

CHAPTER 12



Customer Relationship Management

CHAPTER OUTLINE

1. Defining Customer Relationship Management
2. Operational Customer Relationship Management
3. Other Types of Customer Relationship Management Systems



LEARNING OBJECTIVES

1. Identify the primary functions of both customer relationship management (CRM) and collaborative CRM strategies.
 2. Describe how businesses might utilize applications of each of the two major components of operational CRM systems.
 3. Explain the advantages and disadvantages of mobile CRM systems, on-demand CRM systems, open-source CRM systems, social CRM systems, and real-time CRM systems.
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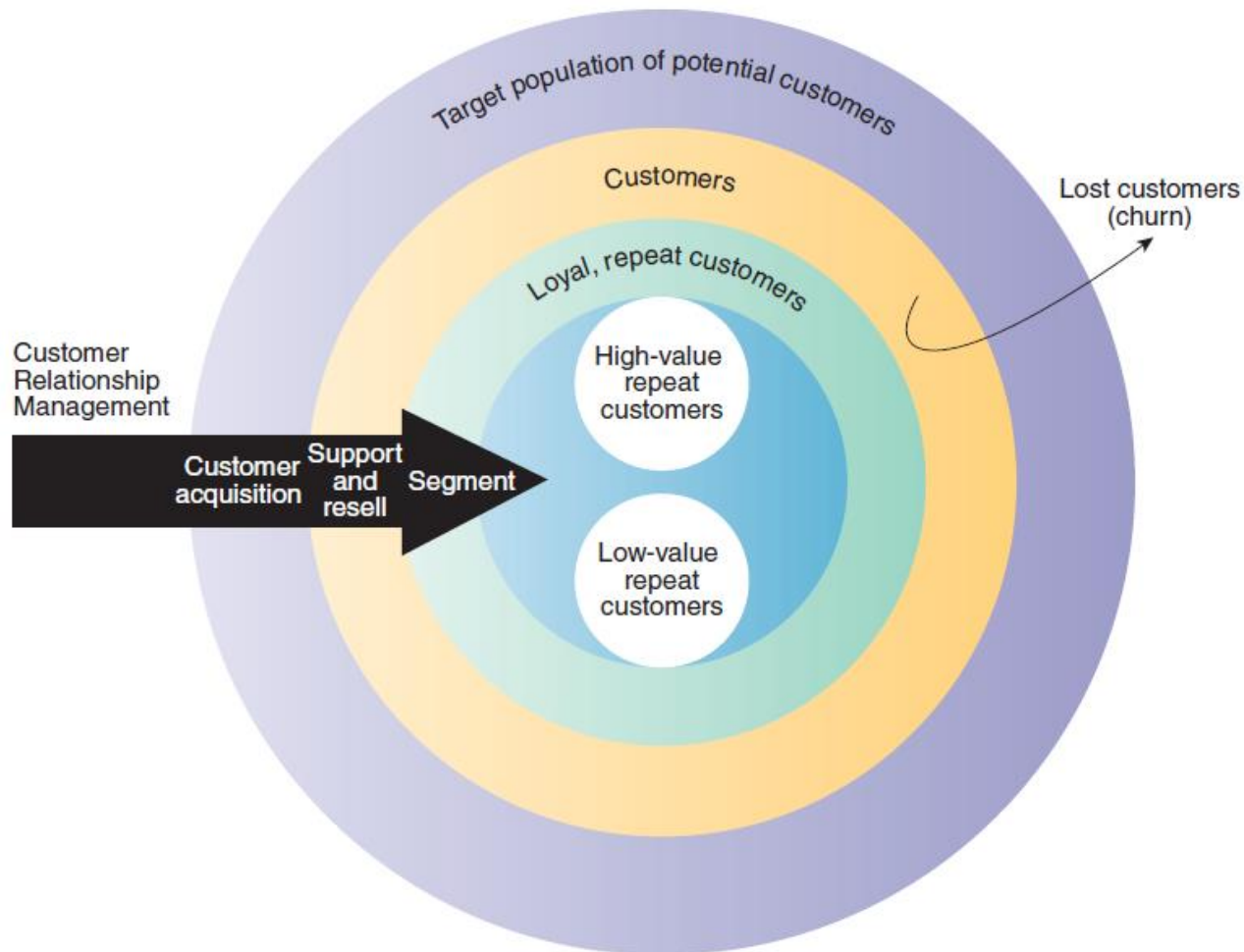
12.1 Defining Customer Relationship Management

