

How KLM Gets CRM in the Air

CRM Excellence in Practice

by S. VIAENE and B. CUMPS



Stijn Viaene
KULeuven, Departement Toegepaste
Economische Wetenschappen, Leuven



Bjorn Cumps
KULeuven, Departement Toegepaste
Economische Wetenschappen, Leuven

ABSTRACT

This case article tells the story of the rebirth of CRM at KLM Royal Dutch Airlines since 2002 and its successful liftoff during 2003, for which KLM received Gartner's 2004 CRM Excellence Award. The Award presents itself as a natural moment of reflection on past CRM achievements and future plans. The case works well, with technical as well as general management audiences, for generating a multifaceted class discussion on the challenge of making CRM into a business success. More specifically, it allows us to

1. dissect a CRM success story, that contrasts nicely with many of the CRM horror stories of the 1990s, and identify key success factors;
2. focus attention onto the viability of the planned approach KLM uses for implementing CRM;
3. introduce and show the importance of program management as a construct for structurally growing and governing enterprise wide investment in CRM; and
4. help reinforce lessons around CRM and business-ICT alignment.

Keywords: Business-ICT alignment¹, CRM², governance³, program management⁴

I. INTRODUCTION

KLM Royal Dutch Airlines⁵, an international airline operating world wide with home base Amsterdam Airport Schiphol, The Netherlands, as most incumbents of the European airline industry, had been facing declining yields (i.e. the revenue per seat) and increasing competitive pressures during the last years. Deregulation in the European airline industry and unfavorable economic conditions were at the basis. In December 1992 the European Union passed legislation to deregulate the airline industry. The directive that was issued implied that any European carrier could fly from any destination to any destination and demand landing slots. Opening up Europe's skies brought about newly energized competition in the European airline industry, not least due to the entrance into the market of low-cost carriers such as Ryanair and easyJet. The latter put enormous pressure on the profit margins of the traditional airlines.

At the same time the traditional airlines faced an increasing commoditization of their product offerings. Fares came under enormous pressure. New low cost carriers were opening up new segments and attracting new customers, yet there was no doubt that they were also taking away market share from established airlines. Unfavorable economic conditions, triggered by external events such as the terrorist attacks of 11 September 2001, the SARS epidemic in Asia during 2003 and the start of the war in Iraq in 2003, exerted further pressure on the airline industry. Decreasing passenger numbers led to excess capacity in terms of fleet and personnel. Airlines badly felt the impact of their high fixed costs. Moreover, since the terrorist attacks of 11 September 2001, all aspects of aviation security were tightened up. New security regulations forced airlines to further invest in both inflight and on-the-ground security measures. All of this weighed heavily on the airline's costs.

In response, KLM in 2003/2004 set out to structurally reduce its internal cost base by €650 million by April 2005. This cost cutting exercise would enable KLM "to provide a better product at lower cost and so make up for the declining operation margins in the aviation industry." For KLM this was the most comprehensive cost control program ever. It was to be implemented through a combination of process change, productivity gains and product improvements.

This need for cost cutting, however, did not imply that KLM had chosen to become a low-cost/price carrier. In fact, quite the opposite was true. It knew that cost reduction alone would not guarantee its profitability. As it stated in its 2003/2004 Annual Report (KLM Royal Dutch Airlines (2004)), KLM's strategic orientation would be geared towards differentiating itself from its competition by forging "a more direct relationship with its customers." KLM aimed to perceive every customer interaction as both a great opportunity to bond with its customers, as well as a risky breakoff point for a worthwhile customer relationship. The ultimate challenge for KLM was to infuse CRM, as a business philosophy enabled

by serious investment in ICT, into the complete KLM Circle of Contacts (see Figure 1).

