

Managing Customer Relationships

Customer Relationship Management (CRM)

CRM is about...

- finding customers
- collecting info about them along the way
- using that information to enhance their experience and foster long-term relationships

CRM

- “CRM is a combination of policies, processes, and strategies implemented by a company that unify its customer interaction and provides a mechanism for tracking customer information.”
- From the outside, customers interacting with a company perceive the business as a single entity, despite often interacting with a variety of employees in different roles and departments.

Applications

- ❑ Information in the system (CRM related MIS) can be accessed and entered by employees in different departments
 - Sales
 - Marketing
 - Customer service
 - Training
 - Performance management
 - Human resource development
- ❑ Details on any customer contacts can also be stored in the system
 - The rationale behind this approach is to improve services provided directly to customers
 - To use the information in the system for targeted marketing and sales purposes

Related aspects

- ❑ Many inter-related aspects:
 - **Front office operation**
 - **Back office operations**
 - **Business relationships**
 - **Analysis**

Aspect 1 – Front office

- Direct interaction with customers, through-
 - **Face to face meetings**
 - **Phone calls**
 - **E-mail**
 - **Online services etc**

Aspect 2 – Back office

- ❑ Operations that ultimately affect the activities of the front office
 - **Billing**
 - **Maintenance**
 - **Planning**
 - **Marketing**
 - **Advertising**
 - **Finance**
 - **Manufacturing**

Aspect 3 - Business relationships

- Interaction with other companies and partners
 - **Suppliers/vendors**
 - **Retail outlets/distributors**
 - **Industry networks (trade assn')**

Aspect 4 - Analysis

- Key CRM data can be analyzed in order to plan
 - **Target-marketing campaigns**
 - **Conceive business strategies**
 - **Judge the success of CRM activities (e.g., market share, number and types of customers, revenue, profitability)**

CRM as Business Strategy

Business strategy perspective

Three key phases

- **Customer Acquisition**
- **Customer Retention**
- **Customer Extension**

Three contextual factors

- **Marketing Orientation**
- **Value Creation**
- **Innovative IT**

CRM as business strategy



1. Customer Acquisition

■ **Attracting our customer**

- For the first purchase
- We have acquired our customer

■ **Growth**

- Market orientation, innovative IT & value creation
- Aim is to increase the number of customers that purchase from us for the **FIRST TIME**

2. Customer Retention

■ Re-purchase

- ❖ Our customer returns and buys for a second time
- ❖ This is most likely to be the purchase of a similar product or service, or the next level of product or service.

■ Growth

- ❖ Market orientation, innovative IT & value creation
- ❖ Aim is to increase the number of customers that purchase from us
REGULARLY

3. Customer Extension

■ **Additional, supplementary purchases**

- ❖ Our customers are regularly purchasing
- ❖ We introduce products and services to our loyal customers different from original purchase
- ❖ Once purchased, our goal is to retain them as customers for the extended products or services

■ **Growth**

- ❖ Market orientation, innovative IT & value creation
- ❖ Aim is to increase the number of customers that purchase **ADDITIONAL** products/services.

4. Marketing orientation

- Focused upon the three levels of needs of customers
 - ❖ Actual, tangible product
 - ❖ Core product and its benefit
 - ❖ Also the augmented product such as a warranty and customer service

Elements of CRM

- 1. Validation
- 2. Discovery
- 3. Action

1. Validation

- Correct data

- ❖ Ensuring that the data you have on your customers is not only correct
- ❖ Also, in a suitable state for targeting communications programs

2. Discovery

- Use of data mining techniques
 - To find relationships that you did not know existed
 - Sometimes conventional analysis is impaired by your own natural assumptions and prejudices
 - Discovery techniques help to solve these issues by starting from ground zero
 - They simply search for relationships in the database against a set of objectives

3. Action

- Your customers and prospects need to have the right messages communicated to them
- This is done with a Campaign Management tool that can automatically select the right targets and the right messages via the right channels
- The responses are then fed back into the Validation process for evaluation and refinement

