

CUSTOMER RELATIONSHIP MANAGEMENT

Enterprise System Design and Modeling

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Learning Objectives

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- Understand the customer relationship process.
- Know the evolution, current status, and categories of the customer relationship management (CRM) system.
- Understand the components and architecture of CRM systems.
- Examine the CRM life cycle and its relationship with other enterprise software.
- Examine the impact of CRM on an organization.

Preview

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- A good strategy coupled with a well-defined set of requirements, identification of key success factors, and good partnerships will usually lead to success in CRM technology.
- It is important for the company to understand that CRM implementation needs to be **customer driven** more than technology driven.
 - Focus on customer experience
- CRM implementation must involve people, process, and systems, rather than just a narrowly defined IT application.

What Is CRM?

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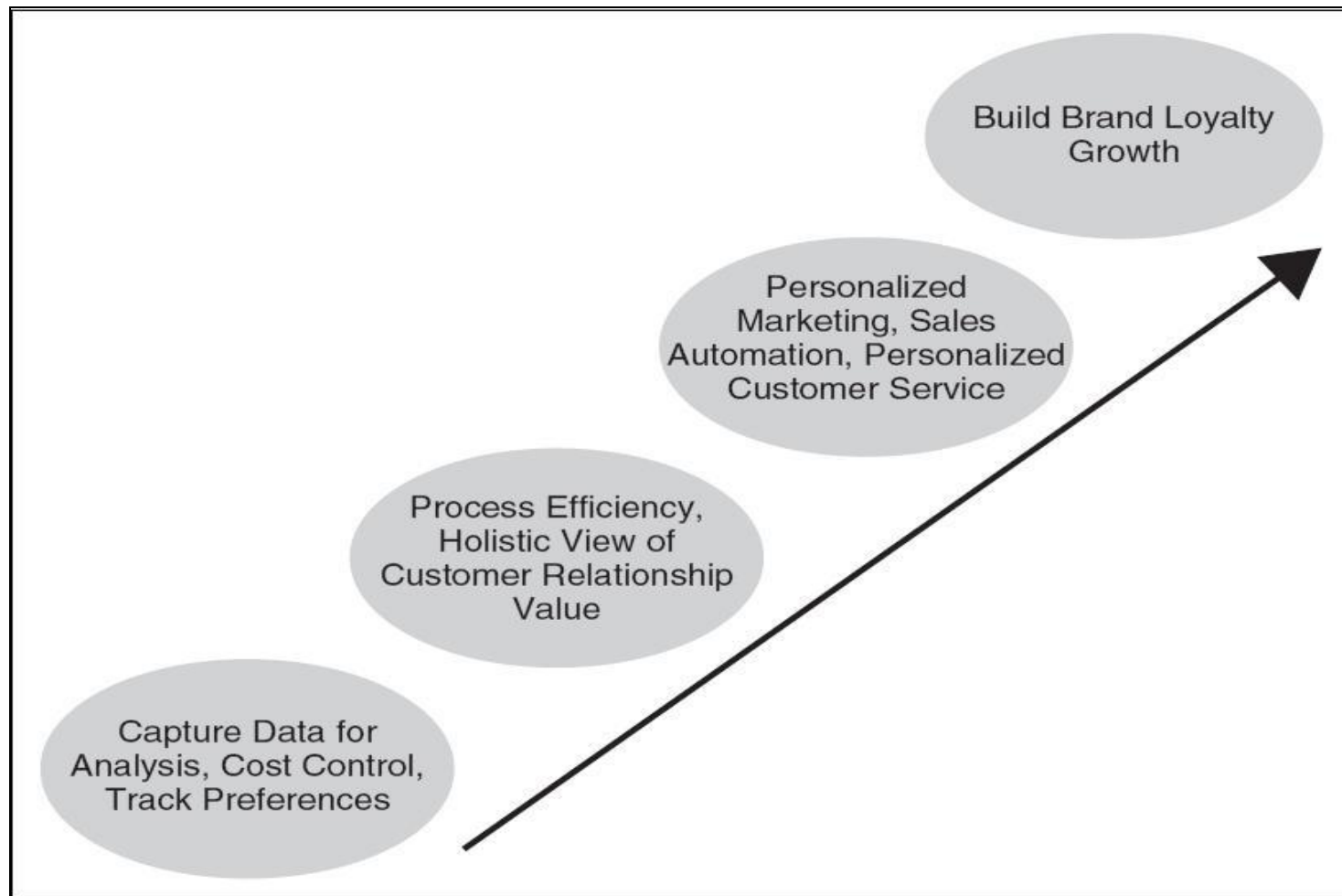
- A true CRM integrates corporate strategy, business methodology, and technology to accomplish a myriad of goals for companies that want to operate in a customer-driven environment.
- No business can survive without understanding its customers and having a positive relationship with them.
- CRM provides support for the front-end customer facing functionality (e.g., marketing, sales, and customer service), which are usually not available in traditional ERP systems.
 - supporting the requirements of customers and clients of the organization