FIGURE 1
KLM Circle of Contacts

Insert here Figure 1

Gartner Inc., the leading commercial provider of research and analysis on the global information technology industry, in 2004 (Gartner Inc. (2004)) announced the airline as the winner of its CRM Excellence Award for Europe, Middle East and Africa. KLM was awarded for the rebirth of CRM at KLM since 2002 and its subsequent liftoff during 2003. According to Gartner, “the award highlighted the airline’s ability to combine grand strategic vision with pragmatic execution, and deployment of software applications with cultural change.” This Award presents itself as a natural moment of reflection on past CRM achievements and future plans.

This case article describes KLM’s pragmatic, realistic, focused, and incrementally planned, or better programmed, approach for enterprise wide rollout of CRM, and derives useful lessons learned. It is structured as follows. We start with a brief description of a failed first attempt at CRM in 1997 that left a lot of lingering skepticism towards CRM at KLM. Then, we dig into the rebirth of CRM at KLM in 2002, where we encounter a campaign management and a customer database project that would lay the ground foundation for further development. There is a special focus on the viability of the planned approach KLM used for implementing CRM. In the next part of the paper we introduce and show the importance of program management to KLM as a construct for structurally growing and governing enterprise wide investment in CRM. We conclude with a summary of lessons learned.

II. KLM Meets CRM

A first major CRM project was set up in 1997. Under the lead of the ICT Department and with the help of external consultants the company started with an extensive study on what CRM could mean to KLM in terms of opportunities and what ICT capabilities would need to be set up to make it happen. The Customer Management Project was distilled. The primary objectives were the following:

- Implementation of better customer identification and recognition capabilities at all customer interaction points throughout KLM
- Improvement of customer data gathering, integration and utilization
- Creation of a well architected strategic ICT platform that would replace the current, organically grown ICT legacy infrastructure

With these capabilities in place KLM would have the power to more systematically steer its customer interactions based on valuable customer intelligence. The project plan also included a limited set of rough estimates to quantify the return on the ICT infrastructure investment to the business. A rigorous analysis of the linkage between this investment and the company's financial results was, however, labeled in the project document as "not possible at this point in time." Most attention was paid to the impact of CRM on the infrastructural and technical capabilities on the ICT side.

The proposed effort, however, proved too much for the organization to digest. In the end, this broadly scoped, ICT driven CRM project did not take off. This was mainly due to the vast forecasted technology costs and the lack of support for the initiative at the business side. The perceived failure of this CRM project to lift off engendered a lot of skepticism within KLM with regard to CRM. Many grew distrustful of further initiatives in this area. In fact, CRM largely disappeared from the management agenda in 1997. Instead, KLM focused on alliance creation. Between 1997 and 2001 KLM engaged in an active search for an alliance partner in the airline industry. It was not very successful though. In 1999 KLM called off an impending alliance with Italian airline Alitalia, and in 2001 an alliance deal with British Airways fell apart.

III. CRM Reborn

When Paul Gregorowitsch was appointed Executive VP Commercial of KLM's Passenger Business in April 2002, he got CRM from under the dust. Paul Gregorowitsch took on responsibility for all global passenger sales, distribution and marketing activities. He directly reported to KLM's Board of Directors. Paul Gregorowitsch joined KLM in 1980 and had since served in a variety of sales, marketing and servicing management positions within KLM, working himself up to become Executive VP Commercial of KLM. He knew KLM as operations driven rather than customer oriented. He believed that KLM suffered from far too limited possibilities for personalized servicing and from too many inconsistencies in service delivery.

In June 2002 a new Customer Relationship Management Department was created within the reorganized Commercial Division to work on establishing capabilities for "differentiating services to customers in an efficient and cost

effective way,” thus said Paul Gregorowitsch. Cristina Zanchi was asked to head this new Department. Within the new structure of the Commercial Division, she would report to Paul Gregorowitsch via the VP Marketing & Brand. Getting direct access to him over CRM matters would not be a problem though.

