

A Work Project, presented as part of the requirements for the Award of a Masters Degree in
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Customer Relationship Management at Siemens Healthcare – a diagnosis and proposal
for strategy and market segmentation

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I WOULD LIKE TO EXPRESS MY SINCERE GRATITUDE...

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Agenda

0. Abstract	3
1. Siemens – Company Overview	4
a. Siemens AG	4
b. Siemens Healthcare & Project Scope	4
2. Methodology	5
3. CRM Strategy Diagnosis @ Siemens	6
a. Processes, Goals, Tools & KPIs	6
b. Other CRM Challenges	9
4. Market Segmentation	10
a. Theoretical Concepts, Models & Critical Stages	10
b. Current Segmentation Diagnosis	13
c. SPSS Framework & Insights	15
d. Siemens Customer Segmentation Proposal	16
5. CRM Plan Proposal	19
a. Overview	19
b. CRM Identified Challenges	19
c. CRM Initiatives	22
6. Implementation Plan & Timeline	25
7. Conclusion	26
8. Bibliography	27
9. Appendix	29

0. Abstract

Towards a holistic perspective of CRM, this project aims to diagnose and propose a strategy and market segmentation for Siemens Healthcare. The main underlying principle is to apply a full customer-centric outlook taking own business properties into consideration while preserving Siemens Healthcare's culture and vision. Mainly focused on market segmentation, this project goes beyond established boundaries by employing an unbiased perspective of CRM while challenging current strategy, goals, processes, tools, initiatives and KPIs. In order to promote a sustainable business excellence strategy, this project aspires to streamline CRM strategic importance and driving the company one step forward.

KEY-WORDS: CRM, Customer-centricity, Market Segmentation, Siemens.

1. COMPANY OVERVIEW: A) SIEMENS AG

Founded in 1847, Siemens Aktiengesellschaft (AG) is a German-based corporation which provides high-technological and innovative solutions in engineering and electronics. The firm is divided into 4 divisions: Healthcare, Energy, Industry and Infrastructure & Cities. Despite being a complex organization, spread around the world, Siemens stands for innovation, quality, reliability and engineering excellence. These are the values that conferred a strong long-run position after 167 years of history “and this will remain so in the future”, according Joe Kaeser, CEO of the largest engineering company in Europe. Siemens is one of the major players in Healthcare and more recently is making great efforts to follow the most sophisticated business trends, namely on overseeing customer touch points. However, this becomes a real challenge in such a complex company. Therefore, understanding the business context would be extremely vital in order to add valuable inputs both in terms of CRM strategy and market segmentation.

B) SIEMENS HEALTHCARE & PROJECT SCOPE

In 2013, healthcare represented 17% of the entire economic activity in terms of revenue. However, it is not only highest profit margin unit (%), but also the business that generated more profit to the group (2,048 millions of €), with an increment of 13% in comparison to the year before. This sector is divided into 4 divisions: Imaging & Therapy Systems (HIM), Clinical Products (HCP), Customer Solutions (HCX) and Diagnostics (DX) where not only equipments are sold but also technical service - more specifically maintenance contracts that represents a noteworthy source of revenue.

During this project, only two out of the four divisions will be approached: HIM and HCP, once DX represents a different kind of business and HCX's structure is passing through a carve-out process. Among the approached divisions, the company runs business in areas such as: angiography, tomography, oncology, ultrasound, etc.; through selling both equipments and maintenance contracts.

2. METHODOLOGY

To face the main purpose of this project, the following steps were taken: 1) Business deep-dive (Delphi method), by interviewing key agents; 2) Get in touch with market segmentation strategy and diagnose it; 3) Building a solid customer database as Siemens has not one yet; 4) Analyze collected data and look for insights; 5) Using an IT tool (SPSS) to cluster and analyze database resorting statistical techniques; 6) Market Segmentation (MS) proposal. Next, each step will be carefully analyzed and procedures identified.

Delphi method is based in the opinion of a panel of business experts and it is used to forecast or decide under the principle that when those individuals are used, the results are more accurate rather than by means of unstructured groups. The author also resorted to this technique to comprehend all Siemens CRM and MS policies and processes. Therefore, twelve key agents were identified and then interviewed from the CEO to the sales director to obtain a very wide range of business insights.

In order to analyze database an accurate statistical analysis with the purpose of exposing what it is not plain by looking to raw data was computed. Therefore, all the following analyses were done: Minimum & Maximum Value, Sum, Range, Mean, Standard Deviation

and Variance; Outliers Analysis (through Z-score – to understand if some values should be removed with the aim not to bias the analysis); Correlation Analysis – to identify multicollinearity (high dependence between variables).

Regarding clustering, which goal is to categorize data into similar groups based on variables measured (Malhotra and Birks, 2006, p. 596), was used an informatics tool – IBM SPSS v.22. For this purpose was used hierarchical cluster analysis (HCA), that will group clients according its value through a dendrogram. Take into account that this last technique measures the distance of metric variables – with the help of Square Euclidean Distance, recommended by Malhotra and Birks (2006, p. 600) for HCA. Afterwards, the author used Ward's technique to minimize variance between clusters. By way of verification, ANOVAs and k-means clustering analysis were also computed.

To conclude MS analysis, according Siemens sales director, there is no sense on using more than five clusters because of Portuguese market dimension.

3. CRM STRATEGY DIAGNOSIS @ SIEMENS: C. JOURNEY, TOOLS, GOALS, & KPIS

Although Siemens is doubtless a pioneer multinational enterprise, a core stage in the customer journey is missing – after sales service. The current one is following represented:

1) **Creating a relationship** (where the customer is understood); 2) **Clarify business opportunity** (create a bid / no bid decision); 3) **Evaluate data offer** (provide a differentiate solution); 4) **Negotiate the offer** (obtain commitment from the client); 5) **Handover customer contract** (detail solution implementation); 6) **Analyze won and lost clients** (understand and communicate it); 7) **Customer Care** (following up steps).

Actually the enterprise lacks on activity after the final stage – customer care, which is a good way to let the customer satisfied and more than that guaranteeing loyalty. Besides, this increases the likelihood of retention and also awakens a commitment side that will instinctively lead the client to purchase more than before. The final comment about the customer journey resides in a weak segmentation step. Eventually, if the company could focus its attention on this issue, would see its sales boosting in an exponential rhythm due to more tailored solutions. Actually, this is the most approached concept in this thesis.

Exhibit I: Customer Journey at Siemens



Concerning tools, there are many, but the four major found are: 1) **Sh@re** (contains every relevant information about clients and projects such as planning activities, tracking opportunities, confirming installed base of Siemens and competitors, etc.); 2) **360° Customer View** (includes the most relevant information in the post-sale service about a given client); 3) **Schalke** (shows installed base per client and its potential in terms of sales) and 4) **Siemit** (approaches maintenance contracts, more precisely activities regarding service). The point is that the firm has overlapped tools. Besides, they are passive, which means have to be fed manually. Certainly that an active CRM software would be useful as sales managers could focus their time in individualistic and customized approaches (each client could be treated differently) through a business intelligence tool that would appeal to

a certain type of “strategy or action plan according certain business particularities, rather than loosing time constantly manually feeding existing”, as a sales representative stated.

The German-based engineering firm cares about CRM anchored in 5 strategic goals: 1) **market transparency** (to eliminate white spots and then increase market coverage); 2) **sales funnel management** (to forecast accurately); 3) **sales conversion** (to increase win and churn rates); 4) **partner of choice** (to boost levels of satisfaction); 5) **cost position** (to benchmark in terms of sales cost / % of revenue). These five pillars can be summarized into a broad focus that centers attention in clients, employees, competitors and market as whole.

Last, but not the least Key Performance Indicators’ objective is to measure how far the company is by now, from the established strategic goals. Next, it will be pointed up fifteen KPIs, used to the purpose aforementioned. Regarding the first goal, market transparency, Siemens use: 1) **Blind Spot** (difference between the value used in Sh@re – and other internal source: MTA); 2) **Gap Retrospective** (difference between internal and external sources – MTA vs COCIR); 3) **Market Share** from external sources. About the second goal, which is funnel management it is used: 1) **Funnel Data Quality** (quality of data put in sh@re) through next formula: $[(\text{planned sales} - \text{closed sales}) / \text{non-closed sales}]$; 2) **Forecast Accuracy** (ability to predict results – when they actually occur). Concerning customer satisfaction the firm uses: 1) **Retention Rate** (% of customers kept in the company); 2) **Share of Wallet** (% of total market that Siemens won, according client’s potential investment); 3) **Net Promoter Score** (resides in a single question about if a customer would recommend Siemens in a scale 1-10); 4) **Net Satisfaction Index** (satisfaction in a scale 1-10 on eight different issues such as: accessibility of customer care

center, time to arrive on-site or speed to diagnose and resolve the problem). Relating to sales conversion Siemens uses: 1) **Win Rate** (% of won contests); 2) **Conversion Rate** (% of sold equipments that previously were bought from competitors); 3) **Contract Capture Rate** (% of equipments that include service); 4) **Price Quality** (Margin of won and forecasted projects); About cost position: 1) **Sales Operating Cost Management** (Selling, General & Administrative Expenses / Revenue); 2) **Sales Employee Productivity** (measures how productive Siemens employees are) – (Registered Sales / Number of internal employees). Below it is possible to see a summarized table.

Exhibit II: Summarized Current Goals & KPIs

STRATEGIC GOALS:	KEY PERFORMANCE INDICATORS
- MARKET TRANSPARENCY	- Blind Spot - Gap Retrospective - Market Share
- FUNNEL MANAGEMENT	- Funnel Data Quality - Forecaste Accuracy
- CUSTOMER SATISFACTION	- Retention Rate - Share of Wallet - Net Promoter Score - Net Satisfaction Index
- SALES CONVERSION	- Win Rate - Conversion Rate - Contract Capture Rate - Price Quality
- COST POSITION	- Sales Operating Cost Management - Sales Employee Productivity

Note, that there are many other KPIs. However, they were not considered relevant to include in this analysis. It is possible to conclude by saying that CRM strategy focus in employees as a mean to achieve high quality service.