Essentials

- CRM is corporate strategy composed of applications, technology and products that fulfill three essential requirements
 - ❖ 1. Organization perspective
 - ❖ 2. Customer perspective
 - ❖ 3. Front office staff perspective

1. Organization perspective

- **360° view of each customer**

- ❖ For consistent and unified contact with that customer whenever anyone anywhere in the enterprise deals with that customer
- ❖ This knowledge increases the opportunities for sales and the effectiveness of customer service

2. Customer perspective

- **Customers to have a consistent view**

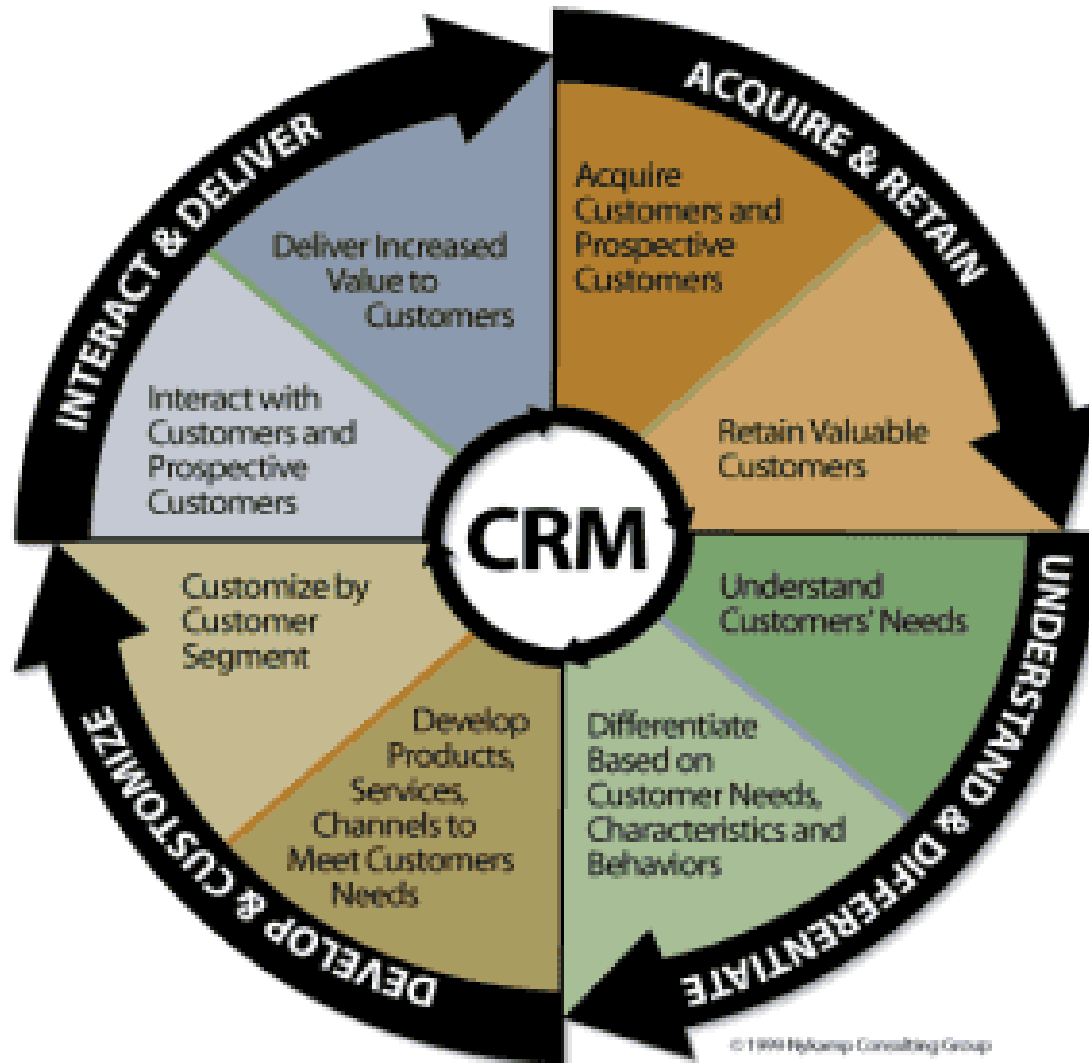
- ❖ To enable your customers to have a consistent view of your enterprise, regardless of the way the customer contacts you
- ❖ This improves customer satisfaction and customer retention