The overall objective for CRM remained the same as in 1997, that is, to make KLM a truly customer centric organization and this way turn around the negative trend of declining yields. Still, Cristina Zanchi had witnessed the demise of the 1997 CRM initiative, and she understood very well that she would have to tackle the propagation and institutionalization of CRM throughout KLM quite differently. Instead of rushing into broad based CRM rollout that was supposed to incorporate every customer interaction point at once (see Figure 1), the new approach would start out modest with some highly focused investments that would be relatively narrow in their scope and have a clear return on investment. The real business gains from these targeted initial investments in CRM would help to win broader management and line support and act as springboards for further and more ambitious CRM projects. The early involvement of senior business managers was considered crucial. Cristina Zanchi was also fully aware that the path towards becoming a customer centric enterprise would involve complicated technological issues and required crucial and significant investment in ICT to make it happen. Still, from the very start she stressed that the business rather than ICT would call the shots. Of course, business and ICT would need to work closely together on this.

The choice of the first CRM project “new style” was crucial. There was no room for failure, as this played in the hands of the sceptics, with a definite risk that CRM would be buried anew for a couple of years. The project named CIAO (Customer Insight, Analysis and Opportunities) was chosen as a first CRM project. It aimed at what was called “closed loop campaign management” via:

- Identification of customer value segments
- Better understanding of customer needs and preferences
- Creation of targeted marketing and sales campaigns for specific customer segments
- Monitoring of customer responses
- Applying experiences to future campaigns
- Better steering of customer buying and traveling behavior

What drove the decision to go for this project as a first CRM project, besides it being able to produce fast, measurable return on investment, was that the initiative would be embedded within the confinements of KLM Commercial, which clearly limited risks. That is, strategy, investment, execution and control of CIAO would all ultimately resort under Paul Gregorowitsch. Whereas other senior managers had shown a tendency to cut budgets on customer related projects when

things got tough in the past, this would probably not immediately happen with Paul Gregorowitsch. What also made life easier for Cristina Zanchi was that the Marketing environment in which the project would be deployed was relatively small and sympathetic to the idea of CRM. This would not have been the case would the first CRM project have been placed, for example, within KLM Ground Services, where customer centricity came much less natural. The latter, like many other parts of KLM, were still very much operations oriented, which would only complicate matters. Although some of the managers there were open to the idea of CRM, they still were very much concerned with the increase in unit cost this would imply for their Departments.

In September 2002 E.piphany was selected to provide campaign management software and to help in setting up a central customer database that would be fed into the campaign management tool. With this in place KLM would be able to support general querying and reporting on customer data, campaign setup and execution, monitoring and reporting and enhanced e-mailing. The implementation of the campaign management software began in January 2003. As planned, the first tool driven campaign went live, on time and under budget, mid August 2003, on completion of the CIAO project, with global rollout to follow in the next three months. In the meantime, KLM started working on the centralized customer database, which would be released in a first phase in December 2003.

IV. Integrated Customer Data

With CIAO, KLM wanted to move beyond just the sole intention of rewarding customers for spending more of their patronage with the airline. It set out to build a true relationship with its most valuable customers based on integration and consolidation of its customer data. Having a central customer data repository was considered essential. This would serve as the basis for creating customer value segments that could be used by the enterprise to tailor its interaction with individual customers based on the value of those customers to KLM. At the time, most of the necessary customer data resided in the frequent flier system. Still, there were over a dozen other databases within KLM that contained useful customer data. Thus, in parallel with CIAO, a complementary project for setting up a central customer database (CDB) was initiated. KLM reasoned that without the CDB CIAO would never realize its full potential in terms of business benefits.

The CDB project was the first major step in the implementation of KLM's newly architected ICT infrastructure in support of enterprise wide CRM. Over the years marketing, sales and services had largely developed their ICT systems independently. A lot of the existing customer data was duplicated, giving rise to quality issues, and there was hardly any integration. The old ICT infrastructure reflected an architecture of "data/business rule/process silos," as in

the left pane of Figure 2. The new infrastructure, on the other hand, would be architected along the lines of the right pane of Figure 2, consisting of a single view of the customer data, unified business rules, analytics and processes. In time, all customer interaction points of KLM's Circle of Contacts (see Figure 1) were expected to be linked in to the single view of the customer data. Moreover, they would share the responsibility of growing its value by helping to enrich it, to populate it with quality data, and to effectively make use of that data.

