle. Toyota is a multinational automaker. We are going to present its CRM strategy and show their practical experience of following the customers' lifecycle.

Customer lifecycle and CRM theory

As mentioned before, in this part we are going to briefly answer the question what is Customer Relationship Management, and talk more specifically about the Customer Lifecycle.

What is Customer Relationship Management?

In few steps we can assume that Customer Relationship Management is about finding new customers, collecting info about them along the way and using that info to enhance their experience and foster long-term relationships. The focus on the customer is the main characteristic of CRM and two are the most important questions that a Customer Relationship manager has to keep in mind: what are the customers' needs? And do we offer programs/products in response to their needs? Customer relationship management is a widely-implemented strategy for managing a company's interactions with customers, clients and sales prospects. It involves using technology to organize, automate, and synchronize business processes (principally sales activities, marketing, customer service, and technical support). The overall goals are to find, attract, and win new clients, nurture and retain those the company already has and reduce the costs of marketing and client service. Customer Relationship Management designs the company

business strategy including customer -interface departments as well as other departments.

CRM is a term that is often referred to marketing. However, there is no complete agreement upon a single definition. This is because CRM can be considered from a number of perspectives. In summary, the three perspectives are:

Information Technology (IT) perspective

Business Strategy perspective

The Customer Life Cycle (CLC) perspective

Whereas our topic is focused on Customer lifecycle, we are going to explain and go deeply inside only in the third perspective.

Customer Life Cycle

For a better explanation about the Customer Lifecycle, we want to introduce firstly the concept of a Product Life Cycle: PLC is the process of managing the entire lifecycle of a product from its conception, through design and manufacture, to service and disposal.

Here is the general product lifecycle which normally follows these 5 steps: Research & Development, Introduction, Growth, Maturity and Decline. The graphic (shown in illustration 1 below) shows how the sales change during the PLC.

Illustration 1. Product Life Cycle

The PLC can also be divided in 5 stages which represent the kind of customers who makes use of the product during the lifecycle: innovators, early adopters, early majority, late majority and laggards.

So what is a Customer Lifecycle? Just like a product of a certain company, a company itself has a lifecycle as well. It is simply the behavior of a customer with a company over the time. Customers begin a relationship with a company, and over the time, either decide to continue this relationship, or end it.

The Customer Life Cycle (CLC) has obvious similarities with the Product Life Cycle (PLC). However, CLC focuses upon the creation of and delivery of lifetime value to the customer (looking at the products or services that customers need throughout their lives). It is marketing orientated rather than product orientated, and embodies the marketing concept. Essentially, CLC is a summary of the key stages in a customer's relationship within an organization. The problem is that every organization offer different product, which makes it impossible to draw out a single Life Cycle that is the same for every organization.

The illustration below shows the course of the relationship between customer and supplier:

Illustration 2

Due to the graph, there are four phases in a customer lifecycle: exploration, growth, saturation and decline. During the Exploration phase the customer starts to see the promises made during communication for the first time; the

level of satisfaction is relatively low, the customer have no experience about the products and the services offered by the supplier and the switching costs are still low in this stage. During the Growth phase there usually is a sharp rise in purchases; the customer now knows the advantages offered by the supplier, satisfactions with goods and services increase; the supplier is examined more for its performance than for its reputation or image. The Saturation phase is characterized by the highest number of purchases and the highest degree of commitment (function of satisfaction, attractiveness and switching costs); the relation has taken shape. Satisfaction is still increasing in all the aspects and so do the trust. The appeal of the relationship improves and the switching costs increase slightly. The Decline phase starts as soon as the number of transactions starts to drop; This phase can occur at any time (even after the exploration phase); the most common reason is the reduction in the need for the products and services provide by the suppliers.

At any point in this Lifecycle, the customer is either becoming more or less likely to continue maintaining a relationship with a company, and demonstrates this likelihood through their interactions with you.

If a company collects data from these interactions, it can use this data to predict where the customer is in his Lifecycle (is the customer becoming more or less likely to maintain a relationship?) If a company can predict where the customers are in the Lifecycle, it can maximize ones Return on Investment (ROI) by targeting customers most likely to buy, trying to “ save” customers who have declining interest, and not wasting money on customers unlikely to continue relationship.

Toyota Case

Toyota Motors Corporation, commonly known simply as Toyota, is a multinational automaker headquartered in Toyota City, Japan. The company founded by Kiichiro Toyoda in 1937 has snatched the title of world's largest automaker from General Motors in 2008 for the first time in 77 years. TMC workforce around the world is about 320. 590 people (total in affiliated companies in 2009).

Toyota is also known by has revolutionized the automotive production with the “ Just-in-Time” system, the quality of its products and the healthy relationship with the stakeholders. These aspects have made Toyota a reference within the automotive manufacturing environment and its personal approach over the customers during the last years seems keeping Toyota's brand in the spotlight of the automotive business.

