Quality Customer Information Management in the Financial Services Industry: A CASE STUDY

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Assignment submitted in partial fulfillment of the requirements for the degree of Master of Philosophy (Information and Knowledge Management) at the University of Stellenbosch

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April 2004

Declaration

I, the undersigned, hereby declare that the work contained in this assignment is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

Signature: **Date:**

Abstract

Competition in the long-term insurance industry is intense and is increasing. This market is highly sophisticated and competitive and has developed substantially over the last few years with increasing integration into the world economy. Many companies have come to a crossroad as far as expansion of their market share is concerned. They have to operate in this highly competitive market and are under increasing pressure from legislation. New customers are in a short supply and competition is fierce. These facts are forcing companies to look at alternative ways of increasing their market share, especially through projects that try to maximise the value of existing clients.

This paper looks intrinsically at information quality and how it coincides with customer relationship management projects for it to be effective and to give companies a competitive advantage. Through qualitative exploratory methods I was able to get a clear picture of how one of South Africa's biggest insurance companies tries to increase its market share in such a saturated market using information about their customers to gain competitive advantage. I first develop a thorough theoretical background on the terrain of information quality and how it relates to customer information management, which in turn has a great impact and forms the foundation of customer relationship management. Then, I explain how the company sees customer relationship management and how customer information management and information quality play a role in this view. Finally, I look at practical examples of quality information management at work within a framework of customer relationship management.

Opsomming

Kompetisie in die langtermyn versekerings-bedryf is intens. Die mark is hoogs gesofistikeerd en kompeterend en het substansieel ontwikkel oor die afgelope paar jaar met 'n verhoogde integrasie in die wêreld-mark. Vele maatskappye bevind hulself tans by 'n kruispad met betrekking tot die uitbreiding van hulle aandeel in die mark. Besigheid moet gedoen word in 'n baie kompeterende mark en dan is daar ook die ewig toenemende druk wat toegepas word met betrekking to wetlikheid en konformiteit. Dit, tesame met die feit dat kliënte al hoe minder raak, dwing maatskappye om na alternatiewe maniere te kyk om verdienstes op te stoot, en spesifiek deur projekte wat probeer om die waarde van bestaande kliënte te verhoog.

Die werkstuk kyk spesifiek na informasie-kwaliteit en hoe dit verband hou met kliënte verhoudingsbestuur projekte om dit effektief te maak. Daar word ook gekyk na hoe dit die maatskappy 'n kompeterende voordeel gee. Deur kwalitatiewe ondersoekende metodes kon ek 'n helder beeld kry van hoe een van Suid Afrika se versekerings-maatskappye probeer om verdienstes te verhoog in so 'n versadigde mark deur gebruik te maak van informasie oor hulle kliente om 'n kompeterende voordeel te verkry.

Eerstens ontwikkel ek 'n deeglike teoretiese agtergrond oor die gebied van informasie kwaliteit, en hoe dit verband hou met kliënte informasie-bestuur, wat op sy beurt weer 'n groot impak het en die grondslag vorm van kliënte verhoudingsbestuur. Tweedens verduidelik ek hoe die maatskappy kliënte verhoudingsbestuur sien en hoe kliënte informasie bestuur en informasie-kwaliteit 'n rol speel in die siening. Laastens kyk ek na praktiese voorbeelde van kwaliteit informasie-bestuur en die impak wat dit het op kliënte verhoudingsbestuur.

Dedication

To the love of my life, Annél Lategan, who without her undying support throughout this process I never would have been able to complete this project and this course. I love you very much!

To my parents, for their moral as well as financial support. I will always be indebted to you.

Contents

Chapter 1

Introduction

> The role of information in creating competitive advantage is crucial. However, information alone does not create knowledge or competitive advantage. The presence of quality is necessary for information to be useful in the creation of competitive advantage.
>
> (FirstLogic White Paper 2000:1)

Financial services in South Africa are a very sophisticated sector. The banking, insurance, accountancy, legal and other services that make up the industry account for 20% of GDP, some R161 billion (*Tradepartners*, 2003:[online]). Financial services companies listed on the Johannesburg Stock Exchange represent more than 20% of the total market capitalisation, and offer complex services and products with much in common with those of a developed, first world market. The industry is a major employer, responsible for over 220,000 jobs or 7% of the total working population. (*Tradepartners*, 2003:[online])

Within the financial services market, the South African insurance market is highly sophisticated and competitive and has developed substantially over the last few years with increasing integration into the world economy (*Mbendi*, 2003:[online]). As in other markets around the world, the sector has undergone rapid consolidation in recent years. This was maximised by numerous listings in the late '90s and the subsequent slowing of business since then. It nonetheless remains an overcrowded market.

During the past year the number of new entrants into the market increased dramatically, increasing competition and placing further pressure on premium rates. Another concern to insurers is the local investment market and the economy. The continued turmoil in the investment markets has caused further decline in investment returns. (*Mbendi*, 2003:[online]) Competition in the long-term insurance industry is intense and is increasing. The competition has resulted in cost cutting across the board. As one leading financial newspaper reports, "Intense competition has seen swathes of cost-cutting across the life industry. Hundreds of employees have been retrenched as companies drive down their cost ratios or rationalise operations after mergers and acquisitions… Old Mutual aims to cut R500m in costs by the end of the year; Sanlam's life arm is planning to slash R140m off its operation; Momentum expects to achieve a R220m-a-year saving in operating expenses as a result of its take over of Southern Life; Fedsure is seeking to save R150m by next year as a result of its absorption of Norwich Life; and Metropolitan Life has reduced its sales force." (Business Day quoted in *Mbendi,* 2003:[online]).

Many companies in the insurance industry have come to a crossroads as far as expansion of their market share is concerned. They have to operate in this highly competitive market and are under increasing pressure from legislation. This oversaturated market where new customers are in a short supply and competition is fierce are forcing companies in this sector to look at alternative ways of increasing their market share, and especially through projects that tries to maximise the value of existing clients.

This paper looks intrinsically at the information quality that has to coincide with customer relationship management projects for them to be effective and to give companies a competitive advantage. It also looks at ways in which the company tries to get the most value out of their existing clients through the collection of quality data and how this data are managed and sorted so that the most amount of value can be extracted from customer information. Because these projects take a long time to develop and are quite costly it is very important for the representatives of the company in the field to receive and work with good quality information on these clients.

To a large extent the underlying fact in all of this is, concentrating on customer information management, which forms the basis for good customer relationship management. Through qualitative exploratory methods such as in-depth interviews with certain key role-players involved with some of these projects and through the extensive search and studying of documents relating to these projects I was able to get a clear picture of how one of South Africa's biggest insurance companies tries to increase their market share in such a saturated market using information about their customers to gain competitive advantage.

I first develop a thorough theoretical background on the terrain of information quality and how it relates to customer information management which in turn has a great impact and forms the foundation of customer relationship management, then I explain how the company sees customer relationship management and how customer information management and information quality play a roll in this view. I finally look at practical examples of quality information management at work within a framework of customer relationship management.

Because of confidentiality issues relating to projects done by the company I am not in power to divulge any names of stakeholders, role-players, or names of structures and projects that are own to the company. I therefore will refer to the company simply as Financial Company and to the stakeholders and role-players by their respective roles they fulfill in the company when I interviewed them.

Chapter 2

What is customer information management?

> A company's existing profitable customers are the key to its future success. We believe that customer management is a critical issue. Markets are becoming more competitive than ever before. Economic turbulence is a fact of business life. We believe those companies that do not manage their customer base effectively now will find themselves seriously exposed in the next economic downturn. Many will fail.
>
> Steve King (Partner, KPMG Consulting)

According to Debra Zahay, Assistant Professor at the College of Business in Illinois, the switch from a transactional oriented to a more relational customer oriented approach to selling is viewed as the next step in developing information-intensive strategies to help produce the types of relationships customers seek. (2003:2). She continues to say that this type of approach is very important in today's business environment because of the value-based expectations of the customer. It will also lead to enhance long-term customer loyalty and this will in turn have a positive effect on a company's revenue stream and customer profitability. This is no less true in the financial service industry, especially the long term insurance and investment industry, where for such a long time the focus has been on product driven projects to up revenue rather than on what really matters in the industry, the customer and service.