FIGURE 2
Old vs new ICT architecture

Insert here Figure 2

By digging through the centralized customer data, Cristina Zanchi and her team relatively quickly found that frequent flier mileage was not the best indicator of customer value to the airline, though it had been used for years in frequent flier program to differentiate service delivery. The analysis of the combination of this piece of data with other customer specifics on the frequent flier program tenure, the frequency, the recency and the monetary value of flying, and demographic customer variables such as gender, marital status, household composition, house ownership, and profession, allowed KLM to get much more insight into its customer base. This customer insight was eventually synthesized into a much better customer value segmentation model. What they, for example, discovered was that in 2002 roughly 25 percent of KLM's most valuable customers, according to the new value segmentation model, did not have the top frequent flier membership level. This meant that these customers systematically missed out on the service that was specifically designed for KLM's most valuable customers. Conversely, some customers with top frequent flier membership did not show up in the highest value segment identified under CIAO, which meant that they were granted superior service than they were actually entitled to.

CIAO, backed by the CDB project, proved a success. Instead of annually launching a mass marketing campaign targeted at all customers, KLM now had the opportunity to launch several smaller campaigns targeted at specific customer segments at very specifically chosen moments in time. By the first half of 2004, KLM reported response rates on its campaigns of 5 to 12 percent, well exceeding the industry average of 2 percent. Also, by making use of the Internet and e-mail the time-to-market for campaigns fell from weeks to days. At the same time KLM

reported a 20 percent decrease in the costs of communication with frequent flier program members with respect to 2 years before. On the revenue side, on average, known customers now spent 5 percent more than they did the year before. The known customer base had also been boosted by 20 percent in the year to March 2004.

V. CRM Program DRIVE

The success of the campaign management project was crucial for creating the necessary momentum for further CRM deployment. The ambition, however, was to eventually transform the entire enterprise by creating chains of successful CRM projects. CRM projects would gradually move beyond Marketing and the Commercial Division into other parts of the KLM organization. Paul Gregorowitsch realized that the expanded scope would inadvertently bring with it the need for prioritization, management and coordination of initiatives across an ever larger part of the enterprise. This is why, concurrently with CIAO in 2003, he initiated an effort in which he assigned some of his best people to work on reconceptualizing CRM, for later management purposes, as a program of interrelated projects, covering the entire organization, that are all serving a common vision of “letting every customer interaction drive profitability” and a common mission of “enabling the optimal customer interaction and profitability by shaping KLM into a customer centric organization.”

A. *Vision-into-action translation*

KLM’s CRM vision and mission statements were translated into the following three actionable, directive goals in order to establish a clear linkage between the former and the actual CRM projects that would resort under the CRM Program:

- More personalized and consistent service delivery across all interaction points
- More customer profitability based steering
- More customer centric organization

These three goals represented three distinct strategic pillars on which KLM needed to work long term for realizing its CRM vision. Each of the goals was further translated into measurable subgoals used to actually drive the different CRM projects that would constitute the Program. The business cases of all current and proposed projects all needed to be clearly linked to these goals, as would their

subsequent management. The CRM Program goals design is illustrated in Figure 3.

FIGURE 3
CRM Program Goals Tree

Insert here Figure 3

B. CRM investment portfolio

Projects with primary drivers that resorted under the first pillar of the CRM Program focused on developing skills and capabilities for enhancing the operational side of customer service delivery with more personalization and consistency. Under the second pillar resided the projects that focused on developing skills and capabilities that enabled KLM to effectively steer service delivery and decision making on the basis of customer profitability. Whereas the first pillar was geared towards operational CRM investment, the second pillar clearly aimed at analytical CRM investments, using Meta Group terminology.⁶ The purpose was to shift more to the use of customer metrics, profiles and insight. The third pillar, finally, completed the CRM investment portfolio by including projects that, in broad terms, focused on facilitating and managing the change effort as KLM progressively moved towards a customer centric organization. The management of culture and people change thus was structurally embedded in the CRM Program. This effectively recognized that strategic, business process and ICT changes on the CRM front never took place in isolation and that proactive mechanisms were necessary to get the current organization and its people to go along with the planned change.