A huge part of the success of Toyota is credited by the obsession with its customers. Beyond the manufacturing strategy it is needed to take care about the non-manufacturing environment. Everything Toyota does is done with customers in mind and it is clear to all staff that totally satisfied customers are the source of good results. It made TMC develop the Lean CRM in response to the growing volume of customer information collected at the many touch-points during the customer lifecycle.

The Lean CRM allows Toyota to sense changes in individual customers' behaviour, following their current lifecycle status and responding in a way to increases customer satisfaction. It has enabled Toyota to predict what customer wants even before the customer knows he wants it, to sell

significantly more vehicles, with a shorter trade cycle and higher repurchase rate (over 60%), at significantly lower costs.

CUSTOMER PULL

By knowing how often a typical customer use to replace his vehicle, Toyota's process guides how different touch-points over customer lifecycle are delivered and how employees should respond to customer-initiated touch-points and deliver Toyota-initiated ones.

The process starts when the customer is thinking about buying a new vehicle. It is a job to the marketing department to guide these prospective buyers to the Toyota website and gather as much information as possible. The process of requesting information is an example of "customer pull", where the company responds directly to the customer. It is the first contact at which the customer becomes known to Toyota, and it triggers a check to see if Toyota already knows the customer. The gathered data about the customer provides information to manage how future touch-points to that customer will be delivered.

TOYOTA PUSH

What Toyota already knows about the prospective customer will determine how Toyota communicates with that customer. Vehicle information which is sent out is tailored to the prospective customer's known preferences. Toyota may even offer a customized deal or pre-approved credit to the prospective customer.

Where the prospective customer is not previously known, Lean CRM uses statistical models and data analysis to determine which models are likely to be most appealing to each prospective customer, as well as the type of information each person is likely to value.

At the moment the customer buys a new Toyota vehicle and enters the ownership lifecycle, Toyota keep trying to sense customer to pull and maintain a conversation with the company along the years. At this way, it is possible to offer the right product at the right moment to the customers.

It is this combination of pull and push that guides each customer step by step during the customer lifecycle and toward the customer's next purchase. It is the backbone of the lifetime conversation between the customer and Toyota.

CUSTOMER DNA

Just as a real DNA influences how an individual behave in determined environment, Customer DNA influences how each touch-point between Toyota and the customer is carried out. It defines the relationship that Toyota and its customers will hold along the years and how each touch-point will be faced. The touch-point trigger, the touch-point delivery process, previous or subsequent touch-points, the roles and responsibilities involved and the business rules that control how the touch-point is executed are all contained within the touch-point definition. The best way to execute the touch-points – which depends of person's Customer DNA – is assigned as soon as the customer is identified.

Using the Unica Affiniun Campaign Management System (CMS) is possible to Toyota to manage the variability of customers, the distinct touch-points and their implementation. This process automatically reviews the data about each customer and decides whether a touch-point should be triggered. If more than one touch-point is appropriate at the same time, it also decides which one has priority and what should happen to the other.

Similarly, if the customer requests information about a new model, the request will automatically trigger a review process to identify the best touch-point and which touch-points should be triggered as a follow-up.

INCREASING SALES AND FREQUENCY, AT LOWER COST

This Lean CRM approach has been developed in close cooperation with one of Toyota's European sales companies and its dealers and has been piloted in touch-points during the customer lifecycle. Comparing a recent before and after marketing campaign it is found a 70 percent reduction of non-target customers being mailed, an 80 percent reduction in campaign costs, a 50 percent reduction in campaign development time and a 60 percent increase in campaign ROI. In other words, the Lean CRM approach has enabled Toyota to sell significantly more vehicles, with a shorter trade cycle and a higher repurchase rate, at significantly lower cost.

This strategy of approaching the customer according his lifecycle will contribute between \$5 million and \$10 million (in U. S. dollars) of additional revenues each year to the sales company. And also, Toyota has shown clearly that Lean CRM really provides benefits for customers and for itself despite the doubts about the functionality of lean principles developed in

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manufacturing to sales and marketing. As it was said in the beginning, Toyota knows that its success depend of total customer satisfaction and staff does not save efforts to reach this goal. Formularbeginn

HP Enterprise Services

Nowadays more and more successful companies are trying to implement CRM strategies in order to build the customer loyalty. In order to improve your companies CRM strategy you can use the services of certain enterprise service companies, such as HP enterprice service. We are going to disclose briefly the background of HP enterprice services as a company and talk more specifically about their services for enterprices.

HP Enterprise Services (HP ES) is the global business and technology services division of Hewlett Packard's HP Enterprise Business strategic business unit. It provides enterprices with CRM solutions, which help to support the customers through the entire customer life cycle. It was formed by the combination of HP's legacy services consulting business and the integration of acquired Electronic Data Systems, which had defined the outsourcing business when it was established in 1962 by H. Ross Perot.

