



# Customer Relationship Management (CRM)

ProMISe FOLIO course

1

## What is CRM?



- CRM “is a business strategy that aims to understand, anticipate and manage the needs of an organisation’s current and potential customers” (1).
- It is a “comprehensive approach which provides seamless integration of every area of business that touches the customer—namely marketing, sales, customer services and field support through the integration of people, process and technology” (1)
- CRM is a shift from traditional marketing as it focuses on the retention of customers in addition to the acquisition of new customers (2)
- “The expression Customer Relationship Management (CRM) is becoming standard terminology, replacing what is widely perceived to be a misleadingly narrow term, relationship marketing (RM)” (3).

2

## Definition of CRM



“CRM is concerned with the creation, development and enhancement of individualised customer relationships with carefully targeted customers and customer groups resulting in maximizing their total customer life-time value” (2).

3

## The purpose of CRM



- “The focus [of CRM] is on creating value for the customer and the company over the longer term” (3).
- When customers value the customer service that they receive from suppliers, they are less likely to look to alternative suppliers for their needs (3).
- CRM enables organisations to gain ‘competitive advantage’ over competitors that supply similar products or services (1)

4

# Why is CRM important?

- “Today’s businesses compete with multi-product offerings created and delivered by networks, alliances and partnerships of many kinds. Both retaining customers and building relationships with other value-adding allies is critical to corporate performance” (3).



- “The adoption of C.R.M. is being fuelled by a recognition that long-term relationships with customers are one of the most important assets of an organisation” (2)

5

# Why did CRM develop?

CRM developed for a number of reasons:

- The 1980’s onwards saw rapid shifts in business that changed customer power (4)
- Supply exceeded demands for most products (4)
- Sellers had little pricing power (4)
- The only protection available to suppliers of goods and services was in their relationships with customers (4)



6

# What does CRM involve?



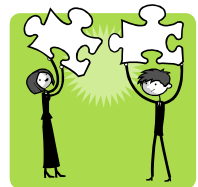
CRM involves the following (4):

- Organisations must become customer focused
- Organisations must be prepared to adapt so that it take customer needs into account and delivers them
- Market research must be undertaken to assess customer needs and satisfaction

7

# “Strategically significant customers”

- “Customer relationship management focuses on strategically significant markets. Not all customers are equally important” (3).
- Therefore, relationships should be built with customers that are likely to provide value for services
- Building relationships with customers that will provide little value could result in a loss of time, staff and financial resources



8

## Markers of strategically significant customers



- Strategically significant customers need to satisfy at least one of three conditions (3):
  1. Customers with high life-time values (i.e. customers that will repeatedly use the service in the long-term e.g. Nurses in a hospital library)
  2. Customers who serve as benchmarks for other customers e.g. In a hospital library consultants who teach on academic courses
  3. Customers who inspire change in the supplier

9

## Information Technology and CRM



- Technology plays a pivotal role in CRM (2).
- Technological approaches involving the use of databases, data mining and one-to-one marketing can assist organisations to increase customer value and their own profitability (2)
- This type of technology can be used to keep a record of customers names and contact details in addition to their history of buying products or using services (2)
- This information can be used to target customers in a personalised way and offer them services to meet their specific needs (2)
- This personalised communication provides value for the customer and increases customers loyalty to the provider (2)

10

## Information Technology and CRM: Examples



Here are examples of how technology can be used to create personalised services to increase loyalty in customers:

- **Phone calls, emails, mobile phone text messages, or WAP services (2):**

Having access to customers contact details and their service or purchase preferences through databases etc can enable organisations to alert customers to new, similar or alternative services or products
- **Illustration:** When tickets are purchased online via Lastminute.com, the website retains the customers details and their purchase history. The website regularly send emails to previous customers to inform them of similar upcoming events or special discounts. This helps to ensure that customers will continue to purchase tickets from Lastminute.com in the future.

11

## Information Technology and CRM: Examples



- **Cookies**

“A “cookie” is a parcel of text sent by a server to a web browser and then sent back unchanged by the browser each time it accesses that server. HTTP cookies are used for authenticating, tracking, and maintaining specific information about users, such as site preferences and the contents of their electronic shopping carts” (5).
- **Illustration:** The online store, Amazon, uses “cookies” to provide a personalised service for its customers. Amazon requires customers to register with the service when they purchase items. When registered customers log in to Amazon at a later time, they are ‘greeted’ with a welcome message which uses their name (for e.g. “Hello John”). In addition, their previous purchases are highlighted and a list of similar items that the customer may wish to purchase are also highlighted.

12

## Information Technology and CRM: Examples



- **Loyalty cards**

“the primary role of a retailer loyalty card is to gather data about customers. This in turn leads to customer comprehension and cost insights (e.g. customer retention rates at different spending levels, response rates to offers, new customer conversion rates, and where money is being wasted on circulars), followed by appropriate marketing action and follow-up analysis” (6)

- **Illustration:** The supermarket chain, Tesco, offers loyalty cards to its customers. When customers use the loyalty cards during pay transactions for goods, details of the purchases are stored in a database which enables Tesco to keep track of all the purchases that their customers make. At regular intervals, Tesco sends its customers money saving coupons by post for the products that the customers have bought in the past. The aim of this is to encourage customers to continually return to Tesco to do their shopping

- **CRM software- “Front office” solutions**

- “Many call centres use CRM software to store all of their customer's details. When a customer calls, the system can be used to retrieve and store information relevant to the customer. By serving the customer quickly and efficiently, and also keeping all information on a customer in one place, a company aims to make cost savings, and also encourage new customers” (7)

13

## Face-to-face CRM



- CRM can also be carried out in face-to-face interactions without the use of technology
- Staff members often remember the names and favourite services/products of regular customers and use this information to create a personalised service for them.
- For example, in a hospital library you will know the name of nurses that come in often and probably remember the area that they work in.
- However, face-to-face CRM could prove less useful when organisations have a large number of customers as it would be more difficult to remember details about each of them.

14

## Benefits of CRM



Benefits of CRM include (8):

- reduced costs, because the right things are being done (ie., effective and efficient operation)
- increased customer satisfaction, because they are getting exactly what they want (ie. meeting and exceeding expectations)
- ensuring that the focus of the organisation is external
- growth in numbers of customers
- maximisation of opportunities (eg. increased services, referrals, etc.)
- increased access to a source of market and competitor information
- highlighting poor operational processes
- long term profitability and sustainability

15

## Implementing CRM



- When introducing or developing CRM, a strategic review of the organisation's current position should be undertaken (2)
- Organisations need to address four issues (2):
  1. What is our core business and how will it evolve in the future?
  2. What form of CRM is appropriate for our business now and in the future?
  3. What IT infrastructure do we have and what do we need to support the future organisation needs?
  4. What vendors and partners do we need to choose?

16