Through my literature search I have come to realize that not much research has been done on the topic of customer information. I concur with Raji Srinivasan and Gary Lilien (1999:1) who claim that even though a great amount of literature exists on the topic of market information use, the topic of customer information has not received much attention from marketing researchers. For this reason it is firstly important to look at what is meant with the term customer information and exactly what constitutes this kind of information.

A customer can be defined as a consumer who has a customer relationship with a commercial establishment. This implies an individual who obtains or has obtained a product or service from said establishment. Customer information is typically gathered in connection with obtaining a product or service. In a general sense, customer information can be divided into two broad definitions. This would firstly include personal or private customer information and secondly general customer information. Personal customer information is private information that a company gathered from a client in the course of a business transaction and would usually include things like names, identity numbers, marital status, addresses, phone numbers, banking details, assets, liabilities etcetera. Usually this kind of sensitive information is needed by a company to provide the customer with a specific product that would suit the customer. It can also tell the company whether they are dealing with a business or with an individual. In the financial services industry an application would be in deciding what life product to present to what customer according to the customer information a company has on that customer. It would for instance not be advisable to try and sell life cover to a bachelor with no dependants, and it would also be bad business to try and sell a product that would provide money for your child's education to a couple unable to have children. General customer information would include sales data, for example customer retention data, amount of new customers sourced and trends in customers' buying patterns. This type of information are usually used in the research fields where new products and services are developed and a general outlook on the company's prospective client base is needed other than individual personal customer information.

As mentioned above, a customer can be an individual or a business. It goes without saying that different kinds of customer information is needed if the customer is a business than if the customer is an individual. The simple reason for this is that different products are tailored for different types of customers. One would for instance have a single product that would be presented differently to a business than if the customer was an individual. The whole sales technique would also be different. For this reason, it is thus very important to have the right customer information that would tell you what type of client you are dealing with before contact is made with a prospective client in order to use the correct marketing technique.

Srinivasan and his team of researchers went to look at the effect of the productive use of customer information on firm performance and whether the generation and utilisation of this information in a productive way in turn have an effect on customer satisfaction. He claims that Internet and database technologies allow marketers to collect even more extensive information on their customers' needs, preferences and past behaviours, but they often claim that they are challenged to make effective use of the information (1999:2). Companies assume that if they have a great amount of information on their customers and went to great lengths and paid a lot of money to set up data manipulation projects and systems, they implicatively have quality information. But the truth is that there will be no benefit from this information, nor will this information have a positive impact on the bottom line if it is not used within a quality controlled customer information management arena. (Srinivasan et al, 1999:2)

Srinivasan et al define customer information as "information about the attitudes and behaviours of the firm's current, past and prospective customers."(1999:2). They say that existing literature sees organizational information activities as a series of processes that include information generation and information utilization. Based on this assumption the definition of customer information management is seen as a two-dimensional construct that includes both customer information generation and customer information utilization.

2.1 Customer Information generation

A company first needs to acquire customer information before it can use the information. It is a common misperception that if more information is available, then executives are more likely to use it. (Srinivasan et al, 1999:2)

However, it is important to first know how usable this information is before it is used for decision-making. For this reason customer information generation is seen as including both customer information availability and customer information interpretation. (Srinivasan et al, 1999:2) Information availability necessitates the fact that the firm need to have the necessary information systems in place to collect information about its customers at the right time and at the right level. Information interpretation on the other hand refers to the processes and procedures through which meaning is given to the information (Srinivasan et al, 1999:2).

2.2 Customer information utilization

This refers to the extent as to which the acquired information is productively used to guide market strategies and decision-making. (Srinivasan et al, 1999:4) The idea of customer information utilization is further broken down into the instrumental use of customer information and the conceptual use of customer information. According to Srinivasan et al (1999:4) the instrumental use of customer information refers to the use of customer information in problem solving and operations for example, customer information that is used in order to customize product offerings to customers based on their specific needs and preferences. Conceptual use of customer information refers to the indirect use of information for general understanding that has an indirect influence on managerial decision-making. For example, customer information that is generated and available to a firm's managers may be used in less direct ways to stimulate the planning of new product platforms or to help understand and react to general market trends.

2.3 Effect of customer information management on customer satisfaction

If a company uses customer information correctly, it will be in a very good position to develop and put in place greater quality targeted marketing programs for its different customer segments in terms of customized product offerings, pricing and distribution (Srinivasan et al 1999:5). They propose further that firms that do not use their customer information productively will most probably make use of a common marketing strategy across all segments of customers, thereby creating lower customer satisfaction.

In addition to the effect of customer information on customer satisfaction Srinivasan et al also claim that the correct use of customer information will have a positive effect on firm performance through better customer satisfaction. The greater the satisfaction of a firm's customers, the more loyal it's customers. "Hence, all things being equal, firms that implement customer information management are likely to not only have more satisfied customers, but are also likely to perform better than those that do not." (Srinivasan et al 1999:20).

2.4 Customer information and the global enterprise

In a study done by Steve King, partner of KPMG Consulting on the importance of customer information (1999) it was found that companies are not ready for operating in an increasingly information driven global competitive business environment. It was found that more and more companies are starting to realise that a company's existing customer base is key to its future. But given the fact that this is the trend, companies are still not using the technology at their disposal to capture and deploy customer data.

In line with this is the claim by Wang et al (1998:95) stating that many managers believe that quality information is the key to their success, but do not necessarily act on this belief. Most senior executives have experienced the cost of decisions based on poor information. Some of the reasons cited for this are cultural reasons. Companies still need to get out of the habit of so-called "siio thinking" which prevents them from implementing cross-functional sharing of information. This IT issue that lies at the heart of customer relationships must be resolved. FirstLogic (2000:3) claims that customer information exists in most organizations, but it has been built up in various vertical "silos" and on disparate and incompatible computer platforms. Customer information comes from many sources such as the Internet and Web forms, call centres, direct mail, sales, marketing, and outside third party sources. The result is that customer data is spread across many diverse systems with no link between the data to achieve an enterprise wide customer view (Firstlogic 2000:3). Wang et al (1998:1) also feels that in most cases, a company's IT department focus too much on improving the quality of the delivery system itself, rather than focussing on the maximising of the quality of the information.

In his study, King (1999:1) found that 89% of the companies that participated in the study felt that customer information was extremely important to the success of their business. Most of the companies also felt that the identification and retention of profitable customers was a main objective that needed to be sought after. Even when they realise this, most companies cannot tell why they are losing customers. Almost half of the companies were not able to identify the principle causes why customers went over to the competition. On top of this it was very difficult for the companies to identify those customers at risk of defecting and half of them could establish the value of the individual customers. "If companies cannot identify who is at risk nor who their most profitable customers are, then it follows that the most profitable could be at risk" (King, 1999:1).

The above-mentioned fact has just as much to do with information technologies as it has to the human side of customer information management. Some companies are held back by their technology system, especially in the financial services sector where they still struggle with legacy systems. Even when the technology is there and ready to use, companies are failing to use these technologies to their full advantage. According to the study (King 1999:2) only 5% of companies have an integrated customer database. The same goes for call centres. Even those companies who do have a call centre only use them reactively and not in a proactive way at all. Most of the functions covered by the call centre are aimed at dealing with outgoing calls, providing customer service, sales and technical support as well as dealing with customer complaints and information requests. In most companies in the study the different departments have their own separately managed databases and therefore do not have full access to customer information in other parts of the company. They even fail to use the most basic sources of information that are available to them. So much insight is locked up in basic information such as accounts, or personal information that could make a huge difference in how the company see the client. This basic personal information is sometimes the key to the competitive edge that a company needs to get ahead of its competitors (King 1999:2). These findings show that for companies to succeed in a competitive environment, they must be able to identify their most profitable customers. They must retain them and take care of them. It also shows the importance of protecting their existing customer base and extracting the most value out of the existing clients.

