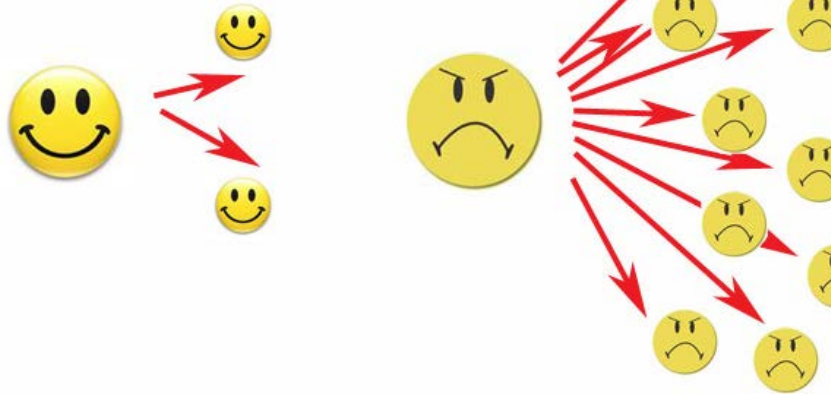


P09

Shopper

E352 – Retail Logistics



SCHOOL OF
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What is Customer Relationship Management (CRM)?



- ▶ CRM is “the development and maintenance of mutually beneficial long-term relationships with strategically significant customers”

(Buttle, 2000)

- ▶ CRM is “an IT enhanced value process, which identifies, develops, integrates and focuses the various competencies of the firm to the ‘voice’ of the customer in order to deliver long-term superior customer value, at a profit to well identified existing and potential customers”.

(Plakoyiannaki and Tzokas, 2001)

Determinants of CRM



► Trust

- The willingness to rely on the ability, integrity, and motivation of one company to serve the needs of the customer as agreed upon implicitly and explicitly.

► Value

- The ability of a selling organisation to satisfy the needs of the customer at a comparatively lower cost or higher benefit than that offered by competitors and measured in monetary, temporal, functional and psychological terms.



