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# Building a successful CRM Model

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First published in 2006 in ICFAI Press book

## Introduction

This paper brings out a simple guide to building and managing **Customer loyalty** - a step-by-step guide to mastering CRM: the way to become a truly Customer-driven business. There are just seventeen golden steps!

Before this let us remember several studies which reveal that 60-70% customers simply leave because of indifferent or improper behaviour somewhere by employees.

50-60% of IT investments by Corporate in building CRM and other technology driven environment have failed. The main reason of it is half hearted and fragmented approach and superfluous commitment to customer satisfaction

Repeatedly companies make a mistake of driving sales before the service, building order books and living in 3 decades old world of selling systems, paying little attention to timely and promised deliveries, after-sales care and follow-up. This is essence of world class operations. The key question to ask ourselves first is; are we really sincere and committed to the customer? Are we interested to make our customer competitive to remain competitive? And, are we looking for immediate profits and losses or profitability a long-term approach?

If the answer to this is No or Not Sure, no point going further into this article.

It is the **acquisition cost of a customer** and **life time value of business** with that customer that is important. Similar to discounted cash flow method used for financial assets. The **customer and employees both have to be treated like assets** and hence short term profiteering and narrow focus is ruled out.

There is so much written on CRM and in complicated formats that managers fail to comprehend, forget implementation. CRM is no rocket science .It is simple common sense vision.

Having understood this very well, we now proceed further.

## The CRM Model

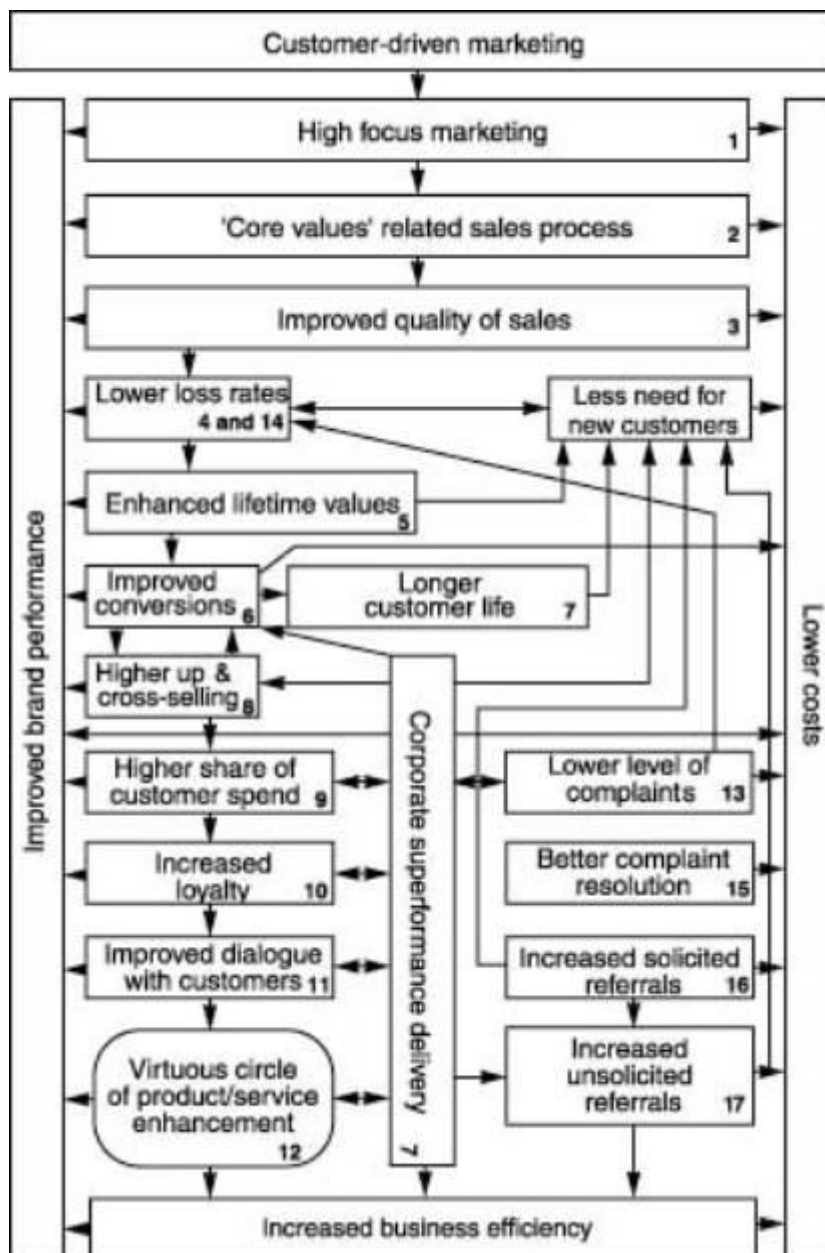
### The 17 key issues for Customer loyalty

Think of the above Customer-driven Model as a Loyalty Machine. Devote your business to running this get your acts right, and Customer loyalty is the natural end result. When you look at the flow diagram, you'll find it has four key areas. The top area is about the acquisition of new business. The left hand side is about looking after Customers and fulfilling all their needs. The central core - I think of it, as the engine of the Customer loyalty machine - is Customer Superformance. And then to

the right are the issues to deal with complaint handling and resolution processes.

