

Customer Relationship Management

Learning Outcomes

Customer Relationship Management (CRM)

- › Describe CRM process and explain its relevance to e-business.
- › Identify sources of data for CRM and how to turn it into information.
- › Outline the goals of CRM and how IT helps to achieve those goals.
- › Identify and briefly describe the core internet-enabled CRM technologies.
- › Describe how CRM fits into systems integration.
- › Identify the potential issues that may arise during CRM implementation and how they may be addressed.

CRM - What It Is!

- > **Systems used for maintaining and managing relationships with current and future customers**
- > **Utilizing the latest technology in CRM applications leveraged with the power of the internet**
- > **Includes specific functions and technologies**
 - > **Contact Management**
 - > **Sales Force Automation**
 - > **Data analysis**
 - > **Customer service applications**

CRM

CRM applications are designed to facilitate the capture, consolidation, analysis and enterprise-wide dissemination of data from existing and potential customers. This process occurs throughout the marketing, sales, and service stages, with the objective of better understanding one's customers and anticipating their interest in an enterprise's products and/or services.

Components of a CRM

The customer is the only source of the company's present profit and future growth.

Customer

relationship between a company and its customers involves continuous bi-directional communication and interaction. The relationship can be short-term or long-term, continuous or discrete, and repeating or one-time.

CRM is not an activity only within a marketing department. It involves continuous corporate change in culture and processes. The customer information collected is transformed into corporate knowledge that leads to activities that take advantage of the information and of market opportunities. CRM requires a comprehensive change in the organization and its people.