Wang et al (1998:1) is convinced that in order for companies to act on the belief that information is very important to their future success, they have to treat information as a product. What is often the case is that companies treat information as a by-product, "focussing on the systems or events that produce the information instead of the information content" (Wang et al 1998:1). In order for companies to start treating information as a product so that it can start adding real value to the company's bottom line, four principles must be followed. Firstly the company must understand the consumers' information needs. Secondly, the company must manage information as the product of a well-defined production process. Thirdly, information must be managed as a product with a life cycle, and lastly the company must appoint an information product manager to manage the information processes and resulting product. (Wang et al 1998:1)

King (1999:17) found that some companies still have to contend with stagnant legacy information systems. It is their experience that only a small number of companies are recognising the importance of customer management and are putting in place the necessary processes to enable them to achieve it. These companies have the foresight to realise that in times when the markets are down, "it will be more difficult to acquire new customers to replace those lost through natural wastage" (King, 1999:17).

Chapter 3
Customer Information Quality

When looking at customer information it is very important to include customer information quality in a total view of customer information management. Information quality directly flows from an encompassing view of the field of customer information management, because without quality data one cannot have customer information management that means anything to the company or in other words contribute anything to the bottom line.

> The twenty-first century is being called the "Informed Age" and information will become its most important product. Businesses that seek competitive advantage will need to collect and analyse information of all types. Moreover, decisions drawn from this analysis will need to facilitate the implementation of new programs. The result will be that the twenty-first century belongs to those who exploit information as a strategic enterprise resource. Companies must use this strategic resource as the means to change their business models, rethink the way they work, and extend their internal business processes out to their suppliers, trading partners, and customers.
>
> (FirstLogic White Paper 2000:1)

Nobody can escape the crucial role information plays in creating competitive advantage. But, it is also a known fact that information alone cannot create knowledge or competitive advantage. What is needed for information to become fully beneficial in the pursuit for competitive advantage is quality.

3.1 What is customer information quality?

> From a business perspective, information may be well defined, the values may be accurate, and it may be presented meaningfully, but it still may not be a valuable enterprise resource. Quality information, in and of itself, is useless. But quality information understood by people *can* lead to value.
>
> (English 1999:19)

In his book Larry English differentiates between two types of information quality (1999:15). The first being inherent quality. This refers to the correctness of facts included in the information. That is to say, it is the manner in which the data correctly reflects the real-world object represented by the data. According to English, data is an equivalent replication of something real. If all facts that an organisation needs to know about an entity are accurate, the data has inherent quality. The second type of information quality is pragmatic quality. This refers to the correctness of the right facts presented correctly. It is also the degree of usefulness and value data has to support the enterprise processes that enable accomplishing enterprise objectives. English states that in essence, pragmatic information quality is the degree of customer satisfaction derived by the knowledge workers who use it to do their jobs. (1999:22)

It is first necessary to define both data and information before a comprehensive definition of information quality can be formed. Because, according to English the ultimate objective of business it to achieve profit or to accomplish a mission, we must also define what we mean by knowledge and wisdom. (1999:17)

- **Data** is a representation of things or entities in the real world. It also refers to numeric or other information represented in ways that computers can process (English, 1999:19). Data is also a symbol or other representation of some fact about something. Therefore, data is the raw material from which information is derived and is the basis for intelligent actions and decisions.

- **Information** on the other hand, is seen by English as the finished product. (1999:19). A basic view leads to a definition of information as data in context, giving meaning to data. English claims that within this basic view it is already clear that information quality requires quality of three components: clear definition of meaning of data, correct values, and understandable presentation. If these three components are missing from information, the chances are very high that it will cause a business process to fail or a wrong decision to be made.

- **Knowledge** is information in context. That is to say it is data one step further up the value chain. This entails the understanding of the significance of the information. English claims that knowledge is the value added to information by people who have the experience and insight to understand its real potential. (1999:19)

- **Wisdom** is applied knowledge. The penultimate goal in any organisation is to maximise the value of its resources to accomplish its mission. If information is managed in such a way for it to have quality, and when it is available to knowledge workers who need it, it becomes maximised as a resource in the hands of the enterprise.

FirstLogic (2000:1) defines quality in the information age to mean two things: Firstly, it means quality of service, measured by a focus on customer needs and faster and more accurate response to enquiries and problems. Secondly, it refers to quality of information. In this instance it is measured by the information's timeliness, accuracy and its accessibility to all those who need it. The goal of quality information is to equip the knowledge worker with a strategic resource to enable the intelligent learning organisation (English 1999:20). It is this view that brings English to his definition of information quality. He states information quality is "consistently meeting knowledge worker and end-customer expectations." (English 1999:24).

Vannan (2001:56) also claims that quality data don't have to be perfect, just accurate, complete, consistent, timely, and flexible enough to meet business needs. The data must not contain errors, all the values must be present and the data must adhere to a set of constraints and maintained in a reliable fashion. Furthermore, the data must be available when it is needed and the data must be understood so that it can be analysed in a number of ways. She thus states that, when establishing data quality standards, it's vital to understand the end use of the data.

Firstlogic (2000:2) claims that the view of quality relating to customer information is present in several business views, of which customer-centric focus (customer relationship management), e-business and the enterprise-wide single view of the customer. Each of these views is in their own right and in its own way very much dependant on customer information quality. Even though each one has a different purpose within the organisation, it is highly likely that they may share the same sources of information.

"Primary data is received from the front-office systems that handle customer acquisition. Once the data is inside the enterprise, the customer information supports the business. Data is also received from back-office systems supporting the delivery of products as well as information back to the customer."

(Firstlogic 2000:2)

3.2 Customer-centric focus

The market is shifting today from being product centric to customer centric. The only way for a business to remain competitive in this emerging environment is to focus on developing and managing customer relationships rather than a specific product market.

(FirstLogic White Paper 2000:1)

The global economy are forcing companies to adopt customer relationship management as a core business philosophy, to truly become customer-centric and focus all future business growth and survival on not being product driven, sales-driven, or even market-driven, but on being totally customer-driven as this is the only philosophy which will ensure long-term success.

This view puts quite a huge amount of stress on companies who has to change their whole sales focus from product to customer/client. In this environment it is crucial for the company to understand and react to customers interacting with the company. It is very important to understand current best customers while at the same time seeking and acquiring new best customers. Firstlogic claims that knowing the customer is dependent on accurate and complete information on that customer. It would not do the company's image very good if a campaign to welcome new customers to the company is sent to a customer who has been with the company for over ten years (2000:1).

Because companies find themselves in an era where there is a wide variety of products and services for the customer to choose from, they have to differentiate themselves from the competition in more ways than one, and with a customer-centric view one way of doing this is by knowing as much about the individual customer relationship as the customers do. Another arena where companies can differentiate themselves from competitors which holds special significance to companies with a strong call centre support base, such as financial services companies, are client care contact. The numerous customer contact channels that are available today such as email, fax, the World Wide Web, telephone and even traditional *snail mail* all needs to become personalised in order for it to meet the customer's needs. For FirstLogic (2000:3) this means that the company needs the ability to collect timely and accurate customer data.

3.3 Link between Quality Customer information management and Customer Relationship Management (CRM)

> Customer information is the fuel in the customer management/customer relationship management engine. It is the key factor for more facets of customer management than might appear obvious at first glance.
>
> (Stone et al 2003:245)

Gebert, Geib, Kolbe, and Riempp claims that CRM focuses on managing the relationship the company has with its current customers as well as the building up of relationships with its prospective customer base (2002:10). They believe that a good relationship with the customer leads to higher customer satisfaction. The happier the customer is the more valuable that customer is to the company. This directly affects the revenue stream and the bottom line. Knowledge Management sees the knowledge available to a company as a major success factor (Gebert et al 2002:10). Companies can achieve their goals faster, cheaper and with higher quality if they hold superior knowledge. This has the ability to give those companies a competitive edge over their competition, because knowledge about their customers, the markets and other relevant factors of influence allows faster utilization of opportunities and more flexible reaction to threats. In their study Gebert et al propose a CRM oriented knowledge management focus, because they believe that the integration of the CRM and KM concepts will be beneficial to both approaches thus creating a new concept called Customer Knowledge Management or CKM (2002:11).