B) OTHER CRM CHALLENGES @ SIEMENS

Next, other vital CRM issues are going to be considered as needing improvement: 1) Build a full time & complementary team; 2) Customer centricity / Customer-Strategy Enterprise;

3) Get sponsorship from the rest of the organization; 4) Differentiate customers; 5) Siemens as Trusted Agent in Long Term; 6) Loyalty programs; 7) Monitor & automate processes, but keep it simple – One single tool; 8) Communicate results & achievements

4. MARKET SEGMENTATION. A) THEORETICAL CONCEPTS, MODELS & CRITICAL STAGES

Market segmentation seems a very trendy concept, but was already created in the middle of last century. “Since the concept emerged in the late 1950’s, segmentation has been one of the most researched topics in marketing literature” (Wedel and Kamakura, 2001, p.xix). Moreover, according Boejgaard and Ellegaard (2010), between 1956 and 2008 were published more than 1.750 papers about the issue.

The primer definitions that emerged about market segmentation, suggest that represents the ability to take a look to a heterogeneous market and turn it into a homogeneous one, by grouping customers according preferences (Smith, 1956). More recently, the concept was defined as the ability to “identify and profile distinct groups of buyers who might require separate products or marketing mixes” (Kotler, 1994).

After all, why is it so important to segment the market? Actually, grouping customers could be profitable, as provides economies of scale in different branches such as marketing and production (Wedel and Kamakura, 2002, pg.181). However, segmenting appropriately is tough, once that for being considered effective should fulfill 6 main criteria: be stable, measurable, substantial, accessible, actionable, and differentiable (Kotler, 1994).

Saying this, it is relevant to define a market segment. Wind and Cardozo (1974) suggests that is a group of customers that share characteristics and are significant enough to explain and predict a marketing action response.

The market can also be segmented into macro and micro perspectives. According Porter (1985), the macro one is about segmenting industries. While macro segmentation allows a firm to know what type of industries is facing, micro goes deeper into detailed information about a given customer.

Over the years, several models emerged and some will be further discussed in this thesis such as the nested approach or the portfolio management perspective.

The Nested Approach is a model that contains five different steps, organized from difficulty levels in terms of access to information through investigation (Shapiro and Bonoma, 1984, p.104). It starts in demographics (e.g. location, size of the company) and layer-by-layer ends with personal characteristics (much more inner and difficult to know about, such as personal motivation or individual perceptions). In between it is required to overcome 3 other layers such as operating variables (technology, customer capabilities), purchasing approach (criteria and company policies) and situational factors (urgency and size of order). Besides being easy-to-use, other authors find it limited. Mitchell and Wilson (1998, p.437) says that “pays very little attention to customer needs and is driven by supplier convenience”. Besides, it is significantly relevant to consider financials or economic value during the process (Wind and Thomas, 1994, p.67). To sum up, this model seems to be a step in the right direction, but looks insufficient to segment a market.

The next approach is a portfolio's one and it's based on financial analysis of investment. The purpose of this is to segment according value, devotion or other relevant variables. Normally, the variables are confronted in a matrix. Naturally, there are some variants of this approach, but for this thesis was selected the most appropriate ones. The first perspective defends that customers should be managed according profits and not sales (Shapiro et al, 1987, p.101). The model suggests that it should be put net price against cost to serve the customer, since the result of this is the profit. However, Zolkiewski and Turnbull (2000) remembered through a paper how difficult is to identify the cost to serve each one of company's customers and thus, the profit of each segment. Another model confronts relationship with company performance and was raised by Pick (1999). Basically, the big assumption here is that improving performance by customer needs fulfillment is the most solid way to maintain a good relationship with partners (Pick, 1999, p. 268). Also in this perspective there is no agreement, for example Werner and Kumar (2002, p.8), say that managing a customer for profit is far away different from doing it for loyalty.

With the evolution of the concept, nowadays, the approaches used are whether feature based segmentation (by location, size or industry), also known as *firmographics*, or behavior segmentation - that allow a firm to tailor both communication and offers to fit customer needs by deeply knowing him or her. According to Hague and Harrison (2014), the first one doesn't provide a sustainable competitive advantage. Therefore, the desirable approach is that one that starts and uses *firmographics* and moves to a behavior and needs-based perspective. Naturally, this is not an easy task as it involves timely activities to deeply know the entire customers database. Hague and Harrison (2014), state the

importance of having an up-to-date database as a first requirement to build relevant insights. More than that, investing time to know your customer in detail is critical in case a company wants to develop a sustainable competitive advantage. Although it's hard to do, it's also extremely difficult to be copied by competitors. Thus, a good CRM strategy centered in customers proves itself to be a tremendous receipt to remain one step above competition.

B) CURRENT SEGMENTATION DIAGNOSIS & BUILDING DATABASE

Siemens segmentation is very focused on sales, what can lead losing some important insights. Market segmentation should incorporate inputs from both marketing and finance from the company's perspective.

Currently, Siemens uses a two-stage process to segment the market: classification and then, segmentation. Firstly, the company classifies its customers into a 9-level matrix where the axis are sales & service volume in the last 3 years (A,B or C) and financial potential (1,2 or 3). Naturally, an A1 customer is more valuable than a C3. Those clients with higher customer value are what Siemens look for and where leads and opportunities are very often transformed in real value to the sales funnel. In this first stage the author quickly identified some issues. For instance, in classification according volume a 1-year client has a wrong category attributed because its contribution to Siemens' revenue would be much higher if the computed value was an annual average. Also in potential, it is used Schalke that is a tool that links service and sales forecasts. The point is that the value registered, apparently is very different from the real one. After this step, only the most valuable customers are

taken into consideration for the next stage - those in the bottom of the sales volume axis and potential are excluded from the sales strategy. Therefore, urges a new starting point for segmentation. About segmentation, the customers are only classified into “state-of-the art”, “performance” and “value-driven”. Naturally in the first category are all those clients who seek high-technological solutions and in the other side, the value-driven are those who primarily care with price. Summing up the process, the customers are first classified according its sales volume and potential. Then, those who eventually can bring more value – A1, A2, B1, B2 are taken to a further analysis according purchase intention that confronts technological equipments with more affordable products in terms of price.

Siemens has many tools that allow managers to get different information but not a customers’ database in a unique place that allow a quick holistic view of each customer. Actually, the majority of customers are not active. The best way to oversee activity is through revenue generated. So, clients without a single transaction in HIM&CP the last 3 years were excluded, as there are no initiatives to win customers back. Additionally, clients who merged operations or are on the verge to close the doors were also eliminated from database. After all these cleanings, the sales director did an individual analysis to verify any other irregularities not considered yet. Consequently, database was reduced in ten times – from 1500 to 155 customers. Afterwards, five groups of variables were generated: 1) **Personal ID:** a) Name; b) Customer ID; c) NIF; d) Group; e) Type (Public or Private); f) Age with Siemens; 2) **Geographical ID:** a) City; b) County (Work regions); c) State; 3) **Financial Variables:** a) Sales & Service Volume; b) Service & Sales proportion (ideally should be 50-50 because it’s the way to get short-term value without compromising long-

term); c) Point of Sales (ability to persuade the customer to buy maintenance contracts by the time the equipment is bought); d) Classification by Potential; 4) **Credit Collection Variables:** a) Customer Rating; b) Average Payment Period; 5) **Sales Variables:** a) Client Size; b) Proportion of Siemens Installed base against competitors'; c) Customer Relationship Level; d) Purchase Criteria. All these 4 variables are somehow subjective, as was filled based on judgment by sales team. In order to homogenize it, certain categories were built, comprehended between one and three. Most of the times category number 1 was attributed to top 20%, category 2 to 40% and category to the last 40%. However, this strategy is adaptable to each variable.

Afterwards, both financial and intimacy ratios were computed. The first one incorporates 60% of sales and service volume; 25% client's future potential and the rest (15%) represents the ideal proportion between service and sales. Concerning the intimacy ratio, it is a simple average of three variables: relationship level with the client, Siemens installed base comparing with competitors' and having POS or not. To conclude was defined an individual customer value calculated through 60% of financial ratio and 40% of intimacy one.

C) SPSS FRAMEWORK & INSIGHTS

The IBM SPSS v22 was used to capture some interest insights about clustering and market segmentation. Additionally, the methods used were based in the book from Sarstedt, Marko and Mooi, Erik A. (2011). Firstly a bivariate correlation was computed to identify results that potentially point in a correlated direction. The results are shown in the appendix.

Afterwards a clustering analysis according two different methods was computed: 1) hierarchical clustering; 2) k-means clustering. The author decided do use HCA because didn't need to compute the number of clusters beforehand, can access to different partitionings depending on the level of resolution we are looking at and in spite of taking time, is more detailed what confers more control in the merger processes to the author. It is relevant to note that HCA and k-means method (used to confirm the first one) are extendedly described in the appendix chapter.

