

KLM's Customer Relationship Management

&
How to stay a Highflyer



Assignment Nr 9
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Introduction

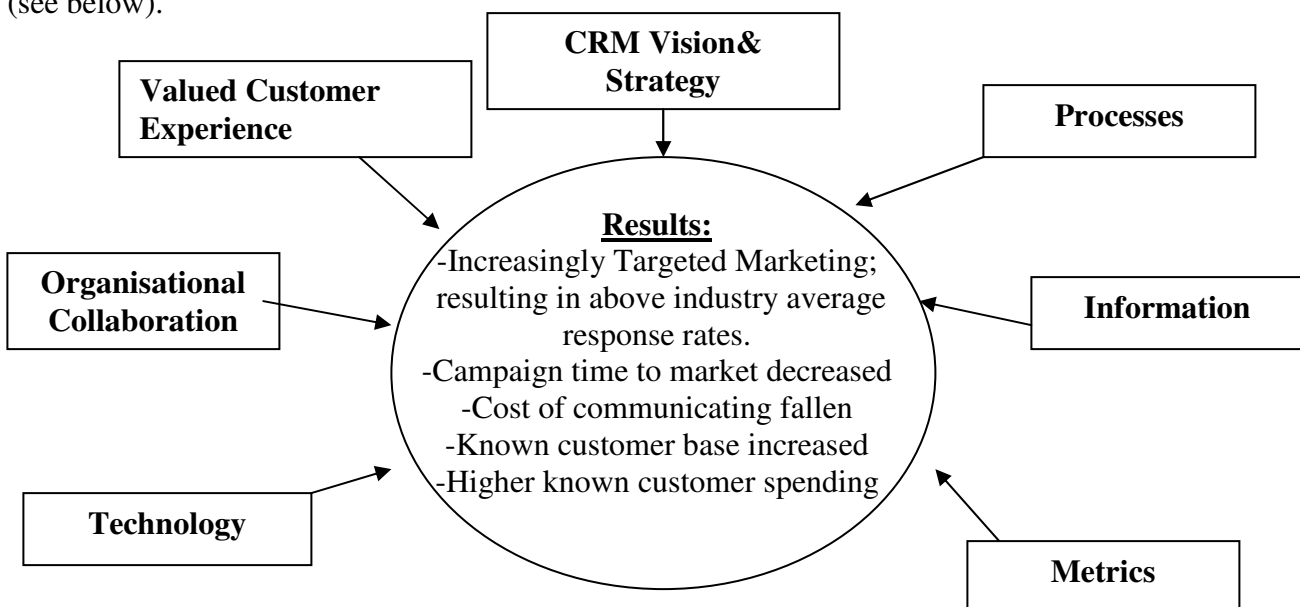
KLM Royal Dutch Airlines is most likely the best known corporate name in the Netherlands. Being established on 2 October 1919, after having been granted the 'Royal' status by Queen Wilhelmina herself, KLM grew out to become a truly global airline¹. Today KLM Royal Dutch Airlines is part of the bigger KLM Group, which business not only extends to passenger flights, but also cargo, engineering & maintenance and charter operations. Besides having merged with Air France in 2004, KLM Group also owns² Cityhopper, Transavia and has a large interest in Martinair Holland (50%) as well as Kenya Airways (26%). KLM Group and Air France currently offer more than 250 destinations worldwide to its passengers and shippers. All in all, the KLM Group and Air France merger has made it one of the largest airline groups globally.

Goal of this briefing

This briefing has the intention to provide the KLM Royal Dutch Airlines' Marketing Division with short advice on how to attract new customers through the deployment of the means, strategic and technological, already present in the firm.

Current situation at KLM

As the air flight market conditions were changing across the world, with increased demand unpredictability as well as higher buyer power and industry deregulation; KLM Royal Dutch Airlines realized it was time for change. Apart from a cost cutting scheme which would save it 650 million Euros from April 2005 on, it also implemented a CRM scheme to gain competitive advantage by increasing value offered to customers. KLM most definitely did the right thing by responding to the current market developments in a fast and efficient way. Combining Gartner's Eight Building Blocks of CRM model³ with KLM's CRM effort results in a good impression of the implementation success (see below).



¹ http://www.klm.com/travel/corporate_en/facts_figures/history/index.htm; accessed on 10/12/2006

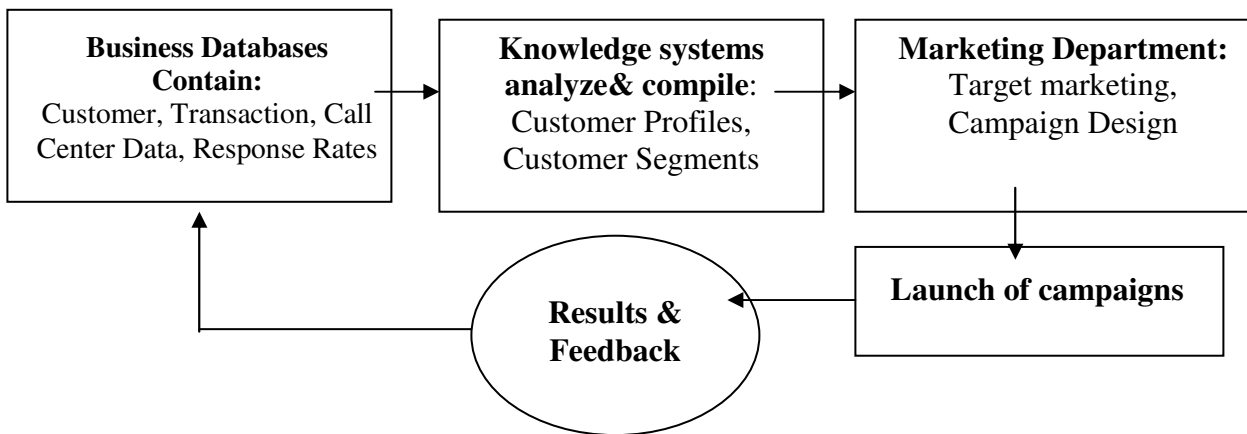
² http://www.klm.com/travel/corporate_en/facts_figures/organisation_facts/index.htm?id=21979; accessed on 10/12/2006

³ See Appendix A

Fact is that the CRM measures up to date focused mainly on the retention of existing customers whereas the company (understandably) wants to take them to higher level; acquiring new customers.