C. CRM roles and responsibilities

The governance structure of roles and responsibilities as laid out in Figure 4 would be hung underneath a CRM Meeting, chaired by Paul Gregorowitsch and made up of senior executive representatives for all key stakeholder groups within the KLM organization. This assembly would be ultimately accountable for the success of CRM within KLM. They carried the responsibility for the evolution of the CRM Program's vision, mission and goals, for reviewing and approving CRM project business cases, prioritizing projects, tracking the progress of the portfolio of projects and reviewing the delivery of the business benefits from the business changes these projects had delivered.

FIGURE 4
CRM Program roles and responsibilities

Insert here Figure 4

D. Project and benefits management

Each CRM project under the Program would be assigned a Project Manager that was trained in a project management approach. He would be responsible for the timely implementation of the project respecting budget and quality constraints. Each project also would be assigned a Project Owner, that is, a business executive that would take on responsibility for and would be committed to realizing the business benefits from the project by managing the integration of the project outputs into normal business operations. This role would typically be assigned to a business leader from a business area within KLM that was most impacted by the project. The Project Owner's role typically would start earlier and persist longer than the Project Manager's. The business executives that took up Project Ownership were also to convene on a regular basis in so-called Business Executive Meetings, chaired by a CRM Program Manager. These Meetings would take on responsibility for monitoring and reviewing the project portfolio and its management on a more regular basis than the CRM Meeting, which it supported. It also offered the CRM Project Owners of the interrelated CRM initiatives a crucial platform for realizing maximal synergies and resolving potential conflicts.

E. Program management

Managing the CRM Program on a day-to-day basis would be the role of the CRM Program Manager. This included a responsibility for supporting and facilitating the work of both the CRM Meeting and the Business Executive Meeting. For example, in support of the CRM Meeting the Program Manager was supposed to filter the list of potential investment projects to a selective set of strategy focused initiatives, and to ensure that all planned and budgeted initiatives were developed into business cases and got assessed by the CRM Meeting. It was his job to ensure that a strong link was maintained between the projects being executed and the strategic relevance and rationale for them. He would also be responsible for managing project management resources. At the same time his work was targeted

towards enabling the coordinated delivery of projects within the Program, in an efficient and consistent way.

F. Enterprise architecture management

Within the new KLM CRM Program organization so-called Process Managers would be instrumental to the alignment and integration of individual projects across functional, geographic and other boundaries. Strategy, Process, ICT, and People constituted the four areas of specific expertise that were assigned a Process Manager. The latter's job was to ascertain consistent decision making and change management with respect to each of these areas across the entire enterprise.

VI. TIMELINE

Figure 5 shows a summary timeline of important milestones for the CIAO and CDB projects, together with some important dates for the CRM program that overarches these and new CRM projects.

FIGURE 5
Timeline of major milestones

Insert here Figure 5

Mid 2003 the CRM Program was ready to be brought to life. At least, the minimal management skeleton could be activated for supporting clear and coordinated decision making, control of resources, and for ensuring the realization of benefits for further CRM projects across an ever larger part of the KLM enterprise. The CRM Program and Process Manager roles for the CRM Program were assigned to people that either had close ties to the CIAO project, or had been closely involved in setting up the CRM Program. All actors acknowledged that it would take some time to develop the CRM Program to its full potential. The CRM Program and the people involved in its management were expected to mature as the CRM Program would gradually take on more weight.

