

# CRMs in the age of data

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# 1. Definition of CRM

CRM: acronym for "Customer Relationship Management"

A CRM is a software used to manage the commercial relationship between a company and its clients.

A CRM is part of the **information system** (IS) of the firm. The information system designates all software, human resources and procedures devoted to keep track of all info necessary to the business of the firm - from sales to production, etc.

The information system of a firm comprises many other blocks, besides the CRM:

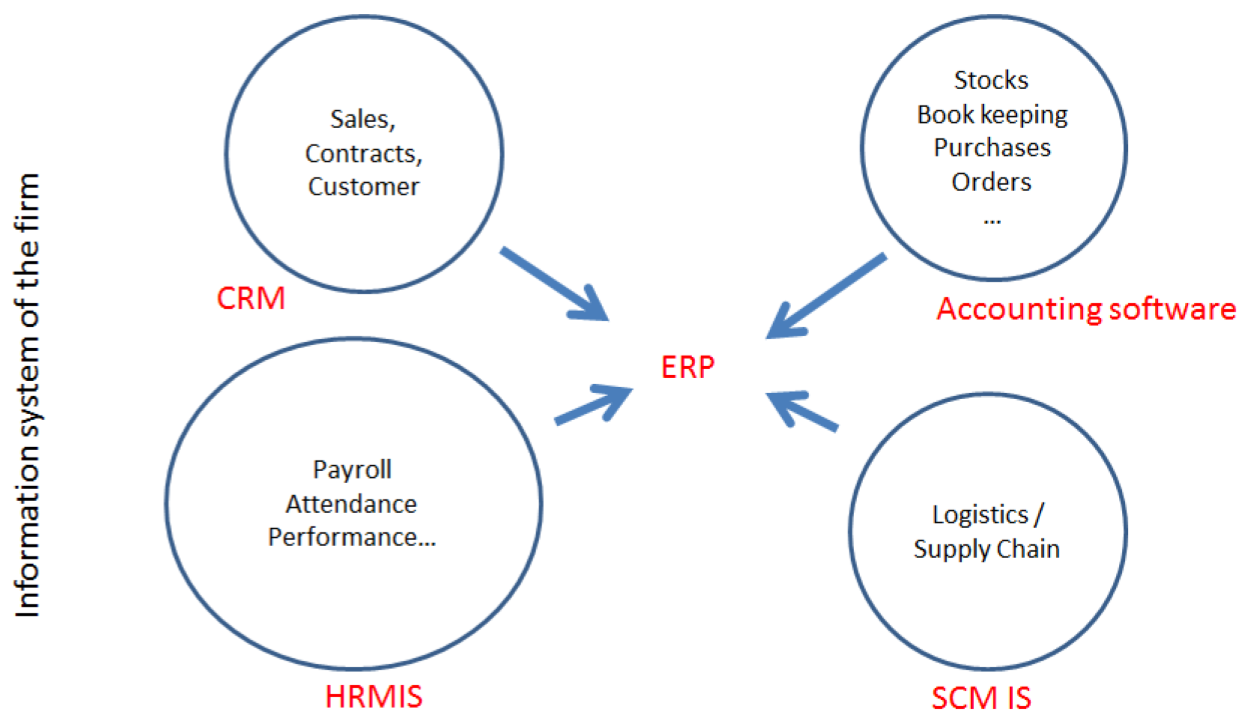


Figure 1. How a CRM integrates in the information system of a firm

Large companies often integrate these different blocks into an ERP, which is an even larger

software able to plug different parts together.

The role of CRMs is evolving, and we make the case that "big data" has transformed CRMs radically.

To illustrate, we will compare (and caricature a bit) a CRM from 2000 with a CRM of today:

## 2. CRMs - before

The name of the CRM - Customer **Relationship** Management suggests a kind of rich, personalized and human touch.