As the saying goes, " all customers are not created equal." Some are no doubt more valuable than others and represent a reliable source of profitable revenue, while others do not justify the cost of attracting or retaining them. And then there are all those other diverse segments of customers somewhere in the middle. As HP ES states, a company must address the unique needs and preferences of all members of these customer segments as they proceed through the different stages of the customer life cycle. Each

company is therefore challenged to strike a delicate balance in running its business: minimize the cost of attracting, retaining and rewarding their best customers and maximize the customer experience from Marketing through Sales to Customer Service to create loyal and satisfied patrons and advocates.

Companies who achieve this balance are rewarded with profitable growth and increased market share. For those who struggle with this, HP Customer Relationship Management (CRM) Services provides a proven approach to catch – and surpass – the competition.

As shown in a picture below, the customers progress through the steps of this life cycle (inner blue) as they engage with a company through the various interaction channels they choose (gray). Successful companies support each life cycle step with reciprocating front office functions (green) to optimize the customer experience.

Illustration 3

For over 30 years, HP ES has been successfully designing and delivering to clients around the world CRM solutions ranging from customer-facing operations management, contact center technology management, and global fulfillment and logistics. The company's solutions are based on this comprehensive suite of offerings:

1. Contact Center Outsourcing Services

Contact Center Outsourcing Services is a tool which provides you to reached outcomes such as growth, cost reduction, improved customer retention, and mitigated risk.

Illustration 4

HP has more than 30 years of Contact center experience which supports entire customer life cycle.

HP Contact Center Outsourcing Services ensures the management and operation of your outbound and inbound contact centers handling high value, complex customer interactions. Whether embedded in an industry-specific solution or standalone, company's contact center services support customers with multiple channels for voice and non-voice interactions throughout the entire customer life cycle from marketing to sales to service.

2. CRM Managed Services

CRM Managed Services is a universal hosted and managed contact center infrastructure service that enables clients to virtualize their telephony and contact center technologies and springboard off end-of-life and disparate systems environments to a state of the art, world class, stable and secure platform.

3. Consumer Direct Services

Consumer Direct Services is a tool with which you can provide an end-to-end solution that facilitates the flow of information from order to delivery. The HP Company uses this tool for trying to keep it customer.

Hewlett-Packard Company captures customer intelligence, handles sales and service inquiries, works with sales requests and warehouses, and distributes products for direct-to-consumer companies around the globe.

It is also possible that company integrates online, catalog, direct media and other channels a seamless environment to give you a single view of your customers. Plus, no matter where you go or how fast you move, HP has the scale to grow with you.

4. Software Publishing Services

Software Publishing Services offers a complete business processing solution for logistics of software publishing and distribution. As it is mentioned before, HP has about 30 years of experience in delivering full product lifecycle management services, so it offers the most state-of-the-art solutions in the software publishing industry today.

The company provides a fully integrated solution that includes end-to-end order processing and fulfillment from service delivery centers. HP also operates contact centers, distribution centers, payment centers and technology centers on a global basis.

Key Features of HP Software Publishing Services include:

Software kit replication and fulfillment (CDs, documentation and licenses)

Physical software kit fulfillment and electronic software distribution (ESD) services

Training materials/kit printing and fulfillment

Documentation printing and fulfillment (marketing collateral printing and fulfillment)

Physical fulfillment

Global facilities

Kitting

Strong inventory management/controls

Electronic fulfillment

5. Warranty Services

Warranty Services provides a comprehensive, Web-based solution for reliable, real-time warranty claims management. HP services include claim processing, extended warranty management, parts order and tracking, service effectiveness reporting, swap stock management, and RMA creation and tracking.

HP CRM offerings address your critical customer-related business outcomes. Moreover, by exploiting the synergies of HP's customer analytics services, you can refine your customer segmentation schemes and use predictive analytics to fine tune marketing campaigns and cross-sell promotions and offers to the most receptive customers. These powerful CRM solutions enable you to:

Refocus critical and scarce resources away from tactical operations issues and toward more strategic business opportunities

Increase revenues and accelerate growth through improved cross- and up-selling based on optimized segmentation and personalized treatment

Improve customer satisfaction, retention and share of wallet

Enhance brand recognition and equity

Reduce operational costs and capital avoidance

Scale your business up or down to meet fluctuating business demands

Better manage end-of-life or disparate contact center technology environments supporting in-house and/or multiple outsource providers.

Conclusion

Nowadays modern and successful companies are able to see beyond simple ways of seeking the profit and be creative in building a relationship with its customers. As one can see from the Toyota case, which we took as an example, this way of thinking and focusing on customer relationship management is a beneficial method for building a clever strategy. Following the customers lifecycle has become more and more handy tool of CRM. If a company can predict where the customers are in the Lifecycle, it can maximize ones Return on Investment (ROI) and rise the profit.

We mentioned the HP services to show, that CRM can be provided as a service and we have been basically grounding the theory with the case of Toyota, which is following the customer lifecycle very carefully and gaining success.

During the process of working on this report we raised ourselves a goal, which was to expand our knowledge in a very interesting and handy topic. Successfully, at the end we can say we truly reached our goal with a help of literature research, productive work, and good team.

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