D) SIEMENS CUSTOMER SEGMENTATION PROPOSAL

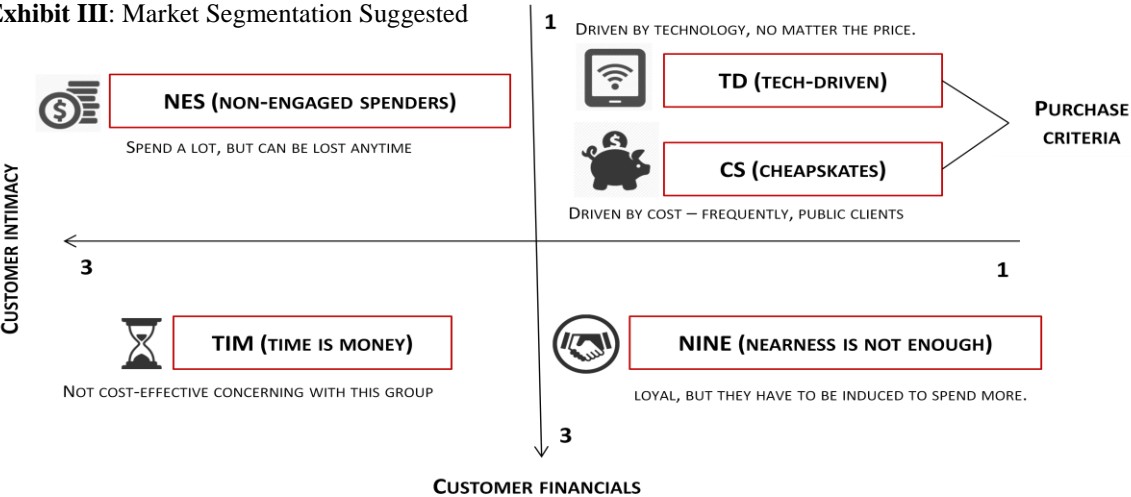
After compiling all the insights captured through SPSS and the business deep-dive, a new segmentation was suggested. Critical factors identified included financial, intimacy and purchase motivation variables. Credit collection was thoroughly analyzed, but both statistical results and business know-how deemed it irrelevant as an input to the segmentation. According business managers, customers' rating is not accurately established. Siemens trusts this mission to D&B, a public US company. However, incongruities are found very often.

Actually, a simpler approach was used: a pragmatic matrix that confronts the financial and intimacy ratios. Note that each one has a scale between 1 and 3. Therefore, the axis registers level 2, while class number 3 represents the lowest level of intimacy/financials. Thenceforth, emerge four clusters from each one of the matrix quadrants. The one with the lowest level of intimacy and finance (smaller than 2) is named TIM (Time is Money) which means Siemens shouldn't waste much time with them. Basically, in the case the client is

new it should be done an analysis to investigate if a given client has potential or the truth reason to having so low values. If it is a really low-value customer, Siemens simply shouldn't focus on them. The following cluster aggregates customers with low level of financial value but high patterns of closeness. Its name is NINE (nearness is not enough). Here, customers show their trust in Siemens. However, that relationship is not translated in value. Most of the times, it is a problem of client's size activity. It is deeply important keeping this group engaged and trying to suit Siemens' initiatives to make them grow within the company. As mentioned before, if dimension is the problem there is not much to do but keep them loyal. NES (Non-Engaged Spenders) suffers from an opposite problem. Here it is possible to find non-engaged clients that oppositely, close plenty valuable deals. The problem here is that Siemens have low ability to retain the client and it is very likely that the customer can be churned. The strategy for this group should primarily be conquering his loyalty so he could be able to see Siemens as a trusted agent that deserves his loyalty. Finally, the best quadrant (high levels of loyalty and finance) could be simpler clustered as the rest, but the author believes that should be differently approached. As mentioned before purchase criteria or purchase intention is an important aspect once companies take decisions based on those strategic issues. Therefore, this has to be incorporated somehow in Siemens sales strategy. This best quadrant seems a non-problematic cluster because everything looks good. However, managers have the duty to make those clients grow even more. A good step to make them more satisfied is approach them appropriately. If Siemens separate this cluster in two according purchase intention, I mean either driven by technological shifts or by price will be able to reap the rewards. To do so, the author recommends using current segmentation to understand which customers

seek the most technological products and those who look for affordable solutions. Focusing on the ones driven by price, cheapskates (CS) is the name of customers who belongs to this group. The other group is known as Tech-driven (TD) and essentially focuses on top technological solutions even if it involves investing in an equipment upgrade. Making this distinction is essentially to adjust offering to demand effectively. Seeing that the current segmentation process is prepared through business judgment, it is necessary to rectify it. Siemens has a classification to each one of product's portfolio (M1-M4) and should take advantage of it by automating this process. With some insights from the sales director, the author identified that segments M1 and M2 are much more expensive and more technology-gifted, while M3 and M4 are driven by value or price. Therefore, M1 and M2 should be grouped in one category while M3 and M4 in another. Consequently, what needs to be done to classify a customer into TD or CS, is an automatic individual analysis of the equipments' installed base in terms of value. In case the sales volume of the client installed base in M1 and M2 equipments be greater than in M3 and M4 category, the customer should be put in the TD segment. Below, it is represented the chapter summary exhibit.

Exhibit III: Market Segmentation Suggested



To sum up, the author believes that an automatic market segmentation with five clusters is the right way to keep the concept simple, but at the same time effective in terms of extorting the most possible short term value from each customer while preserving a long term relationship.

5. CRM PLAN PROPOSAL. A) OVERVIEW

In the section below the author will suggest some key aspects that have to be polished or even created from scratch. Moreover, the following aspects will be discussed: 1) team; 2) strategic goals and customer centricity; 3) after KPIs to assess strategic goals; 4) monitoring tool to analyze the outcome; 5) a broad approach on communications; 6) loyalty programs and other CRM initiatives.

B) CRM IDENTIFIED CHALLENGES

1) Building a Complementary & Full-time Team

The author believes the resources are not properly allocated so, suggests to assign a **full-time and structured team** that includes people from both sales and service. Actually, on the very first stage, involving three people in full-time would be enough, because for instance strategic aspects have to be defined from scratch. Obviously, these three resources have to be capable to work as a team to get full sponsorship and commitment from the entire enterprise, so that everyone can play an active role on operational execution and virtually belonging to this department.

2) **Align CRM strategic goals with customer-centricity** – Get, Keep, Grow

Customers through being a Trusted Agent and having a proper market segmentation

Peppers & Rodgers (2011) expresses the importance of being customer centric by saying that companies that haven't customer have just a hobby. Siemens CRM strategy final objective is boosting sales and to acquire larger economic value along the national market. Siemens must be able to separate CRM goals from sales ones. On author's outlook, market transparency, sales funnel management and cost position are relevant to sales directly, but for CRM only indirectly, which means this analyses have to be done by sales director. Besides, the author identifies a miss gap – growing the customer value within the company. Operationally, the three strategic goals could be resumed in 1) **Get** new customers; 2) **Keep** clients satisfied; 3) **Grow** customers' value. Note that ideally it would be used a **Life Cycle Management framework**, but due to the embryonic stage customer centricity is facing, the author suggested focusing in quick-wins.

But, beyond strategic goals it's essential to ensure an effective **market segmentation** to address certain issues according customers' profile and also guarantee Siemens is seen as a **Trusted Agent**. To be perceived as a trusted agent, the company has to establish a very strong and difficult to break bond with customers, in a way they feel company partners. In this concept are subjacent terms as full transparency, credibility, reliability, intimacy and self-orientation. To thrive is important to bear in company's culture that a strong building primarily cares with its foundations.

3) **KPIs** – Key Performance Indicators

Goals or initiatives should be supported by several KPIs, once using just one could bias the analysis. The author suggests the following KPIs per strategic goal:

- a) **Get:** 1) Win Rate; 2) Churn Rate; 3) Contract Capture Rate; 4) Price Quality; 5) Customer Acquisition Cost* (sales & marketing costs in a period/ number of equipments sold, excluding replaced ones)
 - b) **Keep:** 1) NPS; 2) Net Satisfaction Index; 3) Retention rate; 4) Benchmark in Satisfaction Levels when possible, through public information or certain companies*
 - c) **Grow:** 1) Increase in Customer Profitability Rate* (growing customers it's not only make customer generating more revenue, but also doing it on a sustainable way – computing last 7 years because it is the average equipment lifetime); 2) Involvement Rate* (participating more actively in Siemens' initiatives); 3) Increment in Siemens IB against competitor's Rate (Increment in Share of Customer)*; 4) Increment in social media engagement* (likes, shares, comments, etc.); 5) Increment of % of POS/number of equipments sold* (if POS ratio improves, means clients are more engaged and grow their value from the very beginning of lifecycle). Note that the new ones are represented with a star (*).
- 4) Monitoring & CRM Management Tool

Nowadays, Siemens have countless tools, each one with different scopes, but the problem is that some of them are transposed in terms of objective, which means having the same goals and fields to plug, what can naturally lead to different results in the end of the day. Therefore, the author recommends integrating systems and software in order to have just

one main CRM program that would be capable to include a database with relevant information about certain areas: sales, service and marketing. This kind of software would allow managers to employ time in further tasks such as planning and intervention.

Eventually, more than CRM software, the company demands a Business Intelligence program, which more than boosting sales, would promote effective internal communication, help top management keep business tracked that consequently would lead to a more structured, productive, efficient and effective organization.

5) Internal and External Communication

An accurate communications strategy is a way to reap the rewards from having CRM best practices. Furthermore, this would be the guarantee every employee would be in the same page, which means there is no way of providing inaccurate or even wrong information to stakeholders. Logically that having a single adopted tool would help hitting the target precisely. On the other hand communication is also a controlling mean of diffusing the word. If Siemens has the wisdom to share its best practices and prove that its customers are satisfied, the only effect generated will be benefic and, would capture more market share.

C) CRM INITIATIVES - LOYALTY PROGRAMS AND OTHER INITIATIVES

In Siemens there are no initiatives to reward the most devoted customers. Loyalty programs are based in the strategic goals aforementioned. They are directed to a specific segment and should be as customized as possible. According to Lisa Cannon, who quote facts from Direct Marketing Association, it costs 6/7 times more to acquire a new customer than to retain an existing one; the average company losses 10-30% customers annually.