I feel that this is an important focus because the only way that quality information will be beneficial to the company is when it is turned into knowledge. That is to say knowledge of and about the customer. This has an impact on customer relationships because of as Gebert et al (2002:11) states the importance customer knowledge plays in the CRM process.

Knowledge flows in CRM processes thus falls into three categories. Firstly, knowledge for customers, which is required to satisfy the knowledge needs of the customer. Secondly, knowledge about customers gives the company an understanding of the motivations of the customer and this understanding will allow the company to address the customer in a more personalized way. Lastly, knowledge from customers about the products and services the company delivers. This constitutes feedback from the customers from which improvements or alterations to the products or services can be made. It is the opinion of Gebert et al (2002:11) that managing these different knowledge flows is one of the biggest challenges of CRM.

No enterprise can survive in an increasingly global competitive economy if it fails to know and understand its customers and their needs, and both its traditional and non-traditional competitors. According to English (1999:37) one of the key elements to customer satisfaction is capturing and maintaining information about customer contacts and communication. The enterprise can only know this through quality information from both inside and outside the organization.

In an empirical study done by Merlin Stone and a group of researchers from the Information and Telecommunications sectors in Britain, looking into how well companies plan and manage the acquisition and use of customer data, it was found that very few companies have sufficient processes and practices in place for this task. Stone et al (2003:240) believe that these companies could run the risk that the data they hold may not be able to support their customer relationship management strategies and policies.

Customer management needs a strong customer information infrastructure to support it. Therefore, Wong, Leung and Chow (2003:2) claim that the adoption of information technologies becomes the key element in CRM. These technologies are deliberately targeted to enhance database access, analytical powers and the communications capacity of companies towards customers (Wong et al 2003:1). Stone et al (2003:245) also says that organizations must have enterprise plans for the management, and use of customer information. This should cover marketing, sales, customer service, finance, operations and IT.

Stone et al (2003:246) states that within CRM there are four components to customer information quality.

1. **Information completeness**. This is how much of all known information sources and the reporting across all defined information fields a company has included into its CRM processes. If any information about customers is stored in different information stores, then all of those sources should be included in the CRM system. This would also include sources of outside information available to the company.
2. **Information accuracy**. This refers to the overall correctness of the information content. This would include contact information and known data associated with each customer record.
3. **Grouping accuracy**. This refers to the correctness with which a company binds together information from incongruent information sources. Once a company has all of the information sources identified and has performed the needed steps to ensure that the information is accurate, it is how well the company can identify and group multiple occurrences of the same customer in order to provide a comprehensive and accurate customer portrait.
4. **Information access**. This is the speed with which a company can integrate all its customer information and provide that information across all front office customer contact applications.

3.4 Customer lifetime value (CLV)

CLV is the amount of profit that an average customer will generate over the lifetime of their relationship with a company. Donkers, Verhoef and de Jong (2003:3) state that customer lifetime value has become an important metric in customer relationship management. They define CLV as the net present value of future earnings or profit of an individual customer. Ovation (2001:2) defines CLV as assigning a dollar value to a company's customer file. Because customer information is considered a company asset, knowing the value of this asset is key in the decision making process. Stone et al claims that using customer information correctly will help to understand customer current and lifetime value, preferences and retention drivers. According to him this includes using customer information for improving the customer interface, understanding and determining individual customer value across the customer base, using lifetime value data as key feeds into marketing activity, gathering and using customer preference data to build customer satisfaction and reduce operating costs, and ensuring that retention activity is driven by all valid information available (Stone et al 2003:247).

Chapter 4

Financial Company, Information Quality and CRM

> No enterprise can survive in an increasingly global competitive economy if it fails to know and understand its customers and their needs, and both its traditional and non-traditional competitors. The enterprise can only know this through quality information from both inside and outside the organization.
>
> (English 1999:36)

Financial Company sees CRM as a key business philosophy, supported by an overall strategic intent, to mobilise the entire business around building and maintaining mutually beneficial and long-term relationships with their existing and potential clients to ensure continued profitable growth. It is about understanding, servicing, retaining, developing and acquiring the right clients in order to maximise client lifetime value. According to a project leader involved in the marketing department of Financial Company, CRM is not a "nice to have" project, and it is not simply an IT tool or suite of IT tools. It is also not simply a "rewards" or "loyalty communications" programme. Customer relationship management is the transformation of an enterprise to become client-centric and through this vision ensuring more profitable client relationships.

Financial Company's CRM strategy dictates total company behaviour towards its clients, thus managing the total client experience. In line with current literature on the subject Financial Company feels that adoption of CRM is being fuelled by recognition that existing clients are the most important asset of any organisation and the future survival of any company, especially in a very tough competitive environment largely dependant on the retention and development of it's existing clients and not only on the acquisition of the right clients. The successful retention and development of clients depends on client's loyalty towards a company, and loyalty will only totally be achieved if a company builds a positive relationship with clients. Successful client ownership will create a competitive advantage and result in improved client retention and profitability for the company.

Traditional marketing activities, which focus on client acquisition, are no longer sufficient. CRM recognises that marketing does not stop when the sale is made. It really only starts after the sale is done. Financial Company's view of CRM is thus that CRM is concerned with maximising client lifetime value. It is thus important for Financial Company to understand which of its customers currently contribute the most to the bottom line and which the least. It also needs to understand which of its customers will potentially in the future still bring in the most new business and which the least.

The importance of CRM for Financial Company can be illustrated by looking at the following areas:

Client Value - Products and services are no longer sufficient to differentiate companies. In terms of pricing and quality there is so little that divides the top players in the financial services industry that the client has become the great differentiator. Clients are increasingly making purchase decisions based on a perception of their relationship with a particular company. The new challenge is hanging on to profitable clients and this can only be done through building relationships. All organisations need to manage their clients. Financial Company need their clients and the clients' revenues they generate to ensure the success of the company's business, in the years to come.

Project leader says, "We are living in the age of the client." He has freedom, choices, is protected and is getting better educated (especially about financial advice. He no longer has to stay with one company and what's more is prepared to experiment. Client satisfaction and therefore client retention is vital for the future survival of Financial Company. The general feeling of stakeholders is also that the better you understand and satisfy existing clients, the better the chances are of bringing in the right new clients.

Value-based service differentiation is one of the central success factors for and enablers of an enterprise-level CRM strategy. It is impossible for a large company to treat all clients equally and any company who tries to do so will not survive due to unacceptable service levels and no client relationships. Value-based differentiation is crucial to help Financial Company improve its overall levels of service and ensure good client relationships. Value based service differentiation does not mean some customers will get good service and others bad. It just ensures and means that all customers will at least get good, base level service.

Realising and improving Embedded Value - In order to realise their existing Embedded Value projections it is crucial for Financial Company to retain their existing clients with at least their existing product portfolios. Developing their existing clients (i.e. getting more business from existing clients) and the associated cheaper costs of acquisitions will greatly help to improve their Embedded Value figures.

Competition - Competition is stronger and clients have higher demands and more choice. Project leader claims that Financial Company must realise that it is getting increasingly more difficult and costs considerably more to win new clients than to retain existing ones. Most research suggests a cost ratio of between 5:1 and 7:1 and unhappy clients tell 10 more friends of their experience. According to project leader a consumer complaint firm in America estimated that 70 % of clients with problems did not complain, of those that did 40 % were unhappy with the response they received and only 17% of the unhappy clients repurchased.

Costs - A complicating factor is that many organisations are realising that they actually want to spend more servicing their clients, as this will improve client retention and therefore their profitability. However, it is not feasible to improve service levels and costs across all clients. (Improving service levels up from the base service level usually involve additional costs.) The secret is to understand the value of existing clients and to spend less on the low value clients and more on the high value, thereby improving the overall levels of service.

Current Value - Understanding the true current lifetime value of existing clients will enable Financial Company to really understand the importance of client retention (and the cost of losing clients). Organisations are usually happy to spend huge budgets on getting in new clients and business but less eager to invest funds to simply retain their existing clients. This is often the case because they don't really understand the "Lifetime Rand Value" of their current client base. (Lifetime Rand Value means the same as Customer Lifetime Value (CLV)).