- **Two major components of CRM**
 - **Operational CRM systems : Section 12.2**
 - **Analytical CRM systems : business analytics**
 - **Analytical CRM systems analyze customer data for a variety of purposes, including:**
 - **Designing and executing targeted marketing campaigns**
 - **Increasing customer acquisition, cross-selling, and upselling**
 - **Providing input into decisions relating to products and services (e.g., pricing and product development)**
 - **Providing financial forecasting and customer profitability analysis**
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12.1 Defining Customer Relationship Management

- The customer relationship has become even more impersonal with the rapid growth of the Internet and the World Wide Web.
 - Customer relationship management returns to personal marketing.
 - Customer relationship management is a customer-focused and customer-driven organizational strategy.
 - Modern CRM strategies and systems build sustainable long-term customer relationships that create value for the company as well as for the customer.
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Figure 12.1: CRM Process



12.1 Defining Customer Relationship Management

- **a CRM strategy and CRM systems.**
 - A successful CRM strategy not only improves customer satisfaction but also makes the company's sales and service employees more productive, which in turn generates increased profits.
 - CRM systems are information systems designed to support an organization's CRM strategy.
- **CRM policies share two basic elements: (1) The company must identify the many types of customer touch points, and (2) it needs to consolidate data about each customer.**

12.1 Defining Customer Relationship Management

- **Customer Touch Points:** the numerous and diverse interactions organizations have with their customers including traditional customer touch points such as telephone contact, direct mailings, and actual physical interactions with customers during their visits to a store and the additional touch points that occur through organizational CRM systems such as e-mail, Web sites, and communications via smartphones.
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Figure 12.2: Customer Touch points