Loyalty programs have the following goals: 1) Raise brand awareness; 2) Differentiate from competition; 3) Highlight appropriately a product launch; 4) Drive sales upwards; 5) Build long-term relationships; 6) Create competitive advantage and increase in long term market share; 7) Build lasting sales partner relationships. However, many of them fail. Here are the major reasons why customer loyalty programs and customer experience fails according a Clear Action study: 1) lack of top management sponsorship; 2) limited support from managers; 3) budget restrictions; 4) lack of a concrete strategy; 5) difficulty on understanding the results increment through CRM; 6) lack of cross-organization commitment and cooperation. Below are represented several initiatives properly divided.

3.1) Initiatives focused on Siemens functions & tools:

1. **Develop a website-database** with a self-care tool possibility to have a login account to access information about the partner and Siemens. It would be the offline communication platform between Siemens and each one of the partners.

2. **Going mobile** through an app that allow clients to get real time and everywhere access.

3. **Customer Care Center proactive satisfaction calls** aims to congratulate, show gratefulness or identify business opportunities through an unexpected call from Siemens.

4. **Adapt & customize communication** allow call receivers to access to a given profile automatically (by a pop-up window) to suit speech according customer.

5. **CCC Online Video Chat** could be used to provide a new way to communicate taking advantage from body language to capture clients' attention and engagement.

3.2) Initiatives focused on customers:

1. **Siemens Devotion Card** is a virtual card who reward in points certain behaviors and practices before the company. Those points would be converted in benefits.
2. **Conferences series** organized by Siemens partnering with experts to influence through Siemens values & vision, by creating a pioneering and eye popping spirit around the event.
3. **Siemens partners' awards** would recognize the best partnerships.
4. **Siemens reliable partnership distinction** would be a symbolic award delivered to customers who accomplishes 25, 50, 75 or 100 years of activity with Siemens.
5. **Customized Newsletters** share market trends and relevant news with Siemens' partners.
6. **Suggestion Box** let customers to be heard.
7. **Gratitude letter for partnering with Siemens** is a document where Siemens expresses gratitude for a trustworthy partnership, in a unique and customized way, taking the opportunity to inform about progress in terms of Siemens devotion card.
8. **Sponsor and/or endorse core events organized by Siemens partners** by demonstrating full support on achieving their individual goals and wishes.
9. **Experiencing a unique trip to headquarters** to know facilities, core people and mark presence in product launches as an evidence of trust.
10. **Prepare individual and fully customized sessions with Siemens top management** to get in touch with several issues and understand Siemens vision in a more detailed way.

11. Create **1-min ads directed to customers** to make them feel starved to obtain the last version of certain equipment. This would replace long descriptive texts in a dynamic way.

3.3) Initiatives focused on employees:

1. **Deliver a Customer-centric Award** to reward the best practices inside.

2. **Deep research about solid key facts about Siemens Healthcare** (use infographics)

3.4) Initiatives focused on online community & global society:

1. **Sponsoring healthcare forums** to capture general insights and concerns about healthcare. Providing technical feedback would help being perceived as a credible brand.

2. **Sharing histories of success.** People love happy endings and enjoy being recognized.

3. Move community through an **emotional campaign** where people could feel touched.

4. **Gamifying in Social Media.** Engage social followers in some contests and challenges to show professionalism while appealing to pioneer and creative brand associations.

Each one of the initiatives will be fully explained in appendix, including its costs and returns. The expected return in the first year is 137.729 euros.

6. IMPLEMENTATION PLAN & TIMELINE

CRM strategies offer enterprises a holistic view of their customers. Siemens have to be able to reap large gains from all these efficiencies by offering better service and developing more customized relationships with its clients. Below, it is represented an implementation graphic with established timeline. Additionally, on the first quarter of fiscal year sixteen, all

the CRM effectiveness and financial impacts should be measured. The following aspects should be diagnosed: 1) information storage; 2) information management and helpfulness in sales strategy; 3) info accuracy; 4) effectiveness of communications; 5) improvement areas; 6) system errors or info losses; 7) impact on sales and forecast activities.

Exhibit IV: Implementation Graphic with Timeline



7. CONCLUSION

Having a strategy is essential and valuable, but Siemens has also to step forward in terms of resources' allocation. This thesis predicts a deep diagnose and further recommendations to turn the company customer-centric. However, the company should bear in mind this is a gradual process until the rewards come into sight. Hence, implementing it successfully is like riding a bicycle – Siemens have to keep moving to maintain the balance.

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9. APPENDIX

The objective of this section is to clarify some topics addressed in general, by deeply explaining their meaning in an extended way. Also some additional clarifications considered relevant are here included. Note that other reason of having an extensive appendix chapter is for Siemens understanding the project with the complexity it deserves.

I. SPSS clustering process

a. HCA clustering

After every relevant variable was transformed in a numeric cell and measured in scale, the process was the following: isolate client name and including the following variables to compute a hierarchical cluster analysis: 1) Client Type; 2) Sales & service volume; 3) Relationship level; 4) Siemens IB comparing with competition; 5) Classification by potential; 6) POS; 7) Sales & Service proportion → select agglomeration schedule (clusters combined at each stage and the distances at which this merger takes place – simpler than divisive method), proximity matrix and dendogram → tick the “nearest neighbor” method with a square Euclidean distance interval and standardized in an interval [-1;1] → run the analysis → select a maximum and minimum number of clusters → re-run the analysis → decide how many clusters suit better → choose it by splitting the file and use that cluster to compare groups → compute a descriptive analysis with every relevant variable to understand the profile of each cluster. To testing the method, an ANOVA analysis was run to figure out if any variable was not significant at all. By doing all this process, the author concluded that 4 clusters were more suitable to company’s purpose. Moreover, the

variables where interesting results were found are precisely those used to compute financial and intimacy ratios and also the type of customer (public or private). Note that a countless number of analyses were tested to get insights.

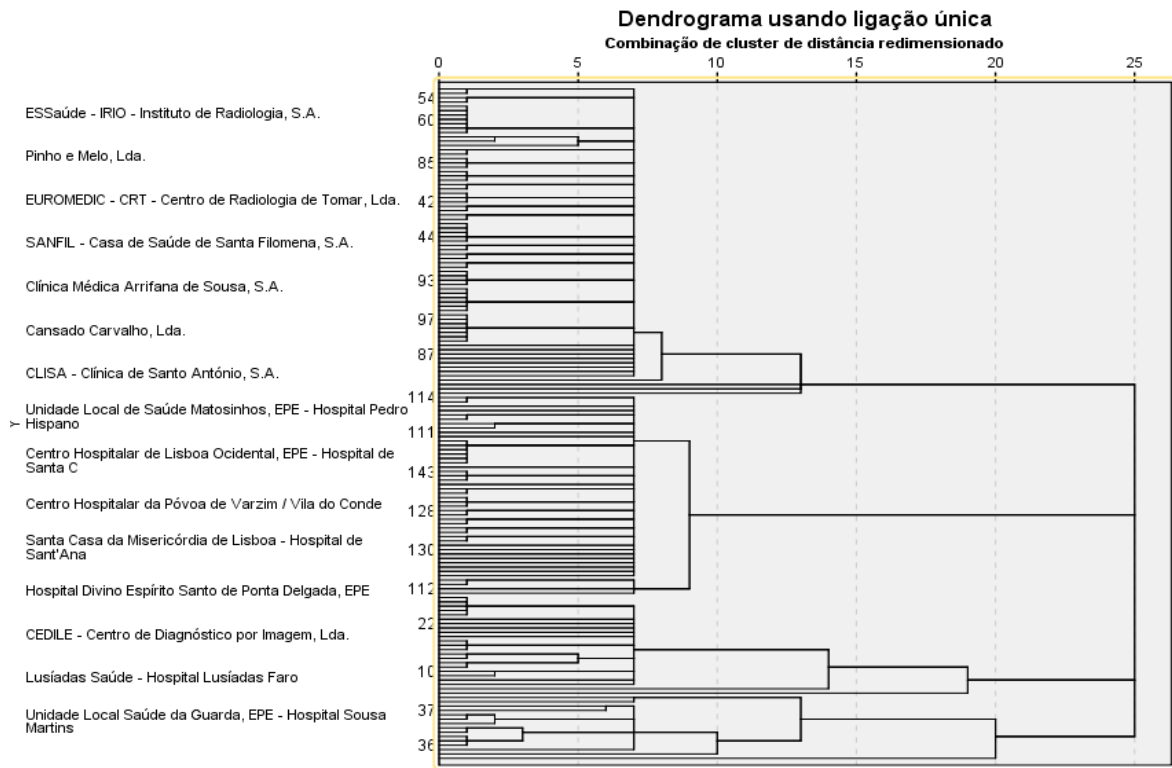
b. K-means process:

The process was the following: data was aggregated → cluster membership was chosen as a break variable → was created a new dataset containing only aggregated variables and name it → switch to the new dataset and rename the variables to have the same name than before → run k-means cluster analysis in the original dataset → choose the number of clusters (4) → read the aggregated dataset to read the cluster centers previously built → “save” and choose cluster membership → “options” and choose both initial cluster centers and ANOVA table → the output iteration history shows that there is no change in the cluster centers (a sign of stability from hierarchical Cluster analysis) → The ANOVA of the cluster centers shows that the means differs significantly across at least 3 segments , the null hypothesis is rejected in every case but the “type of client”, which means this variable maybe shouldn’t be included in the analysis. All these values are shown in the exhibits of the appendix.

