



Managing Corporate Relationships for Better CRM

Claudia wishes to thank Lisa Loftis for her contribution to this month's column.

Understanding Customers in a B2B Environment

If yours is one of the many business-to-business (B2B) organizations transitioning its focus from product/service to customer, you are probably familiar with the issues. Organizations that sell to other businesses usually have fewer customers than their counterparts selling directly to consumers, and the volume of information about any single customer in the B2B world can be quite large. Additionally, frequent mergers and acquisitions, global organizations with multiple subsidiaries, and the difficulty in identifying and maintaining corporate linkages can make it challenging to develop accurate customer profiles.

While it is not a trivial effort to understand the relationship between organizational customers, it is a key step in achieving B2B customer relationship management (CRM) success. Sales and service to business customers are distinctly relationship-oriented, with ongoing and frequent interactions between sales and service personnel and customer contacts. There are typically multiple contacts within any corporate household, and the chances are good that your organization will have multiple sales or service personnel calling on multiple divisions of a given corporate household at the same time. Therefore, it is essential to coordinate efforts across the multiple contact points, ensuring that the prospect is not receiving duplicate or conflicting offers.

It is equally important to ensure that each person dealing with a corporate customer understands all the other offers or conversations that take place. More than one company has lost a sale (or worse, a customer) because

two sales or service people called on different members of the same corporate household in the same day and did not realize the overlap in visits.

Identifying Customers: Defining and Using Corporate Households

The fundamental issue for B2B CRM is whether a customer is really a single organization or one member of a corporate hierarchy. In many instances, you will need to examine each member independently. In other cases, you'll need to understand what the organization looks like as a whole.

Understanding both the individual members and the relationships between them requires that you adopt a corporate household view. In a household view, the group of related organizations is actually considered to be a customer in its own right. Households can be defined as "economic decision-making units," and organizations that take a household view of their customers recognize that decisions can and will be influenced by multiple members of the economic unit. They also recognize the buying power, potential value and risk exposure of the economic unit.

Influence Value in the Corporate Household

Consider the example illustrated in Figure 1. The corporate household contains the European company World Wide Entertainment; its two European subsidiaries, World Wide Publishing and World Wide Music; the US-based subsidiary of World Wide Music, Music Unlimited; and its division and branches, MU Distribution, Music Unlimited-New York and Music Unlimited-Los Angeles. Traversing the hierarchy of relationships established within the corporate household for World Wide Entertainment allows you to get a true picture of all your associations with this organization. In Figure 1, the true value of the corporate household for World Wide Entertainment includes the value of all the products and services owned (or potentially owned) by each member of the corporate group. The risk of the group is also different than the risk for the individual members. In a corporate household, each member of the group has the potential to influence the behavior of the other members, and your view of

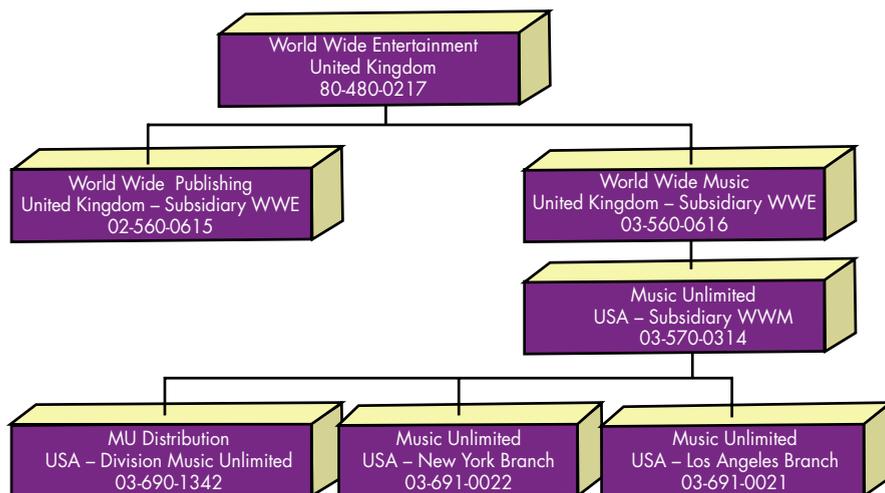


Figure 1: B2B CRM – The Corporate Household

the household should be attuned to the influence value of the entire group.