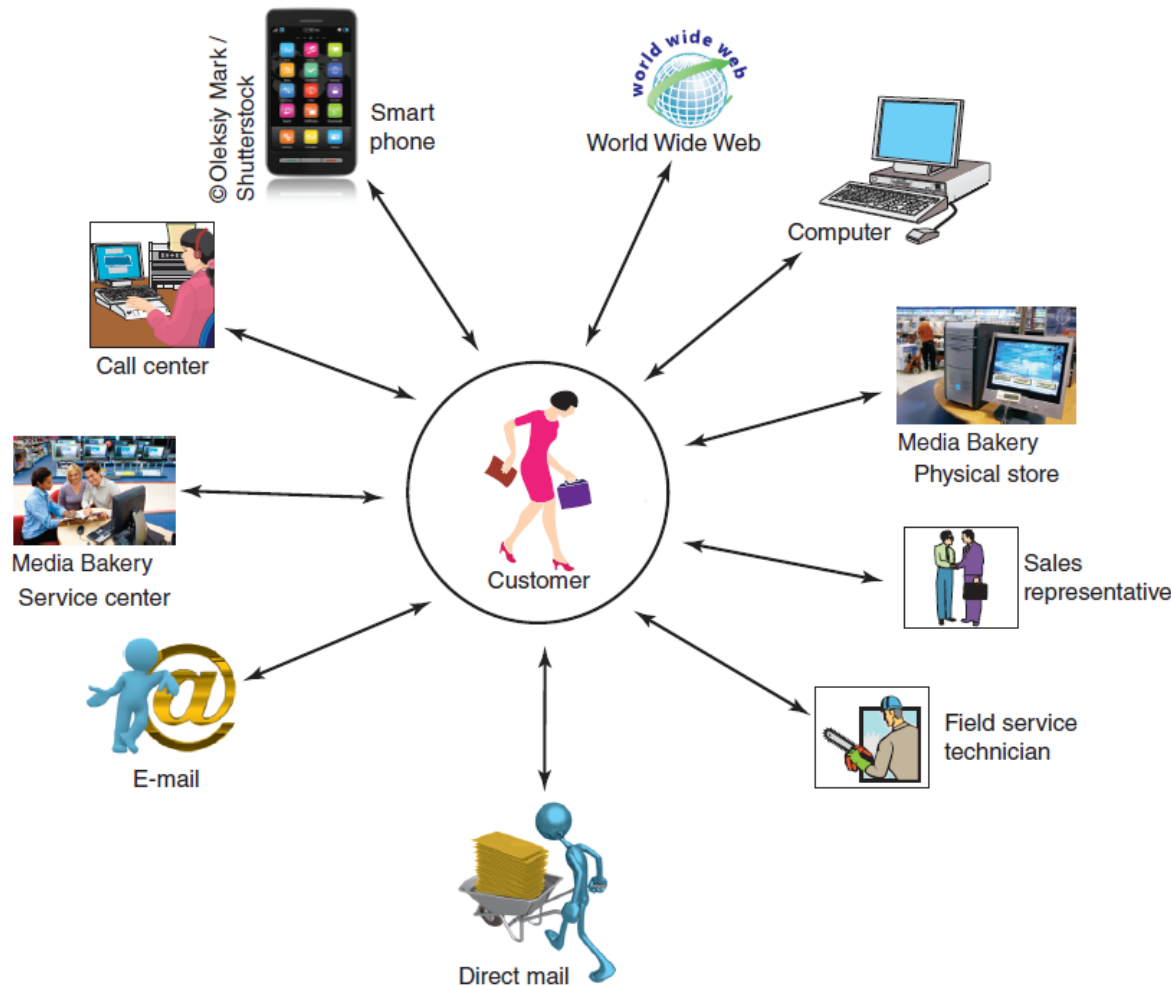


Figure 12.2 Customer touch points. (Sources: "Oleksiy Mark/Shutterstock" for the smartphone and "Media Bakery" for the service center and "Media Bakery" for the physical store)

12.1 Defining Customer Relationship Management

- **Data Consolidation:** the organization's CRM systems must manage customer data effectively with modern interconnected systems built around a data warehouse to make all customer-related data available to every unit of the business.
 - **360° Data View Customer:** complete data set on each customer that allows a company can enhance its relationship with its customers and ultimately make more productive and profitable decisions.
 - Data consolidation and the 360° view of the customer enable the organization's functional areas to readily share information about customers which leads to collaborative CRM.
 - **Collaborative CRM Systems:** provide effective and efficient interactive communication in all aspects of marketing, sales, and customer support with the customer throughout the entire organization.
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12.2 Operational Customer Relationship Management System

- **Operational CRM:** systems that support front-office business processes.
- **Front-Office Processes:** those processes that directly interact with customers (i.e., sales, marketing, and service).
- **Benefits of operational CRM**
 - Efficient, personalized marketing, sales, and service
 - A 360° view of each customer
 - The ability of sales and service employees to access a complete history of customer interaction with the organization, regardless of the touch point

1 2.2 Operational Customer Relationship Management System

Customer-Facing Applications: allow an organization's sales, field service, and customer interaction center representatives interact directly with customers through customer service and support, sales force automation, marketing, and campaign management.

Customer-Touching Applications: (or electronic CRM e-CRM) customer self-help applications/technologies.

Customer Facing Applications

- **Customer Service and Support**
 - systems that automate service requests, complaints, product returns, and requests for information
 - **Sales Force Automation**
 - the component of an operational CRM system that automatically records all of the components in a sales transaction process.
 - **Marketing**
 - CRM Marketing applications use data mining to sift through volumes of customer data
 - **Campaign Management**
 - applications that help organizations plan campaigns that send the right messages to the right people through the right channels (e.g., avoid targeting people who have opted out of receiving marketing communications).
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Customer Facing Applications: Customer Service & Support

- Customer Interaction Centers (CIC)
 - where organizational representatives use multiple channels such as the Web, telephone, fax, and face-to-face interactions to communicate with customers.
- Call Center
 - a centralized office set up to receive and transmit a large volume of requests by telephone.
- Outbound Telesales
 - the CIC generates a call list for the sales team, whose members contact sales prospects.
- Inbound Teleservice
 - customers communicate directly with the CIC to initiate a sales order, inquire about products and services before placing an order, and obtain information about a transaction they have already made.
- Information Help Desk
 - assists customers with their questions concerning products or services, and it also processes customer complaints.
- Live Chat
 - allows customers to connect to a company representative and conduct an instant messaging session enabling the participants to share documents and photos.

Customer Facing Applications: Sales Force Automation

- Contact Management System
 - tracks all communications between the company and the customer, the purpose of each communication, and any necessary follow-up which eliminates duplicated contacts and redundancy, which in turn reduces the risk of irritating customers.
 - Sales Lead Tracking System
 - lists potential customers or customers who have purchased related products; that is, products similar to those that the salesperson is trying to sell to the customer.
 - Sales Forecasting System
 - a mathematical technique for estimating future sales.
 - Product Knowledge System
 - a comprehensive source of information regarding products and services.
 - Configurator
 - an online product-building feature that enables customers to model the product to meet their specific needs.
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Customer Facing Applications: Marketing

- Data Mining
 - develops a purchasing profile or snapshot of a consumer's buying habits that may lead to additional sales through cross-selling, upselling, and bundling.
- Cross-Selling
 - the marketing of additional related products to customers based on a previous purchase.
- Upselling
 - a strategy in which the salesperson provides customers with the opportunity to purchase related products or services of greater value in place of, or along with, the consumer's initial product or service selection.
- Bundling
 - is a form of cross-selling in which a business sells a group of products or services together at a lower price than their combined individual prices.