II. IBM SPSS Print Screens about Statistical Clustering

a) HCA

A1) Dendogram:



A2) Descriptive Analysis:

Estatísticas descritivas

Single Linkage	Variáveis	Estatísticas				
		N	Mínimo	Máximo	Média	Desvio Padrão
1	Type_Cat	23	1	1	1,00	,000
	Dimension_Cat	23	1	2	1,52	,511
	Relation_Lvel_Cat	23	1	2	1,22	,422
	IBvsComp_Cat	23	1	3	1,17	,491
	Classif_Cat	23	1	3	2,00	1,000
	POS_Cat	23	1	1	1,00	,000
	Service_Cat	23	1	3	1,74	,541
	Age_Cat	23	1	3	1,26	,541
	Size_Cat	23	1	3	2,04	,706
	N válido (de lista)	23				
2	Type_Cat	15	3	3	3,00	,000
	Dimension_Cat	15	1	3	1,53	,640
	Relation_Lvel_Cat	15	1	3	1,80	,561
	IBvsComp_Cat	15	1	3	2,07	,594
	Classif_Cat	15	1	3	1,40	,632
	POS_Cat	15	1	1	1,00	,000
	Service_Cat	15	1	2	1,93	,258
	Age_Cat	15	1	3	1,73	,704
	Size_Cat	15	1	3	1,13	,516
	N válido (de lista)	15				
3	Type_Cat	71	1	1	1,00	,000
	Dimension_Cat	71	1	3	2,44	,579
	Relation_Lvel_Cat	71	1	3	1,76	,726
	IBvsComp_Cat	71	1	3	1,69	,872
	Classif_Cat	71	1	3	2,06	,908
	POS_Cat	71	3	3	3,00	,000
	Service_Cat	71	1	3	2,63	,615
	Age_Cat	71	1	3	1,25	,527
	Size_Cat	71	1	3	2,39	,707
	N válido (de lista)	71				
4	Type_Cat	46	3	3	3,00	,000
	Dimension_Cat	46	1	3	2,30	,628
	Relation_Lvel_Cat	46	1	3	2,20	,619
	IBvsComp_Cat	46	1	3	2,17	,769
	Classif_Cat	46	1	3	1,76	,822
	POS_Cat	46	3	3	3,00	,000
	Service_Cat	46	2	3	2,46	,504
	Age_Cat	46	1	3	1,50	,723
	Size_Cat	46	1	3	1,22	,513
	N válido (de lista)	46				

A3) ANOVA – confirmation method

ANOVA

		Soma dos Quadrados	df	Quadrado Médio	Z	Sig.
Type_Cat	Entre Grupos	147,974	3	49,325		
	Nos grupos	,000	151	,000		
	Total	147,974	154			
TotalS_S	Entre Grupos	1,950E+13	3	6,499E+12	20,218	,000
	Nos grupos	4,854E+13	151	3,214E+11		
	Total	6,804E+13	154			
Relation_Lvel_Cat	Entre Grupos	15,092	3	5,031	12,158	,000
	Nos grupos	62,482	151	,414		
	Total	77,574	154			
IBvsComp_Cat	Entre Grupos	17,364	3	5,788	9,708	,000
	Nos grupos	90,029	151	,596		
	Total	107,394	154			
Classif_Cat	Entre Grupos	6,604	3	2,201	2,872	,038
	Nos grupos	115,744	151	,767		
	Total	122,348	154			
POS_Cat	Entre Grupos	114,735	3	38,245		
	Nos grupos	,000	151	,000		
	Total	114,735	154			
Service_Cat	Entre Grupos	17,282	3	5,761	19,219	,000
	Nos grupos	45,260	151	,300		
	Total	62,542	154			

b) K-MEANS (based on hierarchical analysis)

B1) Initial clusters

Centros de cluster iniciais

	Cluster			
	1	2	3	4
Type_Cat	1	3	1	3
TotalS_S	1053683,06	1009713,30	172729,47	296311,33
Relation_Lvel_Cat	1	2	2	2
IBvsComp_Cat	1	2	2	2
Classif_Cat	2	1	2	2
POS_Cat	1	1	3	3
Service_Cat	2	2	3	2

Entrada a partir do subcomando FILE

B2) Final Clusters

Centros de cluster finais

	Cluster			
	1	2	3	4
Type_Cat	2	2	2	2
TotalS_S	2335135,91	1124581,92	85125,96	436042,53
Relation_Lvel_Cat	1	1	2	2
IBvsComp_Cat	2	1	2	1
Classif_Cat	1	1	2	2
POS_Cat	2	2	3	2
Service_Cat	2	2	3	2

B3) ANOVA confirmation:

ANOVA

	Cluster		Erro		Z	Sig.
	Quadrado Médio	df	Quadrado Médio	df		
Type_Cat	1,386	3	,952	151	1,455	,229
TotalS_S	2,069E+13	3	3,949E+10	151	523,960	,000
Relation_Lvel_Cat	1,786	3	,478	151	3,734	,013
IBvsComp_Cat	2,891	3	,654	151	4,422	,005
Classif_Cat	4,676	3	,717	151	6,518	,000
POS_Cat	13,162	3	,498	151	26,412	,000
Service_Cat	5,843	3	,298	151	19,603	,000

Os testes F devem ser usados apenas para finalidades descritivas porque os cluster foram escolhidos para maximizar as diferenças entre os casos em clusters diferentes. Os níveis de significância observados não estão corrigidos para isso e, dessa forma, não podem ser interpretados como testes da hipótese de que as médias de cluster são iguais.

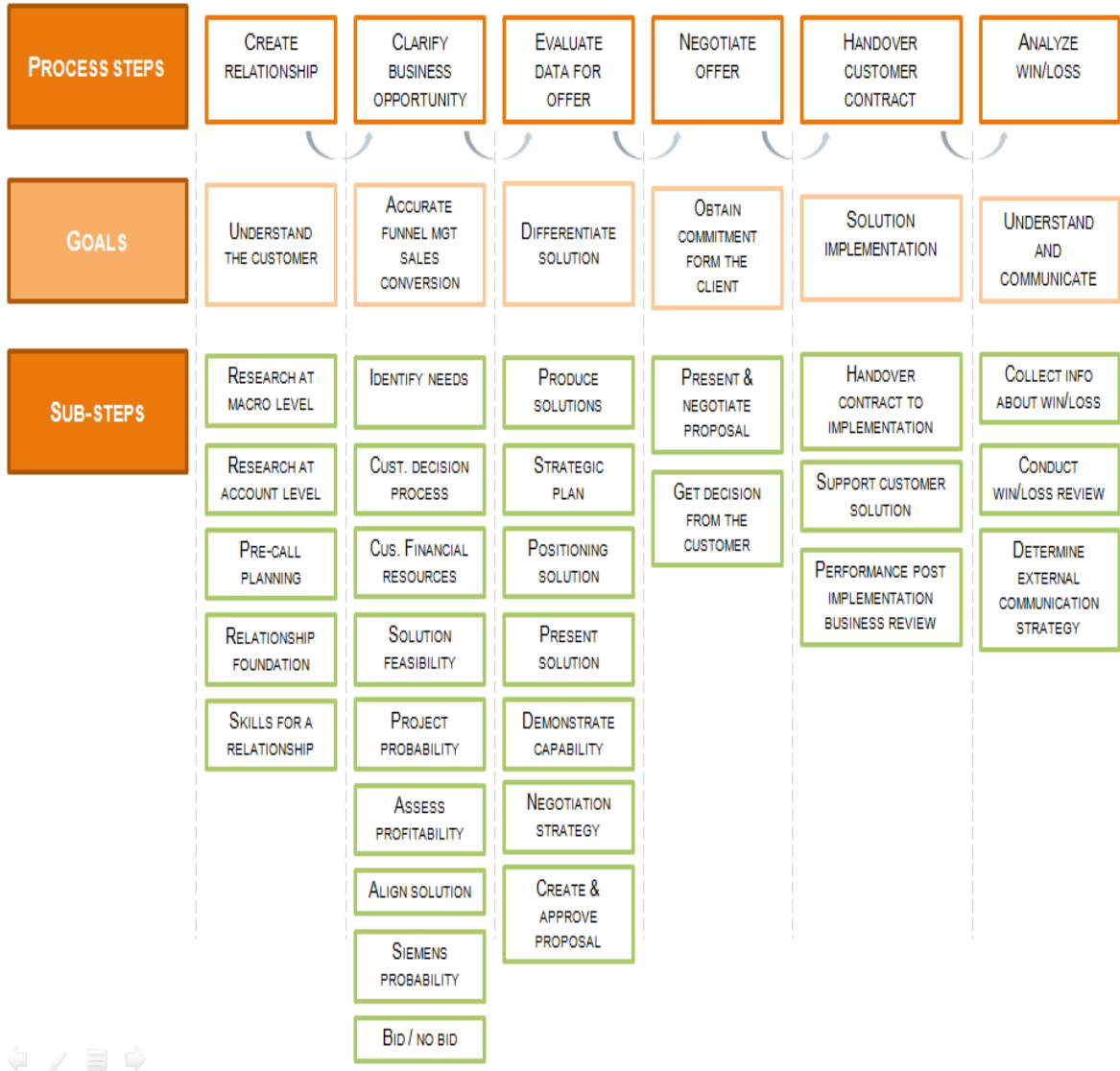
B4) Number of customers per cluster:

Número de casos em cada cluster

Cluster	1	12,000
	2	14,000
	3	99,000
	4	30,000
Válido		155,000
Ausente		,000

III. Siemens' Customer Journey

CRM @ Healthcare Customer Journey at Siemens



V. Strategic Goals & KPIs Suggested

1. Get

1. Win Rate
2. Churn Rate
3. Contract Capture Rate
4. Price Quality
5. Customer Acquisition Cost * (Sales&Marketing Costs in a period / number of equipments acquired)

Label:

* New KPI

2. Keep

1. Net Promoter Score
2. Net Satisfaction Index
3. Retention Rate
4. Benchmark in Satisfaction Levels *

3. Grow*

1. Increase in Customer Profitability Rate*
2. Involvement Rate*
3. Increment in Siemens IB vs Competitors (share of wallet)*
4. Growth in Social Media Engagement *
5. Rise in % of POS per number of equipments sold *

Other CRM Challenges – Deep Explanation

a) Building a team

In Siemens, CRM and business excellence were defined as its major company strategic goals for FY 2014 and 2015. However, resources were not allocated accordingly, as there is not a single person appointed to focus full-time activity on managing the complexity of CRM activity and customer centricity strategy. What is suggested is to assign a **full-time and structured team** that includes people from different backgrounds, which means involving people with know-how in both sales and service. Actually, on the very first stage, involving three people in full-time would be enough, because there are several significantly important aspects that have to be defined from scratch, mainly strategic ones. Note that the price of this would be about 52.500 euros (3 people *14 months *1250 euros a month).