CRM

Relationship

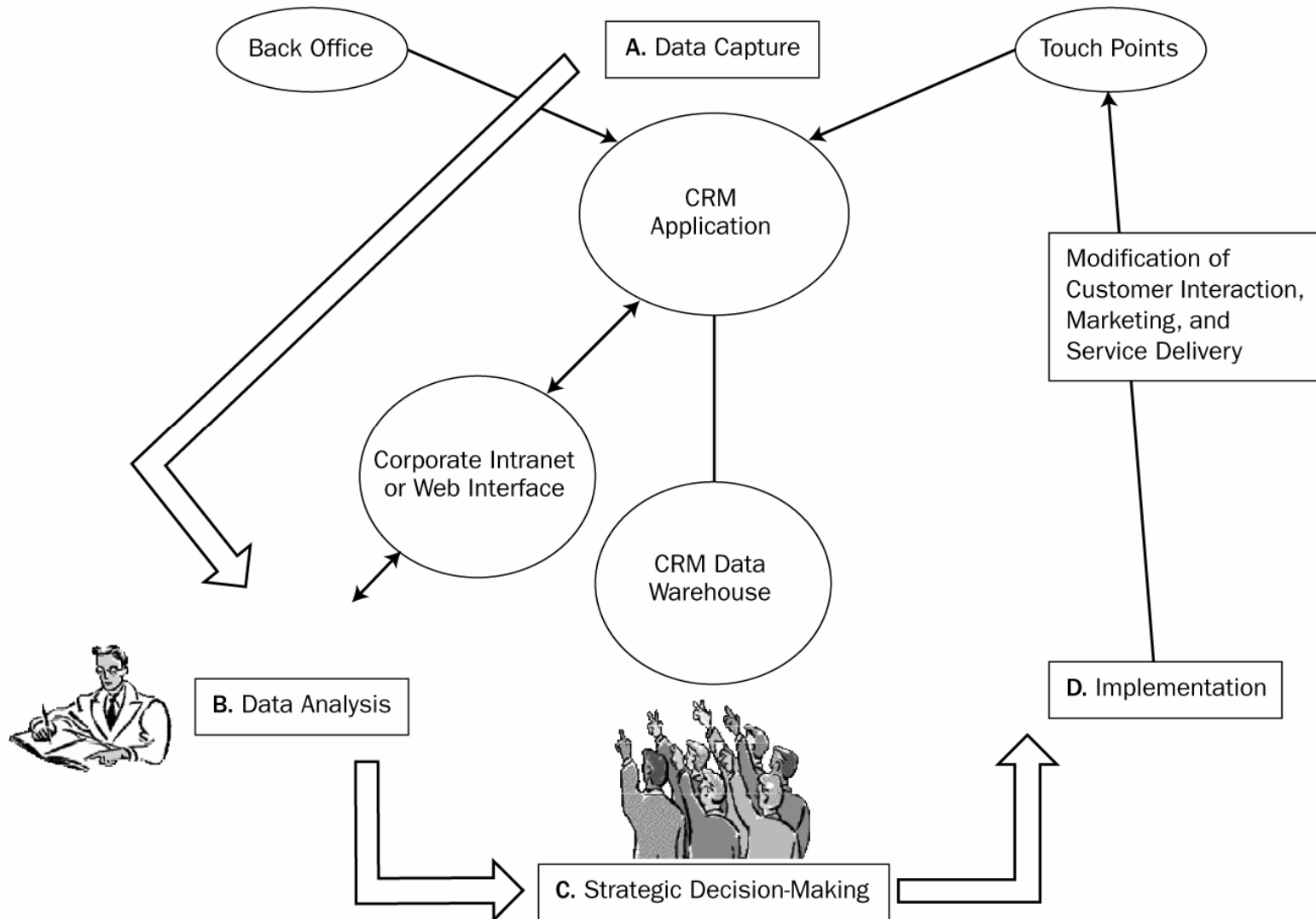
Management

Figure 1. Components of CRM

The CRM Process

Figure 9.2 The CRM Process

The CRM process is a cycle that begins and ends with the customer touch points.



REASONS FOR ADOPTING CRM: THE BUSINESS DRIVERS

- › Competition for customers is intense.
- › From a purely economic point of view, firms learned that it is less costly to retain a customer than to find a new one.
- › The oft-quoted statistics go something like this:
 - › By Pareto's Principle, it is assumed that 20% of a company's customers generate 80% of its profits.
 - › In industrial sales, it takes an average of 8 to 10 physical calls in person to sell a new customer, 2 to 3 calls to sell an existing customer.
 - › It is 5 to 10 times more expensive to acquire a new customer than obtain repeat business from an existing customer.
 - › A typical dissatisfied customer tells 8 to 10 people about his or her experience.
 - › A 5% increase in retaining existing customers translates into 25% or more increase in profitability.

Goals of CRM

- › Overall Goal of any CRM implementation should be to improve upon customer relationships by providing:
 - › Better service
 - › Improved sales efforts
 - › Reduced marketing costs

Four basic tasks are required to achieve the basic goals of CRM

1. Customer Identification

- › identify the customer through marketing channels, transactions, and interactions over time.

2. Customer Differentiation

- › Each customer has their own lifetime value to the company
- › each customer imposes unique demands and requirements

3. Customer Interaction

- › Customer demands change over time.
- › Customer's long-term profitability and relationship to the company is important.
- › Keeping track of customer behavior and needs is an important task

4. Customization / Personalization

- › “Treat each customer uniquely” should be the motto of the entire CRM process.
- › Through the personalization process, the company can increase customer loyalty.
 - › Jeff Bezos, the CEO of Amazon.com, said, “our vision is that if we have 20 million customers, then we should have 20 million stores.” [Wheatley, 2000] The automation of personalization is being made feasible by information technologies.

IT Factors of CRM

- › Traditional (mass) marketing doesn't need to use IT extensively because there is no need to distinguish, differentiate, interact with, and customize for individual customer needs.
- › each of the four key CRM tasks depends heavily on information technologies and systems.