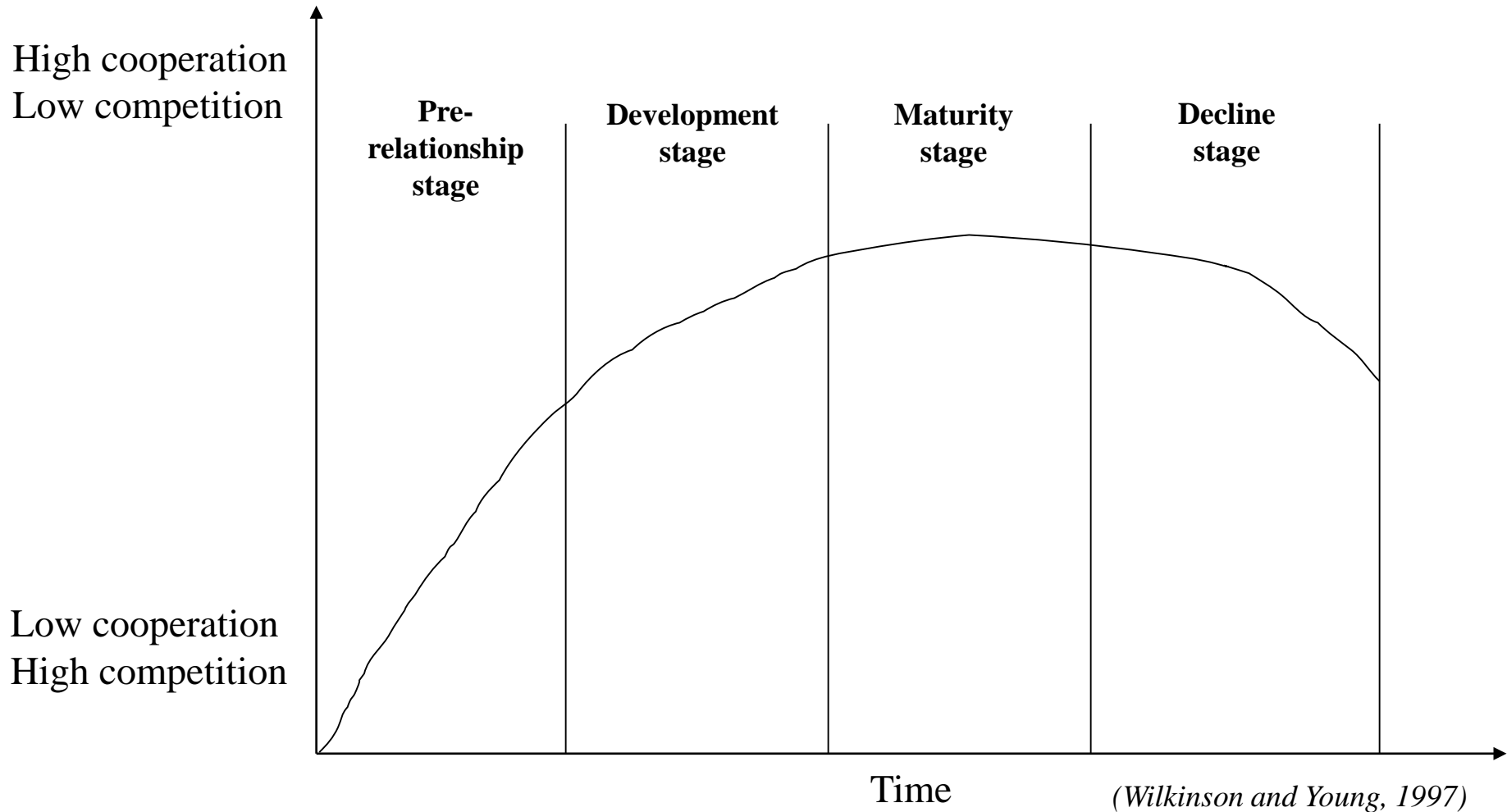
Determinants of CRM (cont'd)



- ▶ In addition to **trust** and **value**, one *must*:
 - Understand customer needs and problems
 - Provide superior after sales support
 - Make sure that the customer is always told the truth (must be honest)
 - Have a passionate interest in establishing and retaining a long-term relationship (e.g., have long-term perspective)



A Relationship Life Cycle Model



Stages in CRM Development



► The Pre-relationship Stage

- The event that triggers a customer to seek a retailer.
- Experience is accumulated between the customers and retailers although a great degree of uncertainty and distance exists.

► The Development Stage

- Increased levels of transactions lead to a higher degree of commitment and the distance is reduced to a social exchange.

Stages in CRM Development (cont'd)



► Maturity Stage

- Characterised by the Retail and customer mutual importance to each other.
- The interaction between the Retailers and customers becomes institutionalized.

► Decline Stage

- Relationship between customer and retailer weakens due to:
 - New and better products from competitors
 - Better service from competitors
 - Lost of trust of current retailer
 - etc

Relationship Building



High

Opportunities
for adding value

**Use a non
customized
approach**

**Build a strong
and lasting
relationship**

**Seek better
opportunities
elsewhere**

**Focus on
loyalty-building
program**

Low

Low

Potential profitability of customer

High



▶ Customer Database

- Database are setup for frequent customers
 - ▶ Transaction history (i.e. what was bought previously)
 - ▶ Customer contacts (e.g. name, age, address, phone number etc.)
 - ▶ Customer preferences (e.g. religion, vegetarian etc.)
 - ▶ Response to marketing activities

▶ Identifying Information

- Loyalty card (e.g. NTUC Link Points)
- Linking credit cards to retailer (e.g. DBS-Takashimaya credit card)

CRM Programs and Privacy



► Privacy concerns depends on:

- Amount of control over the personal information during transactions
 - Are the retailers collecting more information than what is required?
- Knowledge of the collection and the use of the information
 - Do I know what information are being collected and what will they use it for?
- E.g. use of “Cookies” when doing online browsing/shopping
 - The data in the cookies enables a site to identify visitors when they return for browsing/shopping
 - However, cookies also collect information about other sites visited and pages that has been downloaded/browsed