The CRM Meeting of September 2003 set out the lines for the next phase of the CRM Program. Four priorities would govern next year's activities:

- To maximally realize the business benefits from the CIAO project, that is, start running and managing all marketing campaigns supported by the new software tools. The objective was for marketing to gradually change from “mass” to “one-to-one.”
- To stimulate data and insight captation that enriched the single view of the customer. Most of the effort would go to Inflight projects. This included setting up the onboard enrolment of passengers in the frequent flier program. Several quick win process redesign efforts were planned to more efficiently and effectively gather customer data.
- To increase the availability of customer information for personalization in pre-, in- and postflight services. The objective was to at least be able to recognize customers and address them by name where possible.
- To drive cultural change. Training programs were launched to accompany CRM driven change projects. Awareness creation initiatives were set up for pre-, in- and postflight services. A CRM Ambassador program was to be gradually deployed across the entire organization to put structural CRM communication in place.

VII. Lessons Learned

In the past very few companies actually got the hang of harmoniously interlinking their substantial CRM related ICT investment with the strategy, organization and human resources dimensions to create real business benefits (see, for example, Rigby, Reicheld and Schefter (2002)). This created a lot of skepticism around CRM, as was the case for KLM in 1997. If you contrast the KLM case story with many of the previous endeavors at CRM then you can but observe that, apparently, KLM this time looked at CRM much more harmoniously and seemed to be on the right track. This is how Cristina Zanchi put it at the Gartner 2004 CRM Award ceremony in London: “Although we only started our CRM program quite recently, we are satisfied with the results achieved so far. In winning this award, we hope to have reached a point where we can swiftly implement the next phases of CRM in a bid to positively influence our customers’ buying and travelling patterns.”

The following lessons for doing CRM right stand out:

- *Create chains of successful CRM projects.*
The KLM story nicely fits with the pattern of success laid out in (Rigby and Ledingham, 2004). This article reports on the experiences of a range of companies that have recently reported success in implementing CRM systems, and lays out the common threads for us. They all seem to have

taken a pragmatic, disciplined approach to CRM, launching highly focused projects that are relatively narrow in their scope and modest in their goals. The initial investment success stories are then used as springboards for solving additional problems. KLM set out to do the same with CIAO, a deliberate choice as a first CRM project “new style,” facing the additional difficulty of breaking with a lot of lingering skepticism since 1997. The ambition of KLM was to eventually transform the entire enterprise by creating chains of successful CRM projects.

- *Grow enabling ICT infrastructure seamlessly.*

Many companies are struggling to sell major upfront infrastructural investments, like the CDB, aimed at laying the ground foundation for enabling future strategic options and agility. This “enabling view” on ICT infrastructure investment (Weill and Broadbent (1998)) is often regarded as an overinvestment, and, moreover, proves hard to value in the project investment process. With CIAO as a front, it proved much easier to sell an enabling infrastructural investment like the CDB. Selling CIAO wasn’t a problem. KLM, as other airlines, had been engaged in managing campaigns for quite some time before CIAO. Also, KLM wasn’t the only (or the first) airline to consider investment in campaign management software aimed at strategic benefits. Moreover, the software market at that time had matured to the point where competing vendors were able to back up their product offerings with several prior success stories, with very tangible benefits. Thus, CIAO was used as a “killer application” to drive infrastructure investment. In general, how much CDB one can sell this way is dependent on:

 - how much of the CDB investment one is able to link up with tangible business benefits on the CIAO side; and
 - the senior management attitude towards this type of enabling infrastructural investment.
- *Establish strong CRM leadership with vision.*

At the very start of his tenure as Head of the Commercial Division Paul Gregorowitsch made CRM into one of the strategic building blocks on which he would build KLM’s commercial strategy. His ambition was to make every customer interaction into an opportunity to enhance the customer’s buying and traveling experience, and to increase and sustain company profitability. CRM consistently reappeared in meetings, monthly newsletters and other communication with the rest of the company. His evangelization of CRM went downwards as well as upwards to the board of directors of KLM. A new CRM Department within the reorganized Commercial Division took on responsibility for

the successful launch of CRM within the Commercial Division, spearheaded by CIAO and CDB, and for leading CRM into the rest of the organization. For Paul Gregorowitsch CRM clearly didn't stop at the boundaries of the Commercial Division.