Effectively, now you have a step-by-step guide to the process of CRM. A guide to the building and managing of real Customer loyalty: a guide to becoming a Customer-driven business. **What tools we use is not material. It is the intent and process behind it.**

One can see the additional benefits of this devotion around the sides of the model: lower costs, improved brand performance and increased business efficiency. This is a veritable treasure chest of untapped potential for your business. Look at the issues, which rain (sideways rain!) on improved brand performance. On the other side, more rain! This time showering improvements to costs and meanwhile, every issue leads to eventual increased business efficiencies.



## The Customer Driven Business Model (copied)

1. **High focus marketing** is the process of focusing on those Customers in your prospective market, which have the highest potential loyalty to you. These can be modelled out from analysis of your Customer database. The strategic concept here is

to **secure dominant market share** of those Customers who 'lock' with your core corporate and brand values – those things that differentiate you from your competition.

2. In turn, naturally, you must then **embed those core values into your sales process**. This optimizes the 'fit' between the way you attract Customers and what they want – or are buying – from you. For example some customers have high turnover and need a stable pricing policy. They may be very sensitive to frequent Price changes.

3. Once you get that fit, there is a dramatic improvement in the quality of business, which you gain. Effectively, you are now taking the cream from the marketplace and leaving the rest for your competitors to fight over. But at the same time we can't underestimate competitors who may be working on similar policies. Then what is **USP of your policies and delivery of customer value**. The customers also deliberate of their Value triangle.

4. In turn, this has two effects, which will be of enormous benefit for your business: firstly, **higher loyalty means lower Customer attrition**: secondly, this will be a major factor in 'putting the plug in'. In consequence, you will **cut back radically on the very high costs of hunting for new business from totally 'cold' prospects**. It is well established by now that regular and stable customer base is much more profitable than, casual drop in customers and new ones.

5. Next, from the model, you can see the natural follow-on is that **Customer lifetime values are enhanced**. If you haven't already started calculating and using lifetime values it is time to start doing so. The use of lifetime values seems to be almost like turning on a light to so many of those who remain unconvinced by the ethical, moral, cultural or philosophical rationales for rebuilding their business around the Customer. Simple example is a RO filter unit at home or business place. Customer will keep using it and will pay several times the original cost in annual maintenance charges.

6. Once you have defined and calculated your measures of lifetime values, you can **start the process of managing them and beginning to appreciate the full benefits** of what can be achieved. There are two significant uplifts, which you will get from managing Customer lifetime values upwards. Firstly, you will find that the conversion to sale ratios is improved by about double. You can imagine the effect this has on sales costs. They tumble! Secondly, you will find that, simply being aware of, and managing the process of Customer lifetime values brings the in-built benefit of extending them.

It therefore becomes amply clear and the argument for delivering **Customer Superformance - actually exceeding Customer expectations with every transaction and interaction** - begins to make supreme sense. In this process **service failures have to be minimised and recovery of such failures even by awarding customer has to be built in**. The brand loyalties don't build over night. It is only when you look at the financial dynamics of lifetime values that a lot of the things you must do for loyalty building become affordable. Trying to run a business devoted to Customer loyalty but **costing it against single transactions** doesn't work. Make the shift and the debate about whether Customers deserve, or are worth it, just falls away.

7. Now the earnest business of **prolonging Customer 'life' by keeping them deliriously, constantly and actively satisfied with your business, the service and values you deliver and the products which you make or distribute**, should become a

permanent quest which will preoccupy and obsess all staff. I have found poor or interrupted communication a strong reason for customer alienation and disloyalty. The obsession applies whether they are Customer facing or not. Customer Superformance is a benign and wonderful concept. It must take place at every opportunity and in every area. It will bring nothing but prosperity, growth and profit to your business. Innovative processes and award systems and regular customer interaction is must even for channel driven sales. Attempt should be made to offer more of peripheral offers to the core product. Since most competitors have similar core products unless protected by new technology or patents.

8. You are about to kick start your business into the next phase of its development in becoming Customer-driven. Those improved conversion ratios pay off with much higher incidences of cross and up-selling (mostly as applicable in Departmental stores, travel and tours and fashion Boutiques) to your existing Customers - the easiest, least expensive, sales your business can achieve. It is quite common for the movement of activity and resource away from 'cold' conquest or prospecting to focus on existing Customers will improve return on investment by five to 15 times - an average of a tenfold improvement.