This naturally means that the main issues should be about strategic planning. Obviously, these three resources have to be capable to work as a team to get full sponsorship and commitment from the entire enterprise, so that everyone can play an active role on operational execution and virtually belonging to this department. Even more critical than that, is to get full support and sponsorship from someone belonging to the board. Siemens requires a proper and well-established direction with a clear vision and further objectives. However, only if the company allocates human capital and time accordingly, would be able to reap the rewards from having an effective CRM strategy. Otherwise, this strategic intention would not be able to cross theory boundaries.

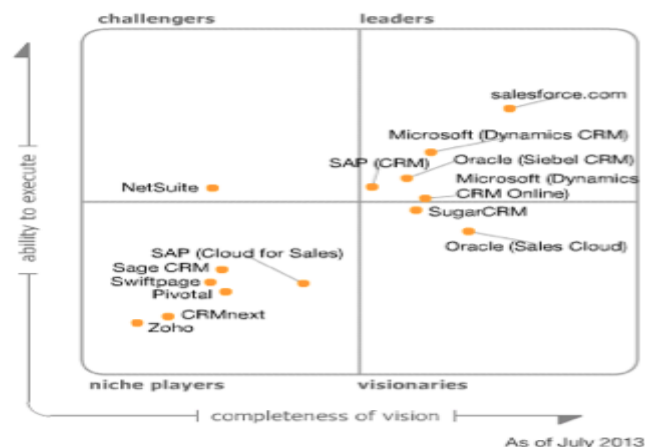
b) CRM Software

Nowadays, Siemens have countless tools, each one with different scopes, but the problem is that some of them are transposed in terms of objective, which means having the same goals and fields to plug, what can naturally lead to different results in the end of the day. Having tools with different values registered is one of the most dangerous weapons. Therefore, the author recommends integrating systems and software in order to have just one main CRM program that would be capable to include a database with every piece of relevant information about certain areas: sales, service and marketing. It's essential for Siemens to give efficiency back to its employees by keeping the process simpler. Actually, because of the existence of so many different tools, linking information about a customer is too expensive.

Besides, Siemens lacks on a user-friendly tool which can support management team. So, the purpose would be to have something very simple to use for all employees involved but, at the same time being time-effective for top managers be able to monitor the progress of CRM. The German-based company, by now, has not a simple tool that joins relevant info and allows monitoring in real time. Consequently, this would be very important for sales team, once they could access to it in the field and in real-time. Actually, not only sales people would have admission, but everyone direct or indirectly involved in the CRM process would have access to it.

Furthermore, Siemens also requires a CRM process to save time for its employees in the analysis stage. In fact, lifting *excel* sheets from scratch by extracting information and then manually building graphics and other relevant metrics instruments takes time. Alternatively, would be great if those tasks were produced automatically. Verifying that, top managers would employ their time on the most relevant part of the process, which is interpreting all those values and adjust strategy accordingly. Note that Siemens simply lacks on this. Actually, the company affects resources in producing analysis, but no one reads and decodes those values for future purposes.

Eventually, more than CRM software, the company demands a Business Intelligence program, which more than providing data



Source: Gartner (July 2013)

mining and OLAP analysis, additionally produces predictive analytics, text analytics and reporting tools (dashboards, scorecards, etc.). Naturally, in spite of adding more value this comes with a cost that only depends on how much Siemens would like to spend on improving CRM. Qlikview and IBM Cognos are two business intelligence programs that could suit in Siemens business complexity requirements. Note that a potential high-quality Business Intelligence tool would boost sales, promote effective internal communication, help top management keep business tracked that would consequently lead a more structured, productive, efficient and effective organization.

c) Loyalty Programs & Initiatives

There is no such a way to keep the clients loyal as by building strong bonds. In order to do so, Siemens insists on having high-patterns of quality in all services rendered. However, for instance, there are no detailed programs capable to reward the most devoted ones. Loyalty programs are based in the strategic goals aforementioned: getting new customers retain them and make clients spend more. Note that sometimes some are created to entice the customers to buy the higher margin products. Additionally, should be said that companies have to create programs that are connected with the CRM currently trends, which means caring with customer experience and use today technologies such as going digital with a strong mobile focus. Furthermore, loyalty programs should be directed to a specific segment and be as customized as possible. Actually, seminars, market research or customer care centers are relevant utensils in every B2B firm's toolbox for perceiving, getting, serving and remaining customers loyal. However they're not enough nowadays. Firms are bringing customers inside their organizations, by allocating and sharing information and by

allowing them to team up with other clients. The key words in online customer communities are “customers”, “collaboration,” and “issues of mutual interest”. Customers, because it’s supposed to address issues according their needs and issues; collaboration between company and customers in order to understand what concerns clients and predict issues to improve offerings; issues of mutual interest since customers have to understand that they are the focus of having an online community and the company is not trying to sell anything at all. Still, online communities are also used to educate somehow customers on their issues of interest. However, the real final purposes on having online communities are: 1) helping customers extracting more value from products and services; 2) improve products enhancements; 3) develop products to fulfill potential concerns; 4) reduce cost of post-sale by promoting assistance among customers; 5) to get control about social media conversations about the company and the market as a whole.

According to Lisa Cannon, who quote facts from Direct Marketing Association, it costs 6/7 times more to acquire a new customer than to retain an existing one; the average company losses 10-30% customers annually.

Loyalty programs have the following goals: 1) Raise brand awareness; 2) Differentiate from competition; 3) Highlight appropriately a product launch; 4) Drive sales upwards; 5) Build long-term relationships; 6) Create competitive advantage and increase in long term market share; 7) Build lasting sales partner relationships. However, many of them fail. Here are the major reasons why customer loyalty programs and customer experience fails according a Clear Action study: 1) lack of top management sponsorship; 2) limited support from managers; 3) budget restrictions; 4) lack of a concrete strategy; 5) difficulty on

understanding the results increment through CRM; 6) lack of cross-organization commitment and cooperation.

The same report points out some initiatives to improve the overall lack of commitment in a firm: 1) Full transparency inside the firm regarding customer feedback; 2) Expound and act on survey results about customer satisfaction; 3) Use metrics in performance review; 4) Reward customer experience improvements by teams; 5) Align incentive pay to customer experience metrics. Below are represented several suggested initiatives.

**C1) 22 Initiatives Process: Title → a. Description → b. goal → c. KPI & objective →
Return on Investment**

Focused on the customer

1) Siemens Devotion Card

- a. The customer would have a virtual card which aim is to collect points according certain behaviors with Siemens (performance + fulfilling responsibilities). Ex: +xyz points on acquiring equipments; signing a Point of Sales, upgrading a maintenance contract; pay on time and according the contract specifications; participating in “Siemens conferences”; giving feedback; filling surveys; increasing financial value comparing with previous year. After that a grid would be established for example: if you get more than 500 points a year, you will have 20% discount on every project with Siemens for the next 2 years; if you have between 300-499 will have 10% discount for the next year, etc. This is a way to educate the clients

according to what Siemens thinks are best practices and giving them something in exchange. It would make more sense in business units with more sales rotation as it happens in Ultrasound.

- b. Educate the clients according to Siemens ideal practices and growing customer value. Keep & Grow
- c. 1) % of clients achieved the best layer. Objective = 5%; 2) % of active clients (activity last 3 years) did at least a certain number of points = 75%

Exhibit C1.1.1.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Opportunity Cost on Assembling the System	3	4	5	-	-60
2- Management Costs	1	48	5	-	-240
3- Customers Financial Behavior Improvement					
3a- Liquidity Improvement Earnings	1	-	-	100	100
3b- Cash collection savings	2	13	5	360	424
3c- New Orders	5	-	-	3600	18000
Total					18224

Exhibit C1.1.1.2 - Assumptions / Comments

1- Half a day building the process.

2- Opportunity Cost of managing the loyalty points and addressing offers.

3- Financial discounts or other benefits offered to customers deducted in "liquidity improvement"

3a- Opportunity Cost on having more liquidity. Other: OC Rate = 2%; assuming 5000 euros paid in advance due to this initiative.

3b- Includes time & travel expenses not spent with collections and customer's meetings. Other = fuel savings (20% out of a total of 150 euros/month). There are 2 cash collectors. Assuming 20% of savings. Could also save 20% of their time allocated in these activities.

3c- Buying New Equipments. Assume due to this measure 3 equipments are sold (the cheapest one). Other= Cost per equipment (18.000 euros). Note that a margin of a sale could be something like 20% on average.