How to increase the customer conversion rate?

The abovementioned results are big advantages which leverage further improvements in the Marketing Scheme. Although retaining your current customers is cheaper than acquiring new ones, new customers can be converted into regular ones which in turn can refer other customers to the firm. This increases the total lifetime value of the customer base of a firm. Therefore, the next step for the KLM Marketing Division is to implement the well developed business intelligence into the marketing operations⁴. The steps in this implementation process are depicted below:



The model above shows that the process of gathering customer information, analyzing and implementing it into marketing campaigns is a process of constant learning, a closed loop process, which leads to increasingly targeted and creative promotions in the future. CRM information systems provide the company with automated marketing campaign management, which yields faster development and launching of promotions and thus accelerates the learning process. This increased ability to gather data and target customer groups could lead to several forms of (E-) marketing campaigns which in turn will increase the customer conversion rate:

- **Dynamic Pricing⁵**; adapting the prices to the current demand
- **Bid-process implementation** on website; customers are able to bid on certain offers in off-seasons.
- **Implementation of WAP** on website; customers are able to check information from the site on their mobile phones e.g. current offers, departure times etc.
- **Using the build up alliances⁶** for a more detailed customer database; this will lead to an improved view of the target groups.
- **Implementing Online Reputation Management⁷**; This process consists of 3 main steps:
Monitor → Analyze → Influence

⁴ Dyché, 2002, p. 16

⁵ http://www.sita.aero/NR/rdonlyres/18B8339C-5DFC-46D0-B9D1-D0095028BE94/0/SITA_SC_Lessons_from_other_Industries.pdf; p. 6; accessed on 11/12/2006

⁶ <http://en.wikipedia.org/wiki/SkyTeam>; accessed on 11/12/2006

⁷ http://www.sempo.org/learning_center/articles/ElixirSystemsOnlineRepMgmt.pdf; p 4-

By the use of Internet Monitoring Services any information on the internet about your company is tracked, be it in Blogs, Newsgroups or Consumer Sites, and gathered for further analysis. The Influencing stage then can be set in which is nothing more than internet version of Public Relations Management; keeping the image of the company up by posting positive and truthful company information and the latest developments. This process goes hand in hand with Search Engine Marketing; which is nothing more than making sure the company is easy to find and the information provided is truthful & positive.

Overall Advice

Up until now we have mainly focused on the technology and the resulting advantages which could be used to acquire new customers. Let us not forget the CRM Strategy⁸ and Vision⁹ of KLM which rounds this process of customer acquisition and retention up into one integrated whole. The Vision focuses on interaction and the constant learning process explained in the diagram above, whilst the Strategy complements this by focusing on Customer Retention. The Vision & Strategy should always be kept in the foreground during all the stages of data collection, analysis, customer profiling & segmentation, campaign management and launch.

Conclusion

By reaping the fruits of the CRM project, the marketing process of the KLM Marketing Division can be lifted to the next level. Integrating the Business Knowledge Systems into the Automated Marketing Process, campaigns will have a shorter time-to-launch and the Knowledge Systems can get faster feedback and therefore have a higher flexibility to adapt to the current market developments. CRM technology increases interaction between business and customer and provides new ways of digital marketing on the internet. All this should be in the solid framework of the CRM Strategy and Vision, which represent the fundamentals of the overall purpose of the project.

⁸ The CRM Strategy: "To identify the most valuable (and potentially valuable) customers among people who have already flown with the airline".

⁹ The CRM Vision: "To make every interaction with customers an opportunity to enhance their buying and traveling experience".

Appendix A

Gartner's Eight Building Blocks of CRM:

1. CRM Vision: Leadership, Market Position, Value Proposition

2. CRM Strategy: Objectives, Segments, Effective Interaction

3. Valued Customer Experience

Understand Requirements
Monitor Expectations
Satisfaction vs. Competition
Collaboration and Feedback
Customer Communication

4. Organizational Collaboration

Culture and Structure
Customer Understanding
People: Skills, Competencies
Incentives and Compensation
Employee Communications
Partners and Suppliers

5. CRM Processes: Customer Life Cycle, Knowledge Management

6. CRM Information: Data, Analysis, One View Across Channels

7. CRM Technology: Applications, Architecture, Infrastructure

8. CRM Metrics: Value, Retention, Satisfaction, Loyalty, Cost to Serve

Source: Gartner Research

References

Bibliography

Dyché J., *The CRM Handbook; a business guide to Customer Relationship Management*; 1st Edition; Addison Wesley Publishing; New York; 2001

Electronic Sources

www.Gartner.com

www.KLM.com

www.sempo.org

www.Sita.aero

www.wikipedia.org

Further Reading

“(The) CMO survival guide: 4 steps marketing optimization”:
<http://www.extraprise.com/documents/CMOSurvivalGuide.pdf>

Customer profiling: <http://www.claritas.com/claritas/Default.jsp?ci=2&pn=implement>

“(The) Eight Building Blocks of CRM” by Scott Nelson:
<http://www2.cio.com/analyst/report1483.html>

Skyteam: <http://www.skyteam.com/NL/aboutSkyteam/aboutSkyTeam.jsp>