9. With the simultaneous effect of Customer Superformance and our improved conversion rates yielding more cross- and up-selling, we find the all-significant share of Customer spend increases rapidly. This is a great loyalty builder and a great way of measuring the success of your loyalty work.

10. Now you will start to see the loyalty factor climbing to levels you would only ever have dreamed of before - if you had been ready or able to measure it. How to measure customer loyalty is separate topic.

11. As the natural result, you have a vastly improved dialogue with Customers and this will begin returning benefits to you. They value you because you have amply demonstrated that you care about and value them. The word 'natural' here is interesting because if you look at the model you will see how naturally these steps fit together. Given that you perform and listen and deliver, everything fits holistically, harmoniously into a natural order. It is this natural quality of the process that gives it such elegance, which makes it as right for you as it is for your Customers.

12. With the dialogue between you and your Customers enabling discussion, debate and free exchanges about their needs and feelings and encouraging honest, frank feedback regarding your efforts for them, you now arrive at a virtuous circle of product and service enhancement. With openness abounding, debate and discussion taking place, you can 'sit' with your Customers and discuss the future. You can discuss what you are getting right and wrong, what they want and don't want what their views and feelings are. This will yield a wealth of new product or service and process development ideas and activities. In turn you can ask Customers for opinion and counsel. They feel involved, heard and recognized. And you can discuss all your new ideas with them.

13. Turning to the model again, observe what is happening to the right of the Customer Superformance panel. Once you turn the spotlight onto amazing your Customers at every opportunity, exceeding their perception of service and value, you will find complaints plummet to all time lows. This is good news and bad news! On the one hand, it is obviously good news, Customers are happy with you and what you are doing for them. On the other hand, it is bad news because complaints are

valuable opportunities to build Customer loyalty.

14. As you **manage complaint figures down**, notice how this **contributes to a further reduction in your Customer loss rate** (on the left hand side towards the top of the model).

15. Handling complaints efficiently and effectively, of course, gives you valuable experience in how to react to unhappy Customers. **The more you learn, the faster you act, the better you should become at complaint resolution.**

16. All of this, supported by the radically improving standards in Customer Superperformance, brings you another naturally flowing benefit. Moving back to the lower left panels of the model, we see how, once we have started genuinely to work the loyalty spell, we can actually - if gently and sensitively - **ask the Customer to help us. We can ask them to provide us with referrals.**

17. Then, finally, **we gain the full benefit** of what we described earlier as the **cheapest, most effective advertising you can buy - word of mouth.** These are the unsolicited testimonials with which Customers reward those with whom they are wholly content, those who get it right, leaving them actively satisfied. **So supremely happy they want to tell the world about you.**

Before we finish this piece on Customer-driven Business Model, let me hint on one or two more things - these are positively magic qualities for your business and perhaps the secret of the success of the whole concept of CRM, managing loyalty and a Customer-driven business.

**At the beginning of this page I listed the additional outcomes as: improved brand performance; lower costs; and increased business efficiency.**

I'd like you to just look at the number of arrows that point to increased brand efficiency and equally the number, which point to lower costs. And for that matter, while you're counting arrows, it wouldn't do any harm to note that there are quite a few pointing to the panel 'less need for new Customers'! Also note that everything in the model moves towards increased business efficiency. That's why I describe this process as benign, virtuous and holistic. It is as near as you will get to organic. It enhances the lives of all it touches. That is why it works. It simply returns the dynamics of the business to 'reset'.

### **Is the bath tub plug in place?**

Most businesses are running the bath, with the plug out. They have the taps of sales and marketing full on. They are scrabbling round in a frenzied search for new Clients. **Meanwhile, because salespeople are 'so busy' expanding customer network often with little bit unethical practices; the easiest new business to get is being missed.** Customers of all grades are flooding out down the plug. One European insurance company refocused on existing Customers and increasing loyalty. Business shot up 650% (exit figure) in six months.

### **The Power of the “Word of Mouth”**

No amount of advertising and sales promotion can bring back a customer or repurchase and until that happens, hardly few products will survive in market. Such

regular customers are the real salesmen of the company since most prospective customers enquire around. They don't believe your ads only. In se products it is the technicians who matter. Like a Computer technician job or a car garage or a specialist doctor. Research published by CMT Direct about the UK motor insurance market discovered that, based on a sample of 65,000 motorists, 'word of mouth' provided their business with more name awareness than television, press and direct mail put together. In fact, 'word of mouth' tops the list at a tad more than 30 per cent. Let this tell you something about what your Customers will do for you - if you get it right! They say that a happy Customer tells three or four people, and an unhappy Customer thirteen. This is probably why it's unlucky!