

Silke Freitag

Increasing Customer Loyalty via Mobile Customer Relationship Management

Diploma Thesis

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DIPLOMARBEIT

Zur Erlangung
des Grades einer Diplom-Betriebswirtin
an der Fachhochschule Wiesbaden
Fachbereich Wirtschaft

Thema:

“Increasing Customer Loyalty
via
Mobile Customer Relationship Management”

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Wiesbaden, den 24. April 2002

Abbreviations	III
Figures	IV
1. Introduction	1
1.1 Problem statement	2
1.2 Limitation of research topic	3
1.3 Research procedure	4
2. M-Business: “Anywhere Anytime Access”	5
2.1 Definition of M-Business	5
2.2 Mobile network technology	6
2.2.1 GSM	6
2.2.2 GPRS	7
2.2.3 HSCSD	8
2.2.4 UMTS	8
2.3 Service technology	9
2.3.1 WAP	9
2.3.2 Bluetooth	10
2.3.3 Short Messaging Service (SMS)	11
2.4 iMode as an alternative to WAP	11
2.5 Mobile payment solutions	14
2.5.1 Paybox	14
2.5.2 Mobilpay	16
2.5.3 Payitmobile solution	17
3. Mobile Customer Relationship Management – Key Functions and Definitions	18
3.1 Definition of Customer Relationship Management	18
3.2 CRM – A customer-oriented organizational process	19
3.3 Benefit of CRM	22
3.3.1 Improvement of image	23
3.3.2 Improvement of efficiency	24
3.3.3 Acquisition of new customers	24
3.3.4 Customer bonding	25
3.4 Customer Lifetime Value – A means to measure the success of CRM	26
3.5 CRM in the wireless world	29

3.6	Fields of application	31
3.7	Objectives of Mobile Customer Relationship Management	32
4.	M-CRM as a means to increase customer loyalty	34
4.1	What is the meaning of customer loyalty?	34
4.2	Mobile Services: What do customers expect?	36
4.2.1	Survey: “What do you think about Mobile Marketing?”	36
4.2.2	Analysis	37
4.2.3	Comment	41
4.3	The “EMF” principle	42
4.4	Advantages of M-CRM for the customer and the provider	44
5.	SMS-Advertising under the aspect of Permission Marketing	45
5.1	Permission Marketing: License to advertise	46
5.2	SMS: a two-way medium	47
5.3	Loyalty-based SMS operations	48
5.3.1	Push services or pull services?	48
5.3.2	Personalized messaging	49
5.3.3	Location Based Services	50
5.3.4	Value adding services	52
5.4	Worldwide SMS traffic	52
5.5	SMS Couponing – Example of a mobile business model	54
6.	Future prospects for mobile customer relationships	56
6.1	Possible future mobile business fields	56
6.2	Multi-media messaging	57
6.3	Market forecast	58
6.4	FAQ’s	59
7.	Conclusion	61
	Appendix	V
	Bibliography	XIV
	Ehrenwörtliche Erklärung	XXIV

3G	Third Generation
CLV	Customer Lifetime Value
CRM	Customer Relationship Management
CSD	Circuit Switched Data
DOS	Disc-Operating System
E-commerce	Electronic commerce
EFM	Easier-Faster-More
FCC	Federal Communications Commission
GPRS	General Packet Radio Service
GPS	Global Positioning System
GSM	Global System for Mobile Communications
GZS	Gesellschaft für Zahlungssysteme
HSCDS	High Speed Circuit Switched Data
kbit/s	kilobits per second
mb/s	megabytes per second
M-business	Mobile business
M-commerce	Mobile commerce
LAN	Local Area Network
M-CRM	Mobile Customer Relationship Management
MMS	Multi-Media Messaging
PDA	Personal Digital Assistant
PIN	Personal Identification Number
SIM	Subscriber Identification Module
SMS	Short Messaging Service
UMTS	Universal Mobile Telecommunications System
UPS	Unique Selling Proposition
WAP	Wireless Application Protocol