Business Potential - It is also crucial for Financial Company to understand the Potential Lifetime Value of its existing clients in order to really understand the worth of its existing clients.

4.1 A CRM Vision

According to a stakeholder in Financial Company it is the company's vision to be a company that holds client relationship building as it's core business philosophy, and be organised and mobilised entirely around understanding, servicing, retaining, developing and acquiring the right clients in order to achieve long-term individualised relationships, maximise client lifetime value and ensure profitable growth. It also wants to be a company that hosts a formal, ongoing, ever-evolving value-based CRM strategy, which ensures integration and collaboration and dictates total company behaviour towards existing clients, in terms of service, processes, communications, channels, pricing, rewards etc. Financial Company feels that its services must be structured around the customer, and in such a way that managing the actions towards the company's customer are easier and more effective. For example, managing and improving the customer service standard in one big call centre will be much more efficient than to manage different call centres and expect to deliver the same quality of service to the customer.

4.2 Total Customer Knowledge policy within CRM

One of the biggest enablers of a company-wide customer relationship management philosophy is one of information quality. That is sufficient and accurate customer information and insight. Project developer says that CRM is a business philosophy that says, "Client relationships are everything!" Building and maintaining relationships with customers becomes easier and more effective the more Financial Company knows and understands about its customers.

If Information per customer refers to the basic information/data facts per customer, customer insight refers to the additional insights/understandings the company can and will derive from its customers based on the customer information it has. Useful additional insights cannot be derived without sufficient and accurate basic customer information. (Project Leader, 2003). Together, customer information and customer insights represents Financial Company's total customer knowledge base. To ensure that Financial Company has sufficient customer knowledge (i.e. information and insight) to support its CRM strategy, and to ensure that this information and insight is constantly accurate, Financial Company needs an official, sanctioned Total Customer Knowledge Policy. This Customer Knowledge Policy is therefore Financial Company official policy on data and insight availability, enrichment and maintenance according to project developer.

4.3 Knowledge Availability and Enrichment

Knowledge availability and enrichment refers to the policy and strategy whereby Financial Company identifies an official Customer Knowledge Base or List of the important customer information and insights it requires per CRM customer record – to be carried on the Client Information Management data warehouse – as well as how to get better information and insights.

4.4 Knowledge Maintenance

Knowledge maintenance or quality control refers to the policy and strategy that Financial Company has in place to ensure that all its customer information and insights are constantly updated and kept accurate. Leveraging customer knowledge to create a valuable customer experience is highly dependent on a tight integration of customer knowledge capabilities (i.e. information and insight capabilities).

4.5 One-Customer View

Companies must be selective about what customer data/information to collect, how to collect it, maintain it, and access it, and how to leverage it to gain insights and anticipate customer behaviour. Customer knowledge thus stem from a one-customer view. A Customer Knowledge Base provides a mechanism for developing a holistic view of the customer base at both an aggregate and an individual level.

4.6 Customer Insight

Customer insight flows from the underlying customer data or information, which may include transactions, preferences, contact history, interests, product profiles, demographic information etc. It is not enough to just collect customer data. Project developer claims that what differentiates winning companies is the ability to draw valuable customer insights from collected data. To describe customer needs and expectations, anticipate customer behaviour, to shape interactions accordingly and to measure performance in terms of customer value and profitability. The first step in generating insight is to transform customer data into a customer knowledge base. Customer insight can be applied across broad groups of customers to make strategic marketing decisions and being used real-time to drive the interaction with a single customer.

The more Financial Company knows about its customers the easier it will be to retain and develop them. Successful relationships are based on knowledge and using that knowledge to constantly improve the company's service and foster a relationship. Customer insights need to be one of Financial Company's greatest competitive advantages. It makes it more difficult for competitors to steal customers away, but it will also make Financial Company a lot more effective from a sales perspective (i.e. cross-selling, up-selling and leads generation).

A single view of the customer puts Financial Company in a position to generate the basic as well as ongoing additional insights it requires. This would include things like descriptive insight of customer behaviours, to understand what drives customer desires and behaviours, predictive insight, forecasting and anticipating future behaviour and performance-based insight that is guiding Financial Company in evaluating performance of its customers. Relationships based on customer insights gives Financial Company the opportunity to treat customers efficiently, relative to their needs, preferences, and value potential. And through this insight, Financial Company knows how to better operationalise to meet these needs, as well as understand which customers are most valuable to the long-term viability of the business.

Knowing the customer is paramount in today's marketplace where the customer has more options and has higher expectations. The power shift from seller to customer is forcing companies to treat each customer as an individual, both from marketing and a service delivery standpoint. Armed with customer information and customer insight, Financial Company can understand individual customer expectations, preferences, opportunities and value potential and use this knowledge to shape the customer relationship.

4.7 Customer information management strategy alignment project

A large amount of company revenue worldwide has been invested into customer relationship management applications that do not live up to the expected results these application supposedly will have on the bottom line. Darlene Mann, chief executive officer of Siperian Inc, a company in the customer information management business (2003:1), believes that a common reason for this is a lack of customer data integration across the different IT systems within an average enterprise. Therefore, the customer experience comes in the crossfire because of a lack of integrated customer information as the different company departments lack an understanding of the customer's history with the business. Sales and marketing expenses increase exponentially with duplicate, dirty, or incomplete data. Opportunities to drive new revenues or increase profitability are lost when customer and transactional information are not linked, or cross-sell and up-sell recommendations are based on generic offers and inaccurate data about the individual customer (Mann, 2003:1).

Due to understanding of the above mentioned dilemma that companies face and to understand how the current view of the company with regards to quality information within the customer relationship management arena is constituted, it is necessary to look at a project done by the company in 1999/2000 which tried to create a company wide integration of information. The customer information management strategy alignment project developed a strategic company IT architecture in early 1999. This architecture definition proposed the implementation of a company-wide Integrated Analysis Facility, which provides the ability to tap the vast information resources within the company. The architecture recommended a data warehouse as the mechanism to provide the functionality of the Integrated Analysis Facility, delivered through a phased implementation approach. The Start-up project was the implementation of the first release of this capability. This project had the two-fold objective of implementing the foundation for the strategic architecture of Financial Company's corporate data warehouse, and using this initial architecture for the selection of prospects for Financial Company sales campaigns.

4.7.1 Project Scope

The project was structured in order to achieve the following:

- To construct an integrated view of the client and generic high-level product holding information by merging client and summarized product-holding information from the life product (life insurance, retirement planning etc) business unit database, the unit trust business unit as well as the personal investment business unit database. This was achieved through the implementation of the data warehouse data model. This data model enables the relationships between clients and their product holdings to be implemented. The process of "merging" clients allows a many-to-many relationship between life and unit trust clients to be identified and made available for extraction to warehouse users. This allows one or more clients on the life systems to be merged with one or more clients on the unit trusts systems (who are actually all the same person), and the combined portfolio view of this client is then available for all users.

- To provide the capability to support the selection of prospects for a company sales campaign. This in turn was achieved through the development of the Campaign Selection data mart. The functionality developed included the campaign selection process and reporting.

- To design and implement the first release of the company's corporate data warehouse. This was achieved through the implementation of the Integrated Analysis Facility data warehouse.

- Facilitate the cleansing of company client data which was achieved through the development of validation rules, derived from agreed business rules, to highlight and sometimes reject poor quality data that was encountered in the loading of production data into the warehouse after which errors were routed back to the source systems for correction. It was decided that a formal process must be implemented once the head of Client Information negotiated service level agreements with the various business units to cleanse their data in the source systems.

- To identify other sources if client information, for potential future incorporation into the data warehouse and analyse the high-level integration of various data sources from the company's different business units. The outcome of this was that twenty-four possible data sources were identified to be included into the warehouse bringing with them the potential associated benefit of the quality information within that data source. A high-level analysis of the unit trust and personal investment business units were performed in order to identify potential information for inclusion into the warehouse. The warehouse data model was then defined in such a way as to be able to extend to multiple sources of client information.