Identifying Best Customers



- ▶ Lifetime customer value (LTV)
 - Expected contribution from the customer to the retailer's profit over his/her entire relationship with the retailer
 - Use past behaviours to forecast the future purchases, profit margin related to the purchases and cost to serve the customers (e.g. advertising and promotions)
- ▶ RFM (Recency, Frequency, Monetary) Analysis
 - A scheme for segmenting customers according to how recent they have made a purchase, how often they make purchases, and how much they have bought
 - Often used by catalogue retailers and direct marketers
 - It can be a method of estimating the LTV of a customer

Identifying Best Customers – Customer Pyramid



- ▶ Customers differ in terms of profitability
 - Use of 80-20 rule
 - ▶ 80% of the sales or profits come from 20% of the customers
- ▶ Customers are divided into 4 segments
 - Platinum segment
 - ▶ Top 25% of the retailer's customers
 - ▶ Most royal and not too concerned about merchandise price
 - ▶ Place more value on the customer service
 - Gold segment
 - ▶ Next 25% of the customers
 - ▶ More price-sensitive, even though they buy significant amount of goods from the retailer
 - ▶ Not as loyal and probably patronize some of retailer's competitors

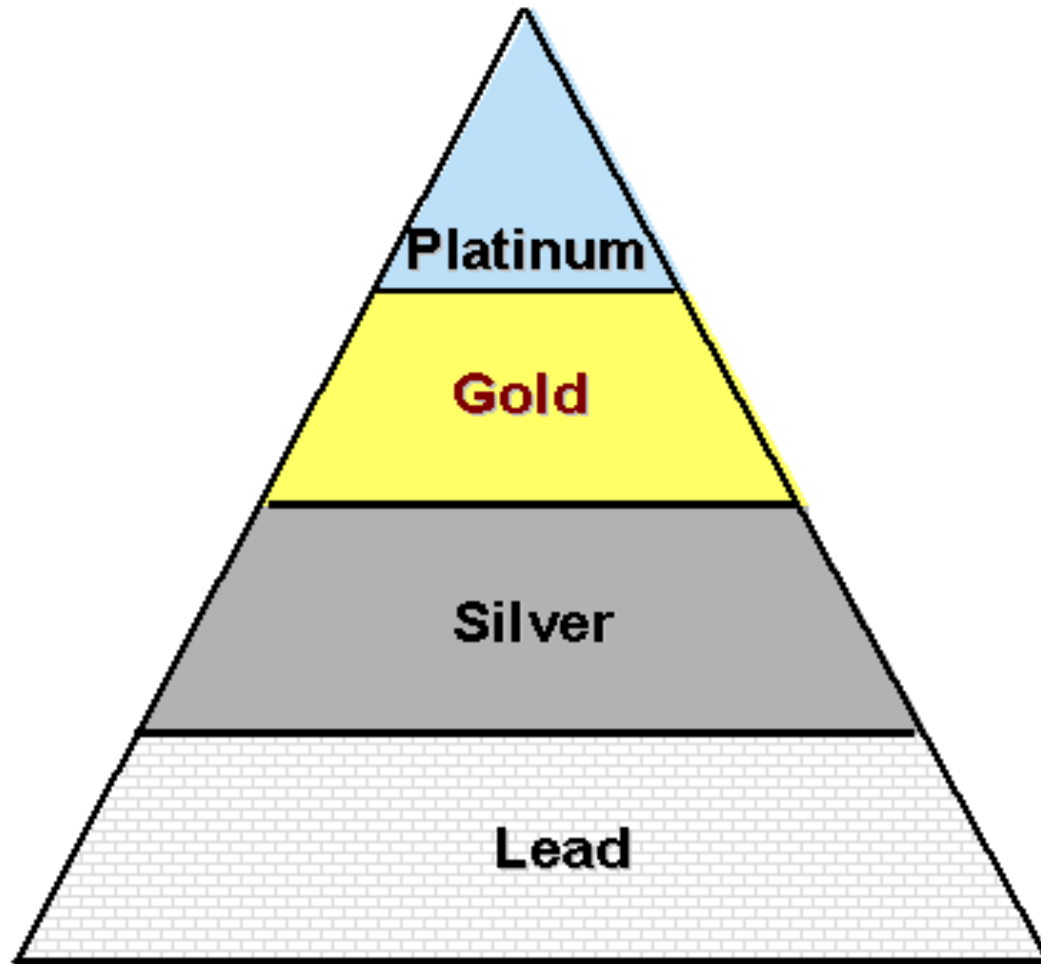


Identifying Best Customers – Customer Pyramid (cont'd)



- Silver/Iron segment
 - ▶ 3rd tier of the pyramid
 - ▶ Probably do not deserve much special attention from the retailer due to their modest LTV
- Lead segment
 - ▶ Customer in the lowest segment
 - ▶ Often cost company money
 - ▶ Demands a lot of attention but do not buy much from the retailer
 - ▶ E.g. real estate agents often encounters people who are interested in looking at houses but not buying/renting
- ▶ Differs from the segment scheme of airline frequent flier program
 - Frequent flier depends on miles flown rather than LTV

Identifying Best Customers – Customer Pyramid (cont'd)



Customer Pyramid: Creating & Serving Profitable Customers, Zeithaml, Rust, Lemon, CMR Summer 2001

Customer Service Skills



1. Ability to listen
2. Clear verbal communication
3. Ability to empathize
4. Ability to memorize product information and guidelines
5. Time management
6. Management of personal emotions
7. Service with a smile
8. Politeness

Mystery Shopper