In practice, CRMs where used for more practical purposes:

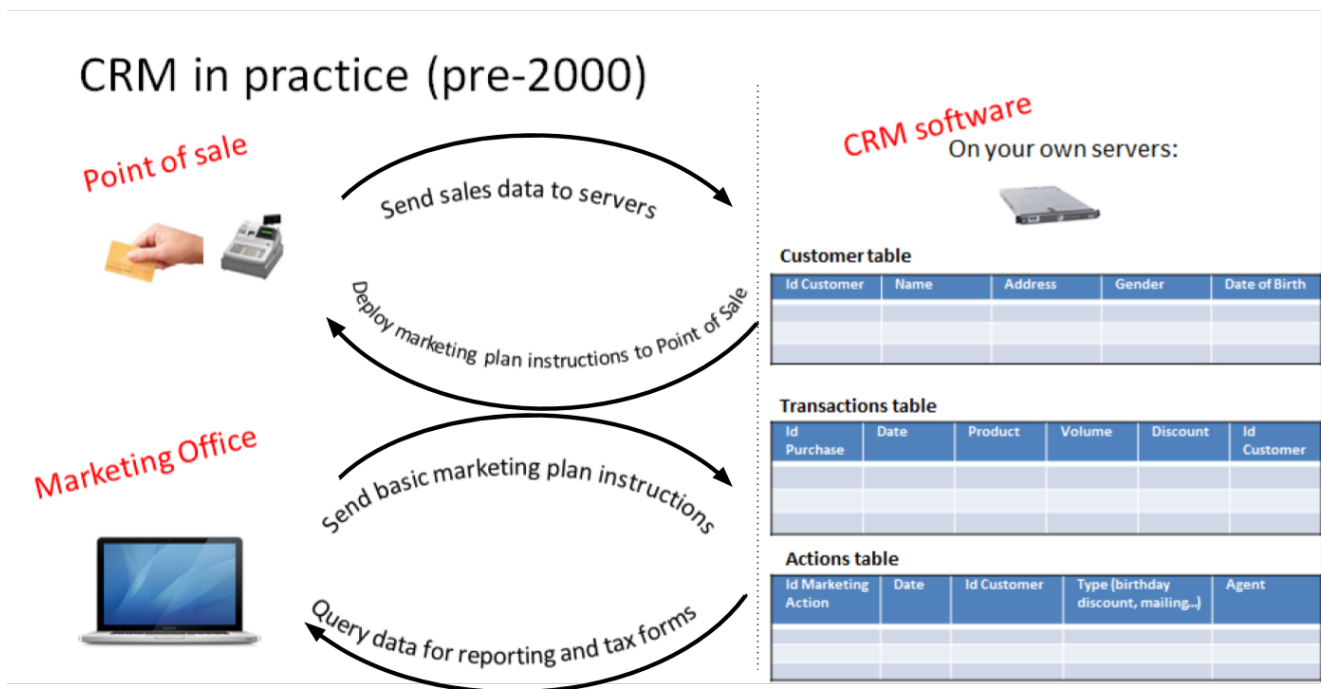


Figure 2. CRMs before the data revolution

We must imagine the CRM software as a tool which **supported the management of sales**, performing these 3 essential functions:

- measuring revenues, through the recording of sales transactions.
- controlling the performance of the sales persons, by registering which cashier, employee performed the sale, or at least the location of the shop.
- recording VAT collected, which is a legal obligation for tax declaration purposes.

Do you see the customer represented in these functions? Me neither.

The customer was not completely forgotten: CRM are used to run loyalty programs and campaigns:

## **a) loyalty programs**

Loyalty programs afford discounts and special offers to its members.

They increase the share-of-wallet of the company implementing them: the amount of the customer's total spending that a business captures in the products and services that it offers.

A study performed on the loyalty programs run by 7 major supermarket chains in the Netherlands has found that

On average, a loyalty program enhances the net yearly revenues of a customer by € 163, but the effects vary between € 91 and € 236

source: [Leenheer et al. \(2007\)](#).

## **b) Direct mails and coupons**

Customers registered in a CRM with their postal address (after joining a loyalty program) can be sent promotional material and coupons.

Using printed material prohibits the customization to the personal needs of the customers, since a printed catalogue is the same for every recipient.

This decreases the efficiency of direct mail campaigns.

# **2. The transformation, 2000-2010**

Changes occurring in the past decade have transformed the landscape of CRMs. We should realize that for example, until 2006 only half of US households had Internet broadband access in their home:

Community Management is not optional Data-driven and also curated by editors, customer service specialists and evangelists

Interactions have become personal and 2-ways ... and this is not just about customers writing on blogs: Push notifications on mobile, personal emails and calls, geolocalized ad displays, real time conversations on Twitter and Facebook.

Seamless customer experience in a cross-channel environment is a default With channels multiplying, customers elevate their expectations as to the quality of service companies should provide. Discovery, ordering, delivery, after-sales servicing: all integrated.

# **The end**

Find references for this lesson, and other lessons, [here](#).



This course is made by Clement Levallois.

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