Figure 1:	Potential electronic services for mobile portals	5
Figure 2:	Comparison WAP – iMode	12
Figure 3:	Payment procedure of Paybox	15
Figure 4:	The CRM lifecycle	19
Figure 5:	Data Warehousing	20
Figure 6:	Contributory factors to the benefit of CRM	23
Figure 7:	Criteria for the determination of Customer Lifetime Value	27
Figure 8:	Increase of customer profitability in the course of time	29
Figure 9:	Elements of successful mobile CRM	33
Figure 10:	Future use of the mobile Internet	37
Figure 11:	Future use of mobile services and acquisition of products	38
Figure 12:	SMS – A medium to increase customer loyalty?	39
Figure 13:	Acceptance of wireless services	40
Figure 14:	Worldwide SMS Traffic Growth	53

1. Introduction

In times of computerization and mass consumption, one vital element has long been left behind. So far the customer rather tended to be treated as a trash dump for all those mailings that completely missed his interest, while he actually longed for companies to guess his needs, requirements and wishes and send him personalized offers especially tailored to those. With the beginning of the new century, technological advances and innovations in the field of data mining and data management have already made this dream come true for many customers. This new way of building relationships is called Customer Relationship Management (CRM) and comprises all aspects of interaction a company has with its customers. “It’s a business strategy that aims to understand, anticipate and manage the need’s of a company’s current and potential customers.”¹

Along with the fast proliferation of mobile devices, consumer’s behavior has changed considerably. Customers do no longer constraint their activities to one communication channel, but take advantage of new technological opportunities such as mobile commerce. In this fast-moving technological environment creating and intensifying customer loyalty has become indispensable for the business world. This change in consumers’ behavior gave way to the development of mobile CRM solutions enabling companies to serve every customer individually at any time and anywhere and create services and offers specifically corresponding to their needs.

With every mobile phone user being able to send and receive short messages, wireless marketing offers great potential in the field of Customer Relationship Management. Nevertheless, if the Short Message Service (SMS) is applied to send offers and advertisements it should be an end-to-end service². Customers are to be given the opportunity to directly respond to an offer and finish the transaction over their phone. This requires secure mobile payment solutions. Just recently, the German subsidiary of the international Mobile Market Association has been founded in Munich while Hewlett Packard, Lucent, Oracle, Siemens and Sun Microsystems have formed a consortium to standardize mobile payment an foster mobile business.³ Various companies already

¹ See <http://fbox.vt.edu/users/qhe/Paper/Definition.html> 2002-02-04

² See <http://www.Internetworld.co.uk/mcomm/.../AEE517F53546A060> 2002-01-20

³ See <http://www.manager-magazin.de/ebusiness/artikel/0,2828,178821,00.html> 2002-01-24

offer secure mobile payment models, a few of which will be illustrated in the following thesis.

Future prospects for SMS-marketing as a tool of Customer Relationship Management look quite prosperous and will be further supported by new technologies (GPRS, UMTS), which will offer faster, high-level access to the mobile Internet and thus convince more and more people of its benefits.

1.1 Problem statement

“With the growing convergence of the Internet and the mobile phone, we believe that by 2003 more people will be accessing the web by mobile devices than by fixed pc” (Ian Germer, Executive, New Products – Vodafone).⁴ Since mobile-commerce will be continually growing, competition between companies is becoming increasingly harsh. In order to further keep their position in the market, companies are forced to improve the relations to their customers by using new business technologies enabling them to differentiate themselves from the competition in offering personalized services that are especially tailored to their customers’ needs.

As a result of the constantly growing number of mobile phone owners, mobile Customer Relationship Management has become a new way of building and intensifying customer relationships. At present there are approximately 50 million people in Germany owning a cell phone.⁵ According to polls, in 2003 there will be 102 cell phones per 100 inhabitants. With the help of mobile CRM systems companies are in the position to create well-structured databases in which they store all important information about their customers, that can easily be retrieved at any time in any place by all employees, who are in direct or indirect contact with customers. Using this customer data, individual offers can be created for specific customers and sent directly to their mobile phone. Since mobile devices provide the possibility of perpetual contact, the recipient can instantly react to services and offers appearing on his mobile phone.⁶

⁴ See Diederich/Lerner/Lindemann, 2001, p.21

⁵ See *acquisa* 2002, No.1, p.26-28

⁶ See Brown/Green/Harper (Eds), 2002, p.27