Customer Facing Applications: Campaign Management

- Campaign Planning
 - Right messages
 - Right people
 - Right channels
 - Marketing communications opt-out

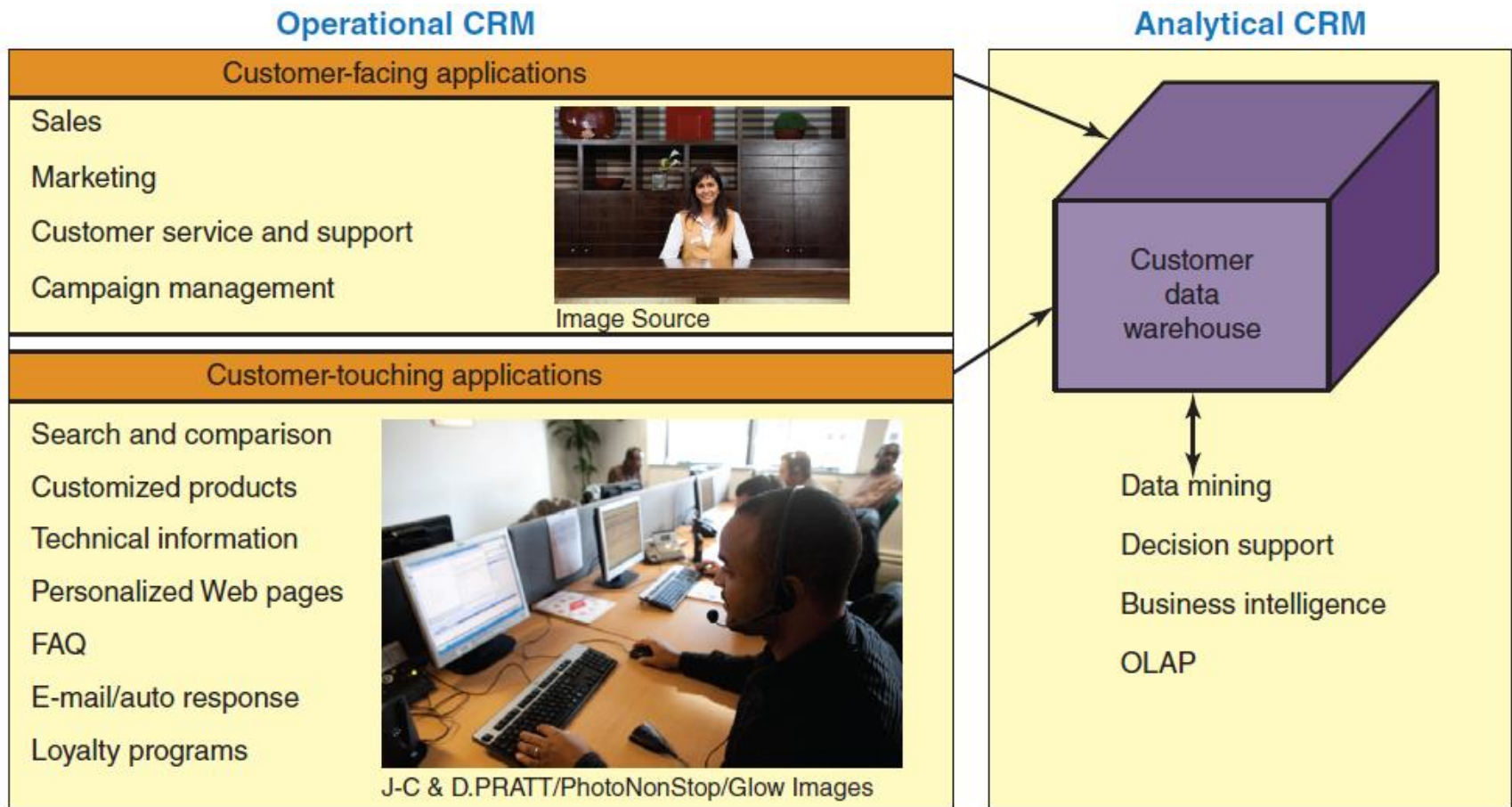
Customer Touching Applications

- Search & Comparison Capabilities
 - search and comparison capabilities offered to customers by online stores, online malls, and independent comparison Web sites.
 - Technical and Other Information and Services
 - personalized experiences offered by organizations to induce customers to make purchases or to remain loyal (e.g., allowing customers to download product manuals; providing detailed technical information, maintenance information, and replacement parts to customers).
 - Customized Products and Services
 - offering customers the ability to customize products, view account balances, check shipping status of an order, etc.
 - Mass Customization
 - a process in which customers can configure their own products (e.g., customized computer systems from Dell).
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Customer Touching Applications