- To support the company's relationship-building programme by providing updated client and product information. This was done through the implementation of the extracts of client, policy, unit trusts and agent information from the data warehouse to the customer relationship management system. It was decided that this was to occur monthly to enable the relationship-building programme to monitor the portfolios of high-level clients.

The objectives of this initial project were multi-fold. It had at its base a very strong information quality drive. Firstly, it had to support revenue generation by enabling the company to benefit from cross-selling opportunities, by providing the capability to generate leads from shared client information across the company's business units. This was achieved through the implementation of the data warehouse as a common location of client information, combined from both the life products and unit trust business units. This enabled the portfolio of clients across these business units to be available as a basis of selections for campaigns. Secondly, it had to improve operations capability by streamlining the existing leads campaign selection processes and enable improved leads campaign planning. The platform necessary to achieve this was put in place by building the data mart and piloting a specific campaign. The results of this very definitely indicate towards realising the objective and reducing the dependency on IT-staff for recurring selections. It was realized that the full potential can however, only be realized after extensively piloting and implementing all types of campaigns and restructuring existing leads selection procedures. Thirdly, the project needed to improve the quality of client information by identifying discrepancies and faults in the source system and providing this information to the source systems for further action. Issues with the quality of the data that have already been identified through the process of loading the data into the warehouse have been communicated to the relevant source system and resolutions determined in combination with them. In most cases, the data has been corrected on the originating source system and provided again to the warehouse. This was done in order to ensure that the quality and integrity of the data are improved at the source.

It was communicated to me by the project developer of the Integrated Analysis Facility project that throughout the project, the team identified various initiatives that could be implemented to provide additional benefits. These are initiatives that can be implemented with the data warehouse and data mart capabilities as they existed, independently of incorporating additional data sources (as each source brings with it additional opportunities to be exploited). Here follows the recommendations that was made in this regard:

4.7.2 Data Warehouse

- Implement the use of tools for identifying data issues and improve the quality of the data, and provide this information back to the relevant source systems.
- Upgrade both the database management system and the warehousing tool-set to the latest versions as soon as they become available to take advantage of the additional features and benefits.
- Investigate the use of a tool for integrating metadata across the warehouse and the data mart.
- Develop an archiving strategy for the data warehouse.
- Implement a generic interface with all source systems to automate the processing of codes and decodes. This is extremely important to avoid the data warehouse becoming outdated.
- Compare the information of a client across his information in all the business units' systems to identify discrepancies and provide the information to the source systems for further investigation.

4.7.3 Data Mart

- Upgrade the Campaign Selection interface to the latest version of the current detaining tool as soon as it is available within the company to take advantage of the additional features and resolve various technical snags.
- Explore alternative solutions to provide further flexibility in reporting on information on the data mart.
- Enhance the data mart to comprise all agreement roles (not only assured lives) even though the company may choose to continue to target primarily assured lives for campaigns. This will make more of the client base available for direct access by the user in order to service information requests that are unrelated to campaigns. Such an example could be "how many beneficiaries of policies have been targeted by campaigns because they are also assured lives on other policies in the last 6 months?" This will enable the mart to serve a wider audience and fulfil other roles than just selection of campaigns.

4.8 The leads technology solutions programme

Many issues were raised about the distribution of quality leads to the sales force or intermediaries. Mostly these issues were raised from the intermediaries' side of the sales process. Not only must quality information be given to the intermediaries to follow up leads, but the administration of the process must also be of a certain quality. One example of discrepancies in this process was where a client's investment matured on a certain date. Because the client had no intermediary attached to him, the client was given out to an intermediary in the area that was supposed to contact the client to talk to him about what he plans to do with the capital that he would receive shortly. When the intermediary requested the client's information from the company the intermediary realised that two other investments has already matured in the two months preceding the incident. That in turn meant that because the client was an "orphan" lead, another intermediary would also have received a request from the company to follow up on the previous months' maturity benefits. Because of this, the last lead that was sent out would constitute a false lead because the client would at that time already have been helped by another intermediary who received the first lead, meaning that no business could be concluded by the intermediary in question. In fact, when asked whether anybody from the company has come to see him, the client replied that about five or six intermediaries have contacted him about the same thing. This in turn irritated the client do much that he took his business elsewhere in the end. This just shows that the distribution of quality sales leads is a very important aspect of customer information quality.

Financial Company required the distribution of quality sales leads to the sales force in effective download to the operational level, to better business opportunities. Sales management required timely feedback on the activities for lead distributed. According to Dver (2002:1) good lead management practices can help to achieve this. By getting the right leads and managing them properly, the company will be able to dramatically improve selling, prospect acquisition and customer service.

The company's Leads Technology Solution programme coordinates the life cycle of a lead and the results of the latter. It includes the identification of leads from all possible source systems within the company, the population of these leads to an electronic environment where qualification of leads (data quality) and enrichment of those leads occurs. These leads are then distributed to the sales force from where activities on the leads are monitored until the final outcome (explained below) of the leads. On completion of activities for leads, the relevant information is retrieved from the sales force environment to the production warehouse.

4.9 Background on EECV (Extracting Existing Client Value)

The EECV strategic focus developed out of the company's strategic focus that shifted to one of focussing much more on the clients. This vision is grounded in the crux of customer relationship management for competitive advantage in that the only way a company are going to discern itself from its competitors is through the service it delivers, especially in the environment Financial Company finds itself now. This happened in conjunction with two strategies: the *company's customer relationship strategy*, which is driven by the marketing department and the *distribution department's initiative*, with a focus on giving more support to the sales force. These strategies have three legs, namely personnel relationship management, EECV and sales force effectiveness. Personnel relationship management's focus is on creating a differentiated model to support different types of advisers and brokers. The idea behind it is that not much money will be spent on the adviser who does not bring in any business for the company. Therefore, the adviser who brings in more business gets a better service from the company.

EECV is about a more effective way of extracting value out of existing clients. The reason that there is such a very big focus on the value of existing clients is because of the fact that the SA market is very highly insured and saturated in global terms. This means that the market does not grow very much. The aim of the EECV solution is primarily to support the sales channels, to extract the existing clients value to the maximum. This is done through the application of the principles of customer relationship management. Within this new framework of EECV, the most important implication is that the focus of the company's direct sales channel has changed in such a way that the focus is now on supporting the sales channel on the outside of the company, and not to function as a separate sales channel any more. This leads to channel integration between the two up until recently competing sales channels. Therefore, in order to maximise the value of the existing clients, Financial Company's direct marketing channel must work together with the outside sales channels as business partners, rather than trying to sell as many products as possible to the clients. This view leads to two types of campaigns that are developed. One where a product is offered to the client and one where no product is offered but only serves to communicate a certain topic of interest to the client, such as the importance of putting money away for old age, starting to save early for your child's education or that your will must dovetail with your existing inter vivo trusts etcetera.

According to the head project leader of EECV there are three very important reasons why this path is being followed: Firstly, to get more value out of the company's existing client base. Secondly, the whole insurance industry is moving in a direction of paid advise and in this environment to sell directly is going to become much more difficult. Thus, the intermediary, when it comes to long-term insurance and investments, will be a much more important role player because it will become more important for the client to talk to a knowledgeable person before you buy a certain product. On top of this research done by the company's research and development department shows that only 15% of the company's clients is interested in buying directly form the company. This ratio is also busy to decrease, because of the fact that investment products are becoming too many as well as too complex. The focus has thus shifted to leads generation, and less on product presentations, on better quality of sales leads and not so much quantity.

4.9.1 How does this work in practice?

It starts with opportunities that are identified, for leads or for campaigns. The campaigns are then approved by a review board to see which of these campaigns can be implemented and which ones must be left out. Business plans are then submitted for each campaign and the review board decides which ones can go ahead or not. The campaigns are then developed and sent out to the intermediaries.