- 2) **Series of Conferences** - Siemens and partners linked for innovation

- a. Siemens organize a series of conferences where not only clients are invited, but also potential customers. Partnership with organizations such as “Ordem dos Médicos” where several aspects are approached like megatrends in healthcare; hospital top management; new innovations, Angiography, Ultra-sound, etc. Top professional sessions focused on innovation and future challenges in healthcare with special guests, I mean experts from other parts of the world. In an expression, this type of occasions could be translated in “sharing knowledge”.
- b. Attract value through showing high-quality patterns put in every activity and make them to be guided by Siemens vision to incorporate Siemens values and feel they fit the company vision. Get and Keep
- c. 1) % of audience stocking (empty sits). Objective: Lower than 25%

Exhibit C1.1.2.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Paying the guests bills	100	-	-	200	-20000
2- Speakers invited	20	1	60	30	-1800
3- Opportunity Cost of organizing the event	5	16	5		-400
4- New Orders	5	-	-	6000	30000
Total					7800

Exhibit C1.1.2.2 - Assumptions / Comments

1- 200 euros per customer, every cost included in a session - represented in "Other"

1- Assuming 5 sessions a year.

1- 25 customers invited.

1- Each customer can bring 4 people.

2- Four speakers invited in 5 sessions. Other: Other expenses per speaker as travel costs on average).

4- 30.000 euros is the average equipment we would sell. Let's assume One new equipments sold per session. Margin 20%.

3) **Siemens Best Partner (Customer) Awards** with different categories

- a. In the end of a given event, Siemens could recognize clients according different aspects. The objective would be make the client feel proud but also implicitly make them feel committed with us above everyone else. Moreover, could be a stimulus to certain customers behave as truth partners (in behavior and financial value) in order to win the trophy.
- b. Keep & Grow
- c. 1) % of clients who received Siemens award (less than 5 years ago) retention = 90% (excluding those who went bankruptcy). 2) % of clients who received Siemens award that grew commitment (financially) at least once in the next 3 years = 50%. Note that this one is difficult to achieve because normally awards will be sent to those with higher financial value. So, it's difficult to increase sales + service afterwards.
- d. Risk: Letting down some customers who expected to win something

Exhibit C1.1.3.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Awards Cost	3	-	-	25	-75
2- Value grown in these customers	3	-	-	2500	7500
3- Logistics & planning opportunity cost	2	4	5	-	-40
Total					7385

Exhibit C1.1.3.2 - Assumptions / Comments

1- Three awards delivered. Other: Cost of an award.

2- Each customer receives just an award.

2- At least will be done an equipment upgrade for each winning customer. Other: Cost of an upgrade (net).

4) Siemens reliable partner distinction

- a. Offer a symbolic “gift” to clients for 25, 50, 75, 100 years of partnership.

The client has to be considered active customer during the period.

- b. Keep

- c. % of clients that are in less than 3 years to get the “prize” retention = 75%.

Objective: assess if obtaining that symbolic thing is stimulant enough. Note:

Exclude bankruptcy cases.

Exhibit C1.1.4.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Awards Cost	1	-	-	25	-25
2- Value grown in these customers	1	-	-	500	500
3- Logistics & planning opportunity cost	1	1	5	-	-5
Total					470

Exhibit C1.1.4.2 - Assumptions / Comments

1- Cost per each customer reaches this mark.

2- 500 euros in benefits is the "subjective" value the author interprets for a good-perception / a smile caused.

5) Customized monthly Newsletters

- a. Trends, News, M&As, Market, strategy and management issues, tips, etc.

Essentially, customization would be according market segmentation – available through e-mail and website. Maintain the client informed.

- b. Keep & Grow by supporting clients and giving them some evidence about market opportunities.

- c. % Clients who opened the file. Objective = 40% in 1 year, 50% in second year

Exhibit C1.1.5.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Logistics & planning opportunity cost	12	4	5	-	-240
2- Value grown in these customers	1	-	-	250	250
Total					10

Exhibit C1.1.5.2 - Assumptions / Comments

1- Assuming than monthly it takes half a day filling the newsletter.

2- 250 euros as benefit is the "subjective" value the author interprets for an annually good-perception / a smile.

6) Suggestion Box

- a. In order to be heard the clients and stakeholders in general can make recommendations – in terms of how Siemens runs business and portfolio offers
- b. Keep & Grow
- c. # of valuable ideas that contributed to improve Siemens competitiveness

Exhibit C1.1.6.1 - Financials	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Logistics & planning opportunity cost	1	24	5	-	-120
2- Value grown in these customers	1	-	-	500	500
Total					380

Exhibit C1.1.6.2 - Assumptions / Comments

1- It takes half an hour per week to manage the initiative.

2- 500 euros as benefit due to short improvements in terms of processes and the way the customer is managed.

7) Account status & thank you for partnering with Siemens letter

- a. Inform clients about their activity and express gratitude for their partnership, support and loyalty

- b. Keep & Grow
- c. % of clients who received the letter

Exhibit C1.1.7.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Logistics & management opportunity cost	1	104	5	250	-770
2- Value grown in customers	100	-	-	10	1000
Total					230

Exhibit C1.1.7.2 - Assumptions / Comments

1- It takes 2h per week to manage the initiative.

1- Other: 250 euros in costs with material and stamps.

2- In top 100 relevant clients, this initiative improves perception in 10 euros.

8) Sponsoring key activities organized by our VIP clients

- a. Follow top clients activity and potentially support them by offering sponsorship. Capture new business opportunities from roots and help those customers achieving their purposes.
- b. Keep & Grow
- c. # of sponsored activities

Exhibit C1.1.8.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Transportation, accomodation & logistic costs	12	-	-	500	-6000
2- Planning opportunity cost	1	8	5	-	-40
3- New orders	4	-	-	3600	14400
Total					8360

Exhibit C1.1.8.2 - Assumptions / Comments

1- Sponsor 12 events in 1000 euros average.

2- Will be done an upgrade in half customers sponsored. Other: Cost of an upgrade (net).

3- It takes on average 2 hours to decide which partner and event should Siemens sponsor.

9) **Special invitation to visit HQ in Germany** or factory and attending the launch of a new product

- a. Make our clients feel proud of working with us. Showing them its facilities and cause Wow moments on them. Make them feel unique.
- b. Keep & Grow
- c. # of organized visits annually

Exhibit C1.1.9.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Transportation, accomodation & logistic costs	12	-	-	500	-6000
2- Planning opportunity cost	1	8	5	-	-40
3- New orders	4	-	-	3600	14400
Total					8360

Exhibit C1.1.9.2 - Assumptions / Comments

1- Invitation for 4 customers a year. Each one could take 3 people. A two-day event.

1- In the cost are included some WOW experiences (unexpected).

2- It takes on average 2 hours to plan a visit. 4 sessions a year.

3. Expected a new order per event with this initiative (assuming the cheapest sold).

10) Make customer's voice be heard

- a. Unique and customized sessions where an employee meets with the client just to hear him about needs and desires. The objective is fulfilling those as soon as possible and eventually capturing business insights and opportunities. Top management task Empower clients in a sense Siemens is going to know him in detail so his concerns could be addressed. Share client's vision and strengthen customer's bonds and reliability.
- b. Keep & Grow
- c. # of sessions a year

Exhibit C1.1.10.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Opportunity cost of top directors / board	18	6	20	30	-2700
2- Business opportunities for the sales funnel.	3	-	-	2500	7500
Total					4800

Exhibit C1.1.10.2 - Assumptions / Comments

1- Opportunity cost per hour from board is 20 euros /hour. 2 people from Siemens per session. 3 hours per session.

1- On average 1,5 sessions per month. Other: Expenses in WOW moments.

2- 1/6 of sessions will turn into actual business opportunities of 2500 euros.

11) 1-min product ads

- a. Directed to customers to make them feel starved to obtain the last version of certain equipment. This would replace long descriptive texts in a dynamic way.
- b. Get & Keep
- c. # of video visualizations. A number should be established as objective.

Exhibit C1.1.11.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Producing/Direction costs	14	-	-	200	-2800
2- Awareness + Likely to buy a product	3,5	-	-	5000	17500
Total					14700

Exhibit C1.1.11.2 - Assumptions / Comments

1- 1 new equipment/upgrade per modality. There are 14 modalities in HIM&CP.

1- Assumed that direction & related costs ascends to 200 euros per advertisement.

2- With a more dynamic way customers get more informed, because don't need to read those extensive texts and are more touched by the ads. Assumed 25% times a equipment is sold due to this initiative with an average margin of 5.000 euros.

Focused on Siemens functions

1) Siemens Website with self-care tool

- a. Basically each customer would have a customer account by having an online login. In that platform will find every piece of information about its partnership with Siemens. Customers can fully keep track of all the activity with Siemens (an historical view + do present actions – more focused in the technical side of thing, such as request a technical appointment). What type of information will have? Essentially: 1) personal data & info; 2) operational activity such as: Installed base / Maintenance contracts; 3) financial info: value spent per year, BU, etc.; 4) technical info: detailed info about Siemens portfolio; 5) Other relevant info to boost the offline communications between Siemens and a given customer such as newsletters or special campaigns. Additionally, it would be possible to track if there is anyone from Siemens in the building; schedule maintenance interventions; ... The purpose is to create a tool where the customer is obliged to use regularly so that can manage the business effectively. So, Siemens have to add features stimulant enough to get that purpose. Other notes: 1) Assuming the same client, they could have different accesses according management level – after logging there was other password that for example for low managers will only access to certain type of content. These restrictions would be created by the “CEO”/ higher executive that will have full control of situation. 2) This tool would be essential to integrate other type of initiatives as a platform that links Siemens and its partners. Also would be a fantastic

way of communicate with the client in a customized way, always knowing everything about the client.

- b. Ensure full transparency & trust → Keep & Grow.
- c. 1) Percentage of Customers that adhere. Objective after 1 year = 75%; after 2 years = 90%; 2) Percentage of active users (that logged on less than week ago – define a day where the control is done, quarterly). Objective only after 2 years: 50%

Exhibit C1.2.1.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Cost of tool creation	1	-	-	100000	-100000
2- Account Management Improvement					
2a- Individual and Unique Customer Treatment	100	-	-	250	25000
2b- Transparency and Positive Impact	100	-	-	50	5000
2c- New orders	25	-	-	5000	125000
Total					55000

Exhibit C1.2.1.2 - Assumptions / Comments

1- Assuming that producing such a complex tool like this would cost 100.000 euros. IT, integration & initial inefficiencies costs included.