- *Set up a matching governance structure.*

The CRM Program established a management skeleton for supporting clear and coordinated decision making, control of resources, and for ensuring the realization of benefits for further CRM projects across an ever larger part of the KLM enterprise. The CRM Program embodies the necessity for setting up a structure for growing and governing enterprise wide investment in CRM. The CRM Program tries to institutionalize managing CRM as a harmonious whole of strategy, process, organization, ICT and people. Mechanisms built into the CRM Program to realize this are:

 - explicit goal based linkage of CRM vision/mission and project benefits;
 - consistent enterprise wide Program communication;
 - three-pillar investment portfolio covering operational CRM, analytical CRM and change management projects;
 - Program based investment management;
 - benefits management alongside project management;
 - enterprise architecture management for strategy, process, people and ICT

NOTES

1. The key question is whether a firm's investment in information technology is in harmony with its strategic objectives (intent, current strategy, and business goals) and thus building the capabilities necessary to deliver business value. This state of harmony is referred to as alignment. It is complex, multifaceted, and never completely achieved. It is about continuing to move in the right direction and being better aligned than competitors. This definition is reproduced from (Weill and Broadbent (1998)).
2. CRM is an enterprise wide business strategy for achieving customer-specific objectives by taking customer-specific actions. It is enterprise wide because it can't be assigned to marketing if it is to have any hope of success. Its objectives are customer-specific because the goal is to increase the value of each customer. Therefore, the firm will take customer-specific actions for each customer, made possible by new technologies. This definition is reproduced from (Peppers and Rogers (2004)).
3. Governance, as in corporate governance, refers to the use of transparent structures and processes that specify how decision are made, carried out, reinforced, and challenged, and who will be responsible and accountable for these decisions.
4. Program management is a structured framework for defining and implementing change within an organization. It provides a framework for implementing business strategies and initiatives through the coordinated management of a portfolio of projects that change organizations to

achieve benefits that are of strategic importance. This definition is reproduced from (Office of Government Commerce (2005)).

5. KLM Royal Dutch Airlines formed the core of KLM Group. KLM Group had four core activities: passenger transport, cargo transport, engineering and maintenance, and charter/low cost business. In fiscal year 2003/2004, KLM Group carried more than 23 million passengers and reported a net income of €24 million on €5,877 million revenue. The number of employees for KLM Group as of March 2004 was 34,529 of which 4,162 abroad.
6. Operational CRM, according to Meta Group, refers to the automation of horizontally integrated business processes involving front-office customer touch points across sales, marketing, and customer service via multiple, interconnected delivery channels. Analytical CRM refers to the analysis of data created on the operational side of CRM and through other relevant operational data sources for the purposes of business performance management and customer-specific analysis. These definitions are reproduced from (Peppers and Rogers (2004)).

REFERENCES

- Gartner Inc., 2004, KLM Royal Dutch Airlines Wins Gartner CRM Excellence Award 2004, (Gartner Inc.), 10 May.
- KLM Royal Dutch Airlines, 2004, Annual Report 2003/2004, (KLM Royal Dutch Airlines, Amstelveen, The Netherlands).
- Peppers, D. And Rogers, M., 2004, Customer Relationship Management – a Strategic Framework, (John Wiley & Sons Inc., Hoboken, NJ).
- Office of Government Commerce, 2005, Workbook on programmes, (<http://www.ogc.gov.uk/sdtoolkit/workbooks/programmes/index.html>).
- Rigby, D.K., Reicheld, F.F. And Schefter, P., 2002, Avoid the Four Perils of CRM, *Harvard Business Review* 80, 2, 101-109.
- Rigby, D.K. And Ledingham, D., 2004, CRM Done Right, *Harvard Business Review*, 81, 11, 118-129.
- Weill, P. And Broadbent, M., 1998, Leveraging the New Information Infrastructure – How Market Leaders Capitalize on Information Technology, (Harvard Business School Press, Boston, MA).