When looking at how the quality of the sales leads can be increased, the first question that the company asked themselves is "What constitutes a sales lead? The company went to look at a more basic definition of a sales lead because in the past anything was seen as a lead, for example when a client cancelled his policy, or if a client lowers his/her premium etc. All these scenarios were then sent through as a sales lead, so basically about everything that changed the constitution of the client with regards to the company were seen as a sales lead. The company felt that no real value was generated from this exercise. Therefore, a new definition needed to be attached to a sales lead. Financial Company then defined a sales lead as a lead that conforms to at least two criteria. Firstly, there must at least be a claim involved such as a maturity, death or retirement claim, meaning there must be money on the table. Most of the smaller claims are also screened to find out exactly what the circumstances are of the policy holder so that when the lead is sent out into the field the intermediary can make an informed decision as to whether he/she actually wants to contact the client or whether it will be worth his while or not. A second criterion is when the client has the expectation that the intermediary will contact him or her. In other words the client has indicated that he wants to see his adviser or broker. The lead is also screened again to find out why he wants to see his adviser, because it sometimes happens that the client just want to see his adviser to make an address change or change a beneficiary on his or her policy. When this is the case the company indicates to the client that it is not necessary for him or her to see his or her adviser and whether he or she still wants to see him. Thus, only when the client calls in to head office as a reaction to a letter he received and indicates that he wants to see his adviser, and then only does it become a quality lead.

4.9.2 Information quality in the leads campaign

About 60 to 80 projects are done during each year. Two types of campaigns exist: One where Financial Company present the client with a certain product together with an application form attached to the letter, and the newer type of campaigns called an "advise offer" or "lead campaign". In this case the client is only approached with regards to a specific subject. On both these types of campaigns the company tries to get the client to respond to the letter sent out to him/her. He can then respond by either buying directly from the company, or the more favourable outcome in that the client asks for the advise of his financial adviser. In this regard the adviser is also encouraged to look on the company's website for intermediaries to see which of his clients are part of the campaign, so that about two weeks before the client gets the letter, the adviser knows what the client is going to receive in the mail and he can then proactively contact the client. According to the head project manager this also has a positive effect on CRM in the sense that "the client feels that he is regarded as someone who qualifies for special treatment and that he is not just a number as far as the company is concerned."

Another way Financial Company utilises to gain clients is to buy external databases populated by information of non-company clients. These databases are then compared with the company's databases, to see which are already company clients. A credit check is done on the prospects, they are segmented according to age and income, and given these specific segmentations campaigns are also created involving these prospective clients.

There are a few places within a campaign where there is looked at the quality of a lead. A campaign starts with an idea usually generated out of the media, for instance such as a drop in interest rates or out of data mining done by the company on their client databases by looking at which client has what products and what products they don't have. This gives the company an idea as to what kind of campaigns to concentrate on. For instance, targeting all clients that do not have retirement annuities. Therefore, even at such an early stage in the campaign quality aspects come into play. Using the whole databases for a campaign will be too expensive; therefore after an idea is generated a selection of clients is done (further quality assessment) according to the topic of the campaign. Only clients with a high potential of asking for advice or that has a greater potential to buy a product are chosen. For instance if the campaign's topic is early retirement the target group would be males in their early forties that potentially will not be employed for a long period of time to come. Here quality plays a role in that each campaign has its own selection criteria that the client in the database has to qualify for in order to be included in the campaign.

Each campaign consists out of a campaign plan that are developed, spelling out the background, goals, strategic as well as financial obstacles to achieving the objective, strategy, including target audience, pilot tests needed to see which audience responds the best to the campaign, timing, special orders to the call centres that needs to handle the responses, summary of the financial analysis, what the response rate is going to be as well as orders to the production department that is going to conduct the campaign.

What quality issues at this stage of the campaign entails is the setting up of specific selection criteria. How the selection needs to be done is spelled out very specifically. This would entail deciding which type of client needs to be included, what factors need to be included and which ones needs to be excluded out of the selection. Additional criteria that needs to be taken into account is looked at as well as what detail of each client included in the campaign needs to be taken as well as the information of the intermediaries involved.

After this a financial analysis is done looking at what the campaign should generate: income, expenditures and all variables having an impact on the financial success of the campaign.

Each campaign has a three-month period in which time it is investigated until it is implemented. Another aspect of information quality comes into play when, after the campaign is given the go ahead, the letter that is sent out to the client is drawn up. With the campaign as background Financial Company's copywriters draw up the letter and circulate it to the stakeholders (legal department, financial department and actuarial department) for approval. The circulation is done a few times to ensure that the correct information is included in the letter and that the formatting of the letter is correct. Only when the final quality control is done the campaign letter is sent out to the client.

Looking at the above process it is apparent that there are quite a few steps where information quality principles are being applied. According to the project leader, the quality of the data, which is how up to date the information you have about each client included in the data warehouse, is very important. One concern is that the company finds that sometimes the information of a specific client is not up to date and that the client that needs to be included in the campaign is not contactable due to incorrect information held in the data warehouses, such as wrong addresses or incorrect telephone numbers. The biggest challenge for the department is to increase the quality of the very basic data of each client. The company also feels that personnel at head office does not have very much control over this because they believe that the quality control of basic client information needs to come from the intermediaries in the field whose client it is. The reason for this is that the amount of people that calls directly into the call centre to change their details is minimal. The feeling is that the intermediary has enough contact with his/her client to know when certain details like a change of address are changed. Therefore the company is very dependent on the intermediaries for updating correct client data, so that when selections for a specific campaign is done the selection is made with better quality information.

Another way to ensure quality client information is buying external databases, which are, then compared with the company's own databases, and the newest data is then taken as the correct data. For instance, when a different telephone number appears on a newer dated record on the external database of a client that is already on the company's database, the newer record is taken as the correct one. Within the company's total client knowledge framework there exist different sets of rule that are applied to the crosschecks looking at the client information quality to determine which record is actually the correct one. There is a very high cost involved in this exercise because the company is not always sure whether the newer client record is in fact the correct one. It could well be that the new telephone number could have been captured incorrectly constituting a human error.

When looking at the bottom line with regards to these campaigns one can see that there is a real return on investment. For example, one project that was launched in May of 2002 had the effect of R24 million worth of premiums taken on that month. This was a direct result of that specific campaign. This constitutes a sale of just over 9000 policies sold in that month that made up 31% of that month's total earnings of the company's life product business units.
The business benefit for the sales lead project lies in sales management's ability to track and control the activities of the intermediaries, regarding their handling of sales leads. Head Office's source of leads will also benefit through the system's ability to evaluate and compare the potential of various leads campaign. This will further better the sales results achieved from leads.

Following on the information quality recommendations of the EECV solution a pilot study was launched to look into the role information quality in sales leads play within customer information management. The objectives of this pilot study were to qualify leads from the client care contact centre to ensure that only high quality leads were sent to the field. It also served to determine whether maturity claims of more than R50000 are indeed valid leads and to determine how these qualified leads are taken up in the field.

4.9.2.1 Processes:

a) All inbound calls at the marketing client contact centre and inbound calls of five teams in the client care contact centre were tested for quality by means of a full screening function. Competent tele-agents were used for this exercise. All leads that passed the test, which had the criteria where clients indicated that they require the services of an intermediary were forwarded to the Leads Co-ordination Desk, from where each of these leads were distributed to the intermediaries by way of three different methods:
    i. They were placed on the company's website for intermediaries
    ii. They were phoned through to the relevant intermediary / manager
    iii. They were sent to the intermediary by means of an SMS/e-mail

These clients were followed up after three days to find out whether they have been contacted for an appointment.

b) Maturity claims

From the maturity claims for 1/12/2002, a data extract of 1200 policies (900 non Retirement annuities and 300 Retirement Annuities) was made, after which the clients were contacted to determine whether they had any need of talking to their intermediaries with regard to reinvestments or reapplication of the premiums. These cases where clients did in fact indicate that they would like to see an intermediary, were passed on to the field in the same way as the above mentioned.