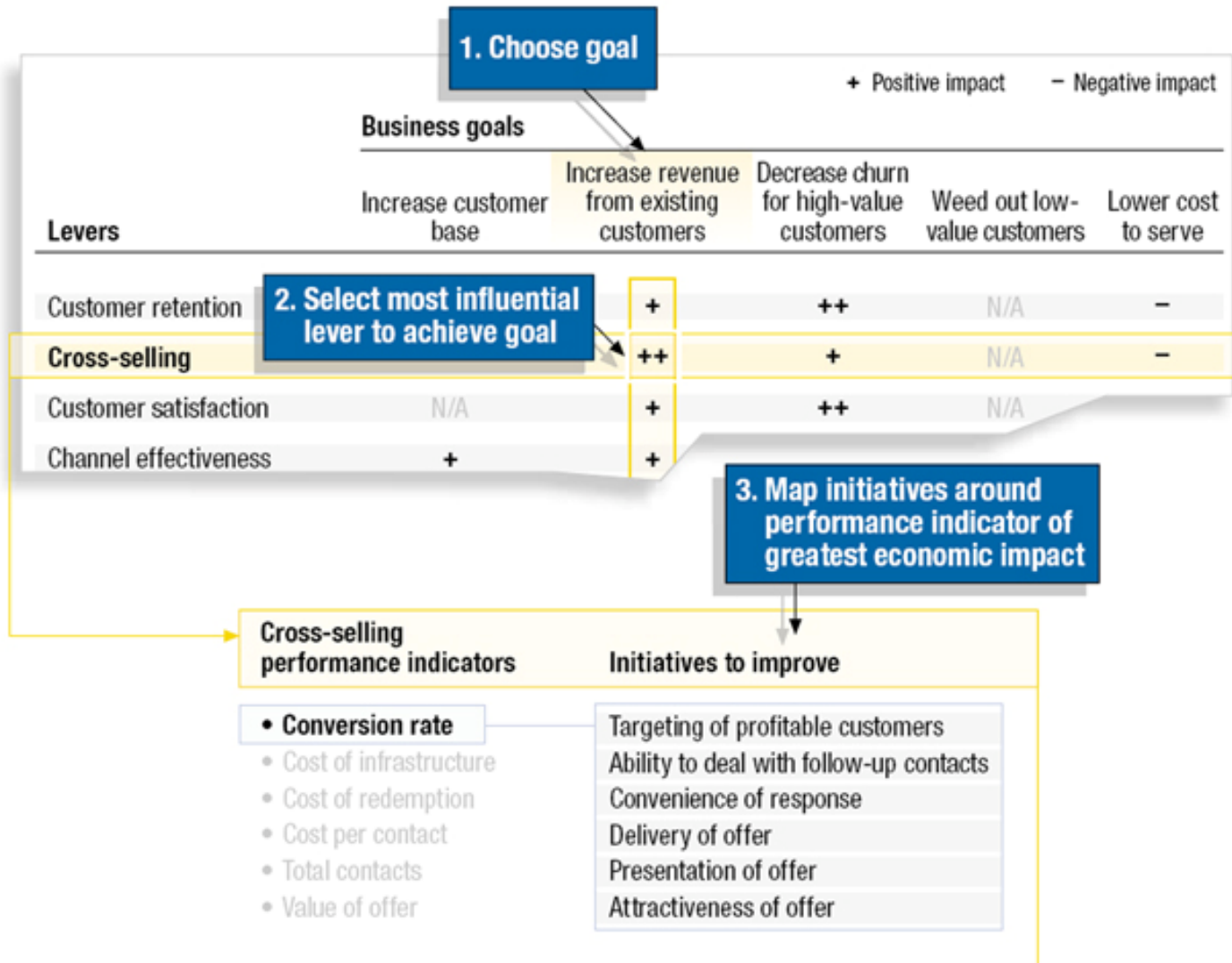
TABLE 4. IT Factors in CRM

Process	Identification	Differentiation	Interaction	Customization
Goal	<ul style="list-style-type: none">• Identify individual customer	<ul style="list-style-type: none">• Evaluate customer value and needs	<ul style="list-style-type: none">• Build a continuing relationship	<ul style="list-style-type: none">• Fulfill customer needs• Generate profit
Traditional Mass Marketing	<ul style="list-style-type: none">• Not done	<ul style="list-style-type: none">• Clustering	<ul style="list-style-type: none">• Call Center	<ul style="list-style-type: none">• Sales• Services
CRM	<ul style="list-style-type: none">• Customer profiling	<ul style="list-style-type: none">• Individual level analysis	<ul style="list-style-type: none">• Call center management• Auto response system	<ul style="list-style-type: none">• Sales automation• Marketing process automation
Information technologies	<ul style="list-style-type: none">• Cookies• Web site personalization	<ul style="list-style-type: none">• Data mining• Organizational learning	<ul style="list-style-type: none">• Web application• Wireless communication	<ul style="list-style-type: none">• ERP• E-Commerce

CRM Goal

EXHIBIT 2

Pick your goal, and the lever to achieve it



Three Phases in CRM

- › **Acquiring new customers**
- › **Enhancing profitability of existing customers**
- › **Retaining profitable customers for life**

Acquiring

- > Data analysis to better understand market segments**
- > Improved strategic marketing initiatives**
- > Data gathering consolidated and coordinated with strategy**

Enhancing Profitability

- > **Better understanding of existing customers**
- > **Up-sell and cross-sell products and services**
- > **Understanding non-profitable customers**

Retaining Customers

- > This is where the “relationship” is critical**
- > Using the tools of CRM to better sell to, service, and assist customers**
- > Ensuring that profitable customers get priority attention**