If your company sells plastic CD cases to the New York branch of Music Unlimited and containerboard packing boxes to World Wide Publishing, but does not yet have a relationship with World Wide Entertainment, the determination of profitability and of lifetime value can differ substantially depending on where in the hierarchy you base your calculations. The part of your organization selling low margin CD cases to only one local branch may view the profitability of this customer as negligible. The business line selling containerboard to the entire European subsidiary may have a much higher profitability score for its customer. The marketing group, tasked with expanding relationships and increasing lifetime profitability, will be looking across business lines (yours and theirs) and could come to a much different conclusion; current corporate household profitability may be medium but lifetime potential could be very high given buying patterns and the potential to leverage existing relationships into other household members.

This value can only be realized if you can recognize relationships between subsidiaries, divisions and branches and parlay these relationships into the corporate household. Likewise, the risk factor of the group includes the risk factors for each member.

A Good Corporate Household Identifier

Let's dig into the characteristics of a comprehensive corporate household identifier. These identifiers have three primary characteristics: a unique number assigned to each member of the corporate household, the relationships between household members identified and easily displayed, and accurate company and relationship information kept current with the rapidly changing B2B environment.

A unique household number for each member means that different locations of the same businesses should receive two different numbers (e.g., the New York branch of Music

Unlimited should have a different number than its headquarters, Music Unlimited). Uniqueness is required in part because there will be times when you want to see only the individual member of a corporate household. The sales representatives selling plastic CD cases to the New York branch of Music Unlimited may need to see contact and product ownership information for the entire Music Unlimited branch of the corporate household; however, their primary interest is with the New York branch only. They must have the ability to come into the World Wide Entertainment hierarchy at the point of the New York branch and view and update information for that particular member only. Thus, your corporate household scheme must allow you to view any member of the corporate hierarchy as an independent organization.

Because each member of the corporate household receives a unique number, it is vital that your householding scheme recognizes the relationships between individual members and highlights these for you. This is not always easy to do. While the relationship between Music Unlimited and MU Distribution may be relatively easy to identify because they have the same address and corporate phone number, this is not the case with all relationships in that corporate household. World Wide Entertainment and Music Unlimited are located in different countries, with different corporate names, and have little or nothing to indicate that they are related. Identifying these less obvious relationships is vital to leveraging the value within a corporate household.

Once you have identified the relationships, it is important to continually monitor and update the status of these relationships to ensure that your corporate hierarchy remains accurate. Mergers, acquisitions, expansions, corporate spin-offs, divestitures, and name and location changes occur frequently in the B2B world. To achieve full value from your corporate household view, you must update the information in as timely a fashion as is possible.

Several vendors offer householding

capabilities. Examples are Experian, LexisNexis and D&B. D&B, for example, has provided a corporate household solution, the D&B Data Universal Numbering System (D-U-N-S Number) for many years. The D-U-N-S Number and the associated D&B services provide the basic characteristics for a good corporate household identifier as we outlined.

Identifying and utilizing corporate households is essential to achieving CRM in the B2B world. It is also difficult to accomplish. Rather than attempting to develop all of these capabilities internally, you may want to look at vendor solutions for identifying the corporate household. Companies using such an identifier to facilitate their data integration needs and build their corporate households are taking the first key step to developing the customer understanding required for successful CRM. 

Claudia Imhoff is the president of Intelligent Solutions, Inc. Imhoff is a popular speaker and internationally recognized expert on the Corporate Information Factory, business intelligence and CRM. She has coauthored four books and more than 40 articles on these topics. She may be reached at cimhoff@intelsols.com.

*Lisa Loftis is a vice president of Intelligent Solutions, Inc. She coauthored **Building the Customer-Centric Enterprise** and has authored several articles on CRM. She may be reached at LLoftis@IntelSols.com.*

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Ronald J. Powell, 200 Registry Court, Suite 211, Brookfield, WI 53005		
John Johnson, 200 Registry Court, Suite 211, Brookfield, WI 53005		
John Longkamp, 200 Registry Court, Suite 211, Brookfield, WI 53005		
Address		
Thomson Information Services, 20 Thomson Plaza, Boston, MA 02210		

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