4.9.2.2 Inbound results

a) Quality

Only 5.5% (5 out of 90) of the leads from the client care contact centre were rejected. This confirm the results of a survey done earlier in the year where 82% of the branch managers in the target group indicated that the quality of the client care contact centre leads are better than average to very good.

b) Take-up of leads

From the 224 leads made available and used for the pilot, 34% (75) were not reachable for feedback, thus only 66% or 149 were used for the analysis. Of this 149 clients, 69% or 103 were taken up within three days of being distributed to the intermediaries, 20% or 30 were taken up after a second request +-6 days after being distributed, and 11% or 16 leads or clients were not taken up at all.

c) Reasons why leads were not followed up

A total of 46 leads were not followed up within 6 days, the reasons being:

i. Intermediaries did not receive the lead from the branch manager to whom they spoke – 24%
ii. Branch manager or intermediary were on leave, on a seminar or out of the office – 13%
iii. Adviser did not follow up the lead and would do so in the near future – 48%
iv. Adviser on record requested that they reallocate the lead to another region – 3%
v. Adviser could not get hold of client/ left a message for the client – 12%

d) Geographical information

According to the head of the leads projects at the company the volumes of leads involved in this pilot study were too low to give a realistic picture of which areas have a good or bad lead take-up. Only one logical conclusion can be made, namely that all provinces and units/ regions can do more to improve the take-up of leads.

4.9.2.3 Outbound results

Of the 1200 outbound leads in this part of the pilot only 914 clients were attempted to get hold of and contact were made with only 318. That is 35% but says the project coordinator 35% contact ratio versus the industry standard of average 10% - 14% is not bad.

The above study concluded that approximately 31% of hot leads (where the client requested service) were not taken up by intermediaries. The implication of this from a customer relationship perspective is that the company's intermediaries may potentially not meet the expectations of 31% of the clients in terms of their service requests.
This study also showed that in terms of the EECV solution 40% of the campaigns should be focussed on generating leads for intermediaries at a direct cost of approximately R10 million. If 31% of the leads are not taken up it could potentially result in campaign production costs of approximately R3.1 million being wasted.

4.10 Customer Information Management in practice in the leads projects

It is important to explain how the customer information management system works in order to get a full grasp on how information quality is applied to the leads within these projects.

Financial Company has at the moment a very good system in place when looking at CRM from a customer information management perspective in the sense that it is a very good tool for taking CRM further, that is to say improving data quality that in turn has a direct effect on customer relationship management. According to the training manager of the company's call centre, the CIM system has been implemented so that any contact made with the client call centre by a client or any contact made by the company with the client is generated and captured by the system, whether the contact is by email, telephone or my snail mail. Certain actions on the system are triggered by specific events generated for instance, when the client mails a letter with an inquiry or if the client is interested in seeing a marketer. These actions would include, the scanning and sorting of the letter by type of response. This action generates an immediate outcome on the CIM system. When the client calls in to the call centre the quality control of the information becomes a little more difficult, because if the user at the call centre does not take the responsibility to generate the correct outcome of the contact on the system the customer information management and customer relationship management becomes useless. Therefore, the quality of the data that are captured on the system is directly dependant on how the user captures it on the system. The training manager states that the general feeling is that the client data has much more credibility regarding quality when it is handled solely by the system itself, without a user touching the data but this is not entirely possible. Firstlogic reiterates this view in that they believe that "unfortunately, due to the variance of disparate customer touch points, source operational (OLTP) systems, and ever-present human errors, the resulting customer related information quality is inevitably sub-standard." (2000:3).

4.10.1 How the CIM system is used in the leads projects

At the call centre there exist a client database containing data on all the company's clients. Apart from this it is also possible to create new contacts on the CIM system. Financial Company defines a client as someone that has a relationship on a policy, whether it be the premium payer, the beneficiary, the life insured etc. It further defines a contact as someone who is not yet a client but who contacts the company because of an advertisement or in reaction to a campaign that was launched. If a person therefore who is not an existing client of the company calls in or the company receives a letter from the contact, that contact is created on the CIM system as a new prospect.

After a campaign manager decides to launch a campaign to approach clients of the company with certain selection criteria, for instance 'no lapsed policies in the last four years' etc, the criteria is given to the selection analyst. These criteria are then input into a data mining system and a selection is done out of a group of clients. Thus, all policyholder who qualifies according to the selection criteria of the campaign manager are then selected for the campaign. All criteria are input and a certain amount of clients are selected. These clients are then again tested and selected according the requirements. After this the campaign file information is loaded onto the CIM system and the system sends out the letters to the selected clients.

How the system handles the information that is recovered from the clients depends on the different ways the client's respond to the campaign. If the client mails his reply back to the company the mail is received in the mailroom. It is then sorted according to how the client reacted to the letter. The client would for example indicate that he/she wants to see an adviser, or that he/she is not interested, or that he/she is not interested but needs to update his/her personal information on the company's database. From the mailroom all the mail (which is bar-coded) is sent to the scanning room where it is scanned and placed in a specific queue on the CIM system. After the campaign code and the clients member number is captured by means of the scanned barcode the record is then routed to the call centre system. The call centre personnel access the record, which indicates to them that it is part of a specific lead campaign. They then mark how the client responded to the letter (i.e. want to see an adviser etc). From there it goes back to the CIM system depending on whether any personal client information needs to be updated. If so, it goes to the processing agents on the CIM system who then makes the necessary corrections on the client's record. The record is then routed to electronic financial advisers who then screen the leads again. This means that even if the client indicated that he/she wants to see an adviser, the client still is contacted first to find out exactly why he needs to see an adviser. This ensures that the adviser in the field gets a 100% quality lead and knows what to expect when approaching the client. The reason for this double-checking is that sometimes when the client indicates that he/she wants to see an adviser it is only to change his personal details. If this kind of lead goes out into the field it constitutes a very bad lead for the adviser. Even if the client indicates that he/she does not want to see an adviser or that he/ she is not interested, the outcome is still captured on the CIM system so that the information and the outcome is known to the company. This ensures better customer relationship management because this information will indicate to the company not to include this lead in a similar project in the future. It is also used when any other correspondence is sent out to the client in the sense that the company has a certain idea what already has been communicated to the client. The only difference is that his/her record is not sent out into the field for an adviser to follow up. When a client phones in reaction to the leads campaign the process that is followed is exactly the same as with the mail response. The only difference is that a tele-agent handles the response and not an electronic financial adviser.

After all the information from the client has been gathered, the information is extracted to a table that is updated every hour with new leads that is received. From here the information on the leads is submitted to the company's website for intermediaries and the intermediaries can then access the information and act on it.

Chapter 5
Conclusion

Customer information is the personal and general information one has about ones customers. It is the lifeline that links your business to your client base in that this information is needed for you to give a certain level of service to your customers. For this reason it is therefore imperative that this type of information is of a certain standard and quality. If poor quality is present in your customer information you, as a service or product provider will not last long where competition is fierce and loyal customers are few and far between. Information must be accurate and precise. It must be the correct information about the correct client.

This case study shows that for companies to get ahead of their competitors in a competitive environment, they should put practices in place that will allow them to retain their most profitable customers. It is also very important for companies, especially in the financial services sector where the client has an array of choices, to protect their existing customer base and to get the most monetary value out of this client base. Quality information plays a big role in achieving this. If a company uses customer information correctly, that is to say, if it is used to support an integrated customer relationship management view, it will be well on its way in achieving the goals of creating satisfied customers, and through this raising its bottom line. Companies must understand the customers' information needs. Information must also be managed as a product with a life cycle. An example of this can be seen when looking at the return on investments of projects and structures Financial Company put in place in order to address the issue of quality customer information management. Quality customers can only be retained if companies take a hard look at the realities facing them in a new business environment. This new business environment is one where the customer plays the most important role and quality information about the customer is of the essence. Quality information about one's customers will put a company ahead of its competitors in that specific products can be tailored for specific individual customers. A tailor-made approach to customer relationship management is thus needed in order for the company to retain its loyal customers. It has been said that the cost involved in retaining a customer is much lower than it is to gain a new customer.

The more companies know about their customers the easier it will be to retain them. Customer knowledge builds successful relationships and using that knowledge correctly will ultimately lead to improved service and a higher bottom line. Customer insights must be seen as a company's greatest competitive advantages. Quality customer information management will be the key identifier of the successful company in the knowledge society.

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