Tools

Data
Capture

Data
Analysis

Strategic
Decision

Marketing
Sales
Service

Acquiring

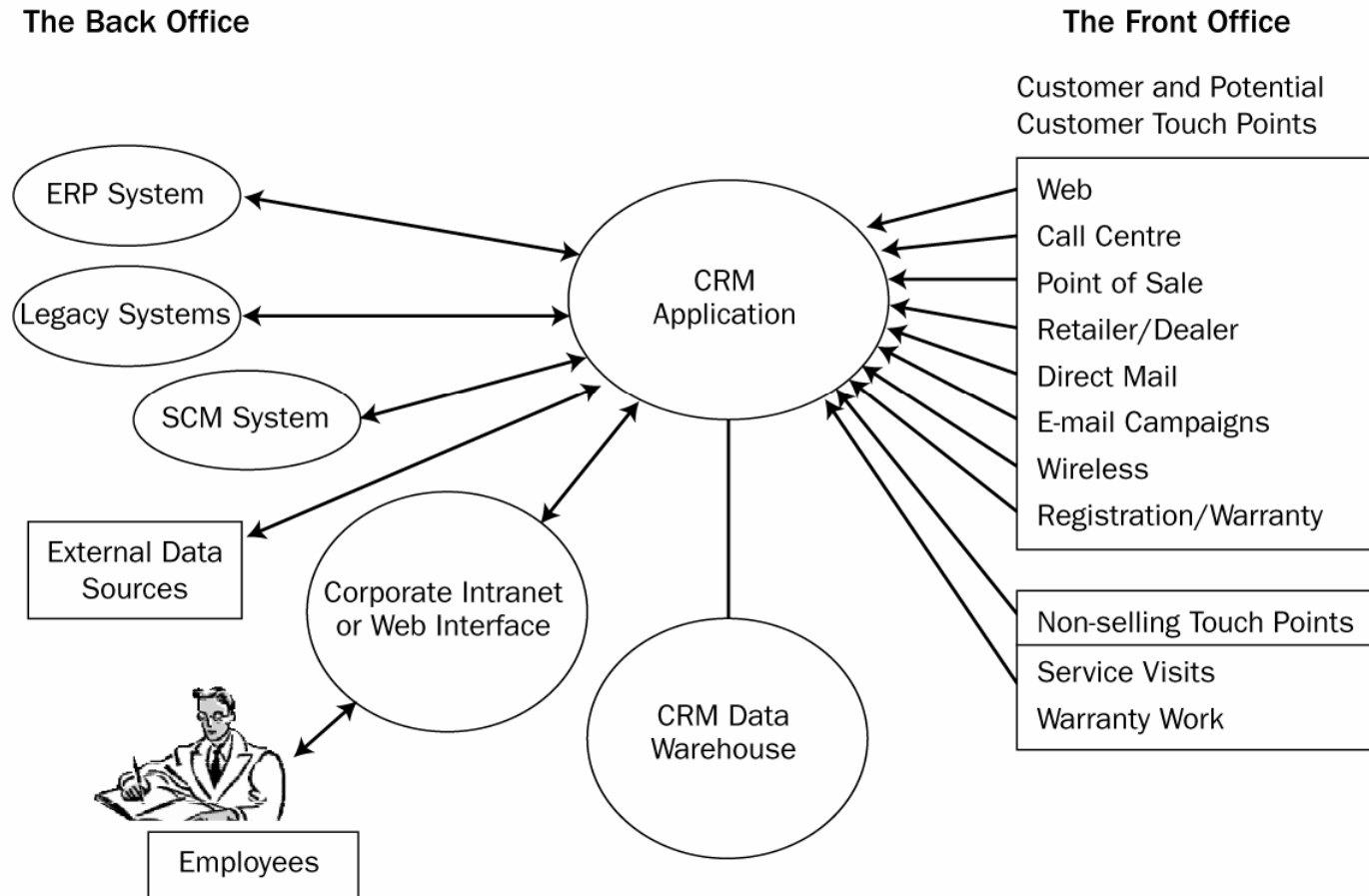
Enhancing

Retaining

CRM Integration

Figure 9.1 CRM Integration

CRM requires integration of data and access to the application to occur seamlessly across multiple systems.