2a- Top 100 clients will be managed more efficiently, in a result of 250 euros a year of savings.

2b- In all top 100 clients transparency will result in a relationship improvement valued in 50 euros per client.

2c- More Info=Trusted Agent= New orders through reliability.

2c- Average Margin of 5.000 euros. 25% Top 100 clients buy equipments/make upgrades with 5000 margin.

- 2) **Customized app** where the client can access to the Siemens account by mobile.
 - a. Going mobile is respecting world’s change. Help in management by monitoring on real-time and everywhere. Would mean be one step forward competition, once our competitors don’t do this.

b. Get & Keep

c. % of clients who use mobile. Objective 1 year= 50%; 2year=75%

Exhibit C1.2.2.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- App creation	1	-	-	500	-500
2- Efficiency improvement and other savings	100	-	-	10	1000
Total					500

Exhibit C1.2.2.2 - Assumptions / Comments

1- Creating an app with every direct cost included ascends to 500 euros.

2- Using the app would save time to Siemens' employees. If each top 100 client saves 10 euros in time, Siemens collects 1000 euros in savings and offline communication improvement.

3) Proactive calls & Executive visits

- a. Proactively, CCC would start doing some follow-up calls. Not about a specific technical issue, but to ensure the customer is satisfied, if needs something, if would like to report something, to inform for instance that has “X” points in the “card” and is close to take advantage from Siemens offers or even to congratulate him for some achievement. But essentially, this call would be to thank the customer to choose Siemens and give the opportunity to make any suggestion or mentioning something. The customer has to feel its opinion counts for the company. Proactive satisfaction calls and executive visits aims to congratulate, show gratefulness or identify business opportunities through an unexpected contact from Siemens call center and depending on the type of client in person visits.
- b. Keep & Grow (if the client feels part of the change process, he will want to add value to us by giving feedback)

- c. 1) Retention rate improvement. There is not a clear objective. 2) Internal KPI: Customer received at least a call in last quarter and he shown grateful to us (different of thinking we were boring them – based on perceptions). Objective = 75%.

Exhibit C1.2.3.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Direct costs	1	-	-	250	-250
2- Opportunity cost	1	40	5	-	-200
3- New orders	1	-	-	2500	2500
Total					2050

Exhibit C1.2.3.2 - Assumptions / Comments

1- Direct costs include expenses to instill the WOW moment, transportation cost, etc.

2- Each call takes 5min (average) - to make 62 calls in the year = 5 hours. The rest are executive visits.

3- At least one business opportunity is converted to sales funnel.

4) **Pop-up in customer care center** when a client calls.

- a. In CCC, when employees answer a client’s call, a pop-up could immediately opens to a more customized and effective treatment. Siemens, this way, would demonstrate keeping track of the entire history and activity; know every “red/unperformed machines” and it could take advantage to remember the client that Siemens has other solutions – upgrades/maintenances that could fix the problem. Help the client monitoring its installed base. Adapt & customize communication to a given client is an initiative happening in Customer Care Center which allow call receivers to access to a given profile and other core business traits of a certain caller. If this type of information appears automatically as a pop-up, Siemens’ employees could be able to suit

their speech according customer’s characteristics and maybe predicting his concerns and solving their issues more effectively.

- b. Keep & Grow
- c. Additional Revenue through CCC calls. Difficult to measure.

Exhibit C1.2.4.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Tool creation cost	1	-	-	3000	-3000
2- More accurate speech translated in upgrades	2	-	-	2500	5000
Total					2000

Exhibit C1.2.4.2 - Assumptions / Comments

- 1- A tool like this should cost 3000 euros. The highest problem is about integration.
- 2- 2 upgrades due to the accurate way of communication & rapid problem diagnostic.
- 2- An increase in the client's touchpoints allow to capture more business opportunities.

5) **Online video chat** – connected with call center: Help Desk Online

- a. Solving issues solution through a 9h-18h online help desk using the website.
 Dispose one more feature available without additional charges. CCC Online Video Chat is a feature that could be used to provide a new way to communicate taking advantage from body language. This initiative would be a way to capture client’s attention and loyalty more effective by providing a positive experience across these interactions. Eye contact it’s a powerful weapon to gain trust. Video calls, using mobile-phone camera could also help diagnosing equipments’ problems and avoid unnecessary travels by helping the customer solving those issues by their own.
- b. Keep
- c. % of solved tickets using this tool.

Exhibit C1.2.5.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Tool creation costs	1	-	-	1000	-1000
2- New orders due to more "agressive sell"	1	-	-	2500	2500
Total					1500

Exhibit C1.2.5.2 - Assumptions / Comments

1- Direct costs on generating the tool.

2- At least an equipment upgrade would recover the investment.

Focused on Siemens employees

1) “Customer-centric Award”

- a. Measure directed to employees promoting an internal championship with proper reward. Communicating it powerfully (internally) – explaining why was the best performer
- b. Get, Keep & Grow
- c. CRM focus & concern improvement by the entire organization

Exhibit C1.3.1.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Awards Cost	1	-	-	25	-25
2- Benefits due to efforts on every employee bei	1	-	-	2500	2500
3- Logistics & management opportunity cost - evaluat	2	3	5	-	-30
Total					2445

Exhibit C1.3.1.2 - Assumptions / Comments

1- An award costs 25 euros.

2- The company's effort will be translated in at least an equipment upgrade.

3- 2 people will decide the winner and will take 3 hours evaluating the candidates.

2) Deep research about **key facts of Siemens healthcare activity**.

- a. Reasons to believe on us & share with customers – something like advertisement, but much more than a normal advert. This initiative requires an attractive layout in a sense it’s modern and clean and could be expressed as a traditional infographic. Share info with customers and the entire community about our action in the world.
- b. Reliability → Get & Keep
- c. # of different infographics shared with followers annually

Exhibit C1.3.2.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Logistics & management opportunity cost	2	16	5	-	-160
2- Benefits due to positive perception	1	-	-	2500	2500
Total					2340

Exhibit C1.3.2.2 - Assumptions / Comments

1- 2 people will work 16hours on researching key distinctive facts.

2- The company's effort will be translated in at least an equipment upgrade.

Focused on online communities & global society

1) Sponsoring internet forums

- a. Demonstrate that Siemens care with innovations and clients concerns – partnering with clients to address their needs and innovating through Siemens engineer experts, using online community feedback and concerns. Not only make us more visible, but also try to capture consumer’s insights and concerns about our business. Participate actively in order to predict wishes and anticipate innovations. Also provide technical feedback.

- b. Get
- c. # of Active forums sponsored

Exhibit C1.4.1.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Sponsoring expenses	4	-	-	300	-1200
2- Value grown in these customers	1	-	-	2500	2500
3- Logistics & planning opportunity cost	1	50	5	-	-250
Total					1050

Exhibit C1.4.1.2 - Assumptions / Comments

- 1- Let's assume sponsoring 4 forums with 300 euros.
- 2- Will be done an equipment upgrade in at least a customer that attends the forum.
- 3- On average it is needs 50 hours in the forum to keep it alive.

2) Sharing clients/partners story of success.

- d. Recognize VIP clients and demonstrate the community Siemens is a reliable partner and together it is possible to have great results. People love happy endings and enjoy being appropriately recognized by its best practices. Therefore, Siemens could promote through effective communication those cases of success.
- e. Get, Keep & Grow
- f. # of stories of success shared

Exhibit C1.4.2.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Opportunity Cost covering the story	3	4	5	-	-60
2- Direction costs	3	-	-	75	-225
3- Value grown in these customers	1	-	-	1000	750
Total					465

Exhibit C1.4.2.2 - Assumptions / Comments

- 1- Share 3 stories of success. Each takes half a day preparing

2- Cost producing the video and WOW moments expenses.

3- At least 1 of these customers will do an equipment upgrade. Assumed the cheapest one.

3) Emotional Campaign

g. Companies are managed by people and every human being can be touched.

Act responsible, prevent people to die...Touch the community by going emotional

h. Get and keep

i. # of viewers. Objective: 1Million in three months

Exhibit C1.4.3.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Opportunity Cost of producing it	2	16	5	-	-160
2- Direction costs	1	-	-	250	-250
3- New orders	1			3600	3600
Total					3190

Exhibit C1.4.3.2 - Assumptions / Comments

1- 2 people thinking about the initiative during 2 working days.

2- Expenses of producing the video.

3- At least one equipment will be sold.

4) Social Media: gamifying

j. Engage social followers in some contests and challenges, videos, images with facts. The objective is going beyond selling its products, but focusing on the clients. At the same time, it is an opportunity to show professionalism while appealing to pioneer and creative brand associations.

k. Get

1. Improvement in social network followers and general activity and Siemens Involvement Rate.

Exhibit C1.4.4.1 - Financials

	Yearly, in Euros				Total
	Units	Hours	Cost/hour	Other	
1- Opportunity Cost of producing it	2	160	5	-	-1600
2- New orders	1			3600	3600
Total					2000

Exhibit C1.4.4.2 - Assumptions / Comments

1- 2 people spending 20 working days on social media engagement.

2- At least one equipment will be sold.

Special indications to compute financial viability of each initiative:

1. When computed revenues from new orders or equipment upgrades, only the margin is taken into consideration (once Siemens SA buys from Siemens AG, an independent firm);
2. The financial considerations are always calculated according the worst case scenario;
3. Other subjective effects as brand image improvement are not taken into consideration.

Exhibit C1.5 – Financials: Total (Net)

Total of every initiative suggested in the first year	137.779	euros
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