- **Personalized Web Pages**
 - organizations permit their customers to create personalized Web pages used to record purchases and preferences, as well as problems and requests.
- **Frequently Asked Questions (FAQs)**
 - a simple tool for answering repetitive customer queries and when customers find the information they need by using FAQs the need to communicate with an actual person is eliminated.
- **E-mail and Automated Response**
 - the most popular tool for customer service, inexpensive, fast, and companies use e-mail not only to answer customer inquiries but also to disseminate information, send alerts and product information, and conduct correspondence on any topic.
- **Loyalty Programs**
 - programs that recognize customers who repeatedly use a vendor's products or services.

Figure 12.3: Relationship Between Operational CRM & Analytical CRM



12.3 Other Types of Customer Relationship Management Systems

- **On-Demand CRM Systems**
 - systems hosted by an external vendor in the vendor's data center which spares the organization the costs associated with purchasing the system, maintenance, and employees need to know only how to access and utilize it. Also known as utility computing or software-as-a-service (SaaS).
- **Mobile CRM Systems**
 - an interactive system that enables an organization to conduct communications related to sales, marketing, and customer service activities through a mobile medium for the purpose of building and maintaining relationships with its customers.
- **Open-Source CRM Systems**
 - the source code for open-source software is available at no cost.
- **Social CRM**
 - the use of social media technology and services to enable organizations to engage their customers in a collaborative conversation in order to provide mutually beneficial value in a trusted and transparent manner.
- **Real-Time CRM**
 - means that organizations are able to respond to customer product searches, requests, complaints, comments, ratings, reviews, and recommendations in near real-time, 24/7/365. Southwest Airlines provides an excellent example of real-time CRM.


On-Demand CRM Systems

- *on-premise or on-demand.*
 - On-premise CRM
 - they purchased the systems from a vendor and then installed them on site.
 - This arrangement was expensive, time consuming, and inflexible.
 - On-demand CRM
 - one that is hosted by an external vendor in the vendor's data center.
 - the organization's employees need to know only how to access and utilize it.
 - The concept of on-demand is also known as *utility computing* or *software-as-a-service*
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On-Demand CRM Systems

- *Potential problem of on-demand CRM.*
 - First, the vendor could prove to be unreliable, in which case the client company would have no CRM functionality at all.
 - Second, hosted software is difficult or impossible to modify, and only the vendor can upgrade it.
 - Third, vendor-hosted CRM software may be difficult to integrate with the organization's existing software.
 - Finally, giving strategic customer data to vendors always carries security and privacy risks.

Mobile CRM Systems

- an interactive system that enables an organization to conduct communications related to sales, marketing, and customer service activities through a mobile medium for the purpose of building and maintaining relationships with its customers.
 - mobile CRM systems involve interacting directly with consumers through portable devices such as smartphones.
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Open-Source CRM Systems

- **Benefits of Open-Source CRM Systems**
 - source code is available to developers and users
 - Provide the same features or functions as other CRM
 - Implemented either on-premise or on-demand
 - Favorable pricing
 - Wide variety of applications
 - Easy to customize
 - Updates and bug (software error) fixes rapidly distributed
 - Extensive support information available for free
- **Disadvantages of Open-Source CRM Systems**
 - Risk related to quality control
 - Company IT platform must match development platform of open-source CRM system

Open-Source CRM Systems

- Leading open-source CRM vendors
 - SugarCRM (www.sugarcrm.com)
 - ConcurSive (www.concursive.com)
 - Vtiger (www.vtiger.com)

Social CRM

- the use of social media technology and services to enable organizations to engage their customers in a collaborative conversation in order to provide mutually beneficial value in a trusted and transparent manner.
 - Provides two-way communication between organization & customers
 - Organizations monitor social media sites and respond accordingly
 - Customers obtain faster, better customer service
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Real-Time CRM

- Organizations are implementing real-time customer relationship management in order to provide a superior level of customer satisfaction for today's always-on, always-connected, more knowledgeable, and less loyal customers.
 - organizations are able to respond to customer product searches, requests, complaints, comments, ratings, reviews, and recommendations in near real-time, 24/7/365.
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