Implementation Issues

- › **Political/cultural**
- › **Technological**
- › **Strategic**
- › **Tactical - Implementation**

Implementation

Planning

- **First thought is often for marketing to control**
- **Needs a team approach with marketing, service, logistics, IT, finance, ...**
- **CRM initiatives should think carefully about future business intelligence implementations**
- **Implementation Stages**
- **BPR (business process redesign)**

Implementation

> Integration

- > Legacy systems**
- > Computer telephony integration**
- > Data warehousing**
- > Decision support technology**

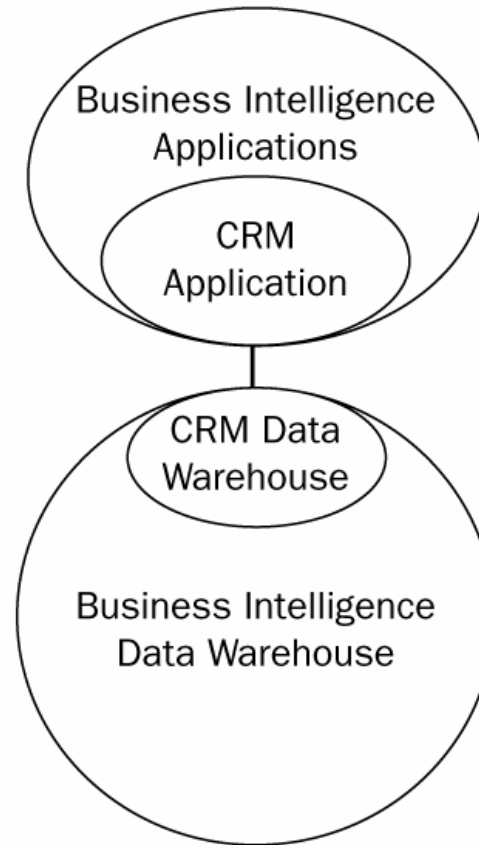
> Roll out

- > Education**
- > Tuning**
- > Change management**

CRM and Business Intelligence

Figure 9.3 CRM and Business Intelligence

CRM overlaps with BI but has a different focus and narrower scope.



Marketing/Sales/Service

Online data capture/ analysis

- › **Clickstream**
- › **Cookies**
- › **Log files**
- › **Web bugs**

Marketing Campaigns

- › **Email**
- › **Real time chat**
- › **VOIP**
- › **Intelligent agents**

Customer self service

- › **Knowledge base**
- › **Downloading**

Focus on Sales

- › **Sales Force Automation (SFA)**
simplifies the
process of sales in the field and
integration of sales activity
into the information structure of the business

Goals of SFA

- 1. Increased revenue**
- 2. Cost reduction in cost of sales**
- 3. Customer retention due to company, not product or service**
- 4. Sales force increasing mobility**
- 5. Easily available customer information with single view**

Sales Force Automation (SFA) Technology

- **Data Synchronization**

process of updating information
among unconnected computers-
laptop, mobile or desktop.

- **Example: SalesLogix**

Sales Force Automation Capabilities

- › **Contact Management:**
 - › Maintain customer information and contact histories for existing customers.
- › **Activity Management:**
 - › Provide calendar and scheduling for individual sales people
- › **Communication Management:**
 - › Communicate via E-mail and fax
- › **Forecasting:**
 - › Assist with future sales goals, targets, and projections
- › **Opportunity Management:**
 - › Manage leads and potential leads for new customers
- › **Order Management:**
 - › Obtain online quotes and transform inquiries into orders
- › **Document Management:**
 - › Develop and retrieve standard and customizable management reports and documents
- › **Sales Analysis:**
 - › Analyze sales data
- › **Product Configuration:**
 - › Assemble alternate product specifications and pricing

Customer Services Capabilities

- › Call Center Management
 - › Provide automated, end-to-end call routing and tracking
 - › Capture customer feedback information for performance measurement, quality control, and product development
- › Field Service Management
 - › Allocate, schedule, and dispatch the right people, with the right parts, at the right time
 - › Log materials, expenses, and time associated with service orders
 - › View customer history
 - › Search for proven solutions
- › • Help Desk Management
 - › Solve the problem by searching the existing knowledge base
 - › Initiate, modify, and track problem reports
 - › Provide updates, patches, and new versions

A Management Approach

- **For managing not only contacts but also:**
 - **accounts,**
 - **opportunities,**
 - **activities,**
 - **marketing,**
 - **customer support,**
 - **...**

KEY TERMS

- › cross-sell (p.174)
- › customer intelligence (p.175)
- › data mart (p.175)
- › data warehouse (p.174)
- › intelligent agent (p.181)
- › sales force automation (SFA) (p.178)
- › up-sell (p.174)
- › Voice over Internet Protocol (VoIP) (p.180)