3. Front office staff perspective

■ Staff performance

- ❖ To enable front office staff to perform sales, service and marketing tasks more efficiently as a team
- ❖ Increasing expertise and reducing costs

CRM Processes & Systems



Processes & Systems

- Important

- ❖ Business starts with the acquisition of customers
- ❖ However, any successful CRM initiative is highly dependent on a solid understanding of customers

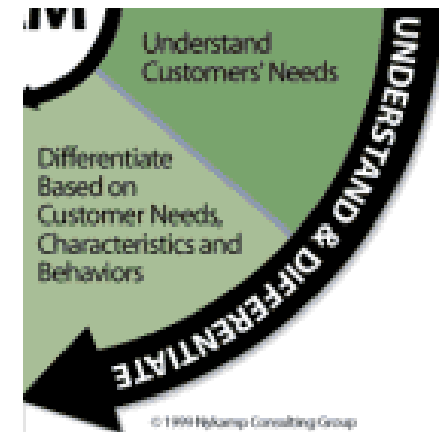
1. Understand & differentiate

■ Understand

- ❖ Demographics, purchase patterns & channels
- ❖ Segmentation to identify logical unique groups
- ❖ Primary research to capture needs and attitudes
- ❖ Customer valuation to understand profitability

■ Differentiate

- ❖ Based on the value customers
are expected to deliver



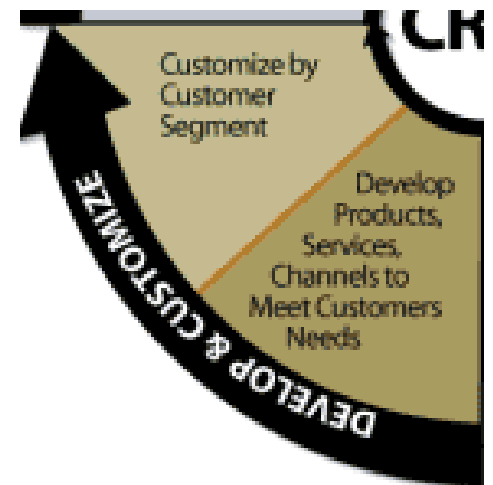
2. Develop & Customize

■ Develop

- ❖ Products, services, channels and media can be customized based on the needs of quantitative customer segments

■ Customize

- ❖ Based on the potential value delivered by customer segment



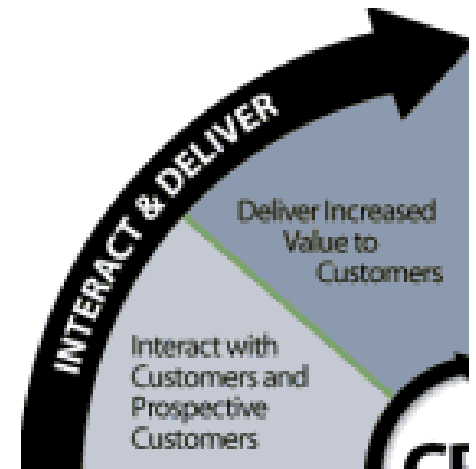
3. Interact & Deliver

■ Interact

- ❖ Not just through marketing, sales and media
- ❖ Distribution, shipping, customer service & online

■ Deliver

- ❖ Delivering value is a cornerstone
- ❖ Factors including quality, ease of use, responsiveness and service excellence



4. Acquire & Retain

■ Acquire

- ❖ Learning about customers makes it easy to identify those producing the greatest value

■ Retain

- ❖ Maintain interaction;
- ❖ Deliver on value
- ❖ Customers change as they move through differing life stages
- ❖ Modify the service