- ▶ 'Person hired by a market research firm or a manufacturer to visit retail stores, posing as a casual shopper to collect information about the stores' display, prices, and quality of their sales staff.'

– definition from BusinessDictionary.com



Mystery Shopper



- ▶ Reasons for having or engaging Mystery Shopper:
 - Get immediate customer feedback on customer service
 - Know if staff are doing what they suppose to do
 - ▶ Both good and bad behaviour
 - Reward and reprimand staff
 - Get feedback on store condition
 - ▶ Cleanliness
 - ▶ Layouts
 - ▶ Safety
 - ▶ Security
 - Freshness of merchandise
 - Easy of locating and finding merchandise

Suggested solution



- ▶ Jack train his floor managers and sales personal on customer service skills.
 - Train his floor manager and sales staff on customer service.
 1. Ability to listen
 2. Clear verbal communication
 3. Ability to empathize
 4. Ability to memorize product information and guidelines
 5. Time management
 6. Management of personal emotions
 7. Service with a smile
 8. Politeness

Suggested solution



- ▶ Jack should try to convert the “one time” shoppers into more frequent shoppers to the store by developing trust as well as value with the customers.
 - Improve Customer Service and Support (CSS)
 - ▶ To address current problem of poor after sales service
 - ▶ Establish KPIs for responds time to customers complains and after sales services. E.g.
 - Reply customers feedback within 24 hours
 - Provide weekly update on the repair status if repair time is more then a week
 - Establish hotline for customers to call in
 - Listen to customer with patience and understanding

Suggested solution (cont'd)



- ▶ Setup a system to track and record the RFM of each customer
- ▶ Jack can also start to identify the “best” customers via LTV or RFM analysis
 - Information collected can be used for other data mining purposes
- ▶ Customer pyramid can be used to classify these customers
- ▶ Benefits and loyalty cards can be given depending on their status
 - Free birthday cake, higher discounts and higher loyalty points for platinum and gold members as compared to Lead customers.
- ▶ Special close door sales event for Platinum and Gold card members.
- ▶ Catalogues to be sent to members

Learning Outcomes



- I. Explain the importance of CRM
- II. List the key stages of CRM
- III. List and explain the various customer service skills
- IV. Explain the different ways of differentiating customers