CRM Evolution

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- In the 1980s through the mid-1990s companies started using IT to automate customer processes with discrete customer-centric applications.
- Late 1990s, companies started integrating these discrete systems into what is now known as CRM.
- CRM began in response to a changing market environment as mass marketing gave way to focused segment marketing, and finally to target marketing an individual.
- Enabled by new technologies that collected consumer data, companies progressed to focused segment marketing.

Figure 12-1 Evolution of CRM Programs



CRM Today

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- Globalization and ubiquitous connectivity are forcing companies to re-evaluate how to deliver value to customers.
- Large and small companies now deliver similar products at low cost with an abundance of options for customers mainly due to globalization.
- To be successful in this competitive environment, companies have to deliver both quality products and unique and dynamic experiences for the customer depending on his/her needs.

Types of CRM

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- Operational CRM
 - Provide front- and back-end support for sales and marketing, administrative personnel, or customer-service processes.
- Analytical CRM
 - Provide tools for collection and analysis of data gathered during the operational process to help create a better relationship and experience with clients or end-users.
- Collaborative CRM
 - Deal with the interaction points between the organization and the customer.

Business Strategy Perspective of CRM

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Business	Promotes customer-centric approach Customer segmenting One-on-one marketing Increase customer retention
Technology	Foster close customer relationship Analyze customer information Coherent view of customer
Customer	Increased interaction opportunity Increase customer loyalty Better “word-of-mouth” advertising

Customer Relationship Processes

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- A good CRM should provide support for the following functions.
 - Capture and maintain customer needs, motivations, and behaviors over the lifetime of the relationship.
 - Facilitate the use of customer experiences for continuous improvement of this relationship.
 - Integrate marketing, sales, and customer support activities measuring and evaluating the process of knowledge acquisition and sharing.

CRM Delivery Processes

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- Campaign Management
 - To generate “leads” or potential clients for the organization.
- Sales Management
 - To convert the lead generated by campaign management into a potential customer.
- Service Management
 - Provide ongoing support for the client and to assist in the operation of the product or service purchase.
- Complaint Management
 - To improve customer satisfaction by directly addressing the complaint of the customer and supporting a continuous improvement process.

CRM Support Process

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- Market Research
 - Focuses on systematic design, collection, analysis, and reporting of data, and on findings relevant to specific sales activity in an organization.
 - Involves integration of external and internal data from a wide variety of sources.
- Loyalty Management
 - Provides the processes to optimize the duration and intensity of relationships with customers.

CRM Analysis Processes

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- Lead Management
 - Focus is on organizing and prioritizing contacts with the prospective customers.
- Customer Profiling
 - Focus is to develop a marketing profile of every customer by observing his or her buying patterns, demographics, buying and communication preferences, and other information that allows categorization of the customer.
- Feedback Management
 - Consolidates, analyzes, and shares the customer information collected by CRM delivery and support processes with the analysis process and vice versa.

CRM Technology

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- CRM technology implements a companywide business strategy in an effort to reduce costs and enhance service by solidifying customer loyalty.
- With the rise of the Internet, data mining and analytics techniques have advanced to where they can be considered an integral component of CRM.
- True CRM brings together information from all data sources within an organization to give one, holistic view of each customer in real time.

CRM Components

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- Market Research
 - The two key functionalities here are campaign management and market analysis.
 - Campaign management provides support for preparing such things as marketing budgets, ad placement, sales targeting, and response management.
 - Marketing analysis tools provide statistical and demographic analysis.
- Sales Force Automation (SFA)
 - Provide basic functionality for sales personnel to automate sales lead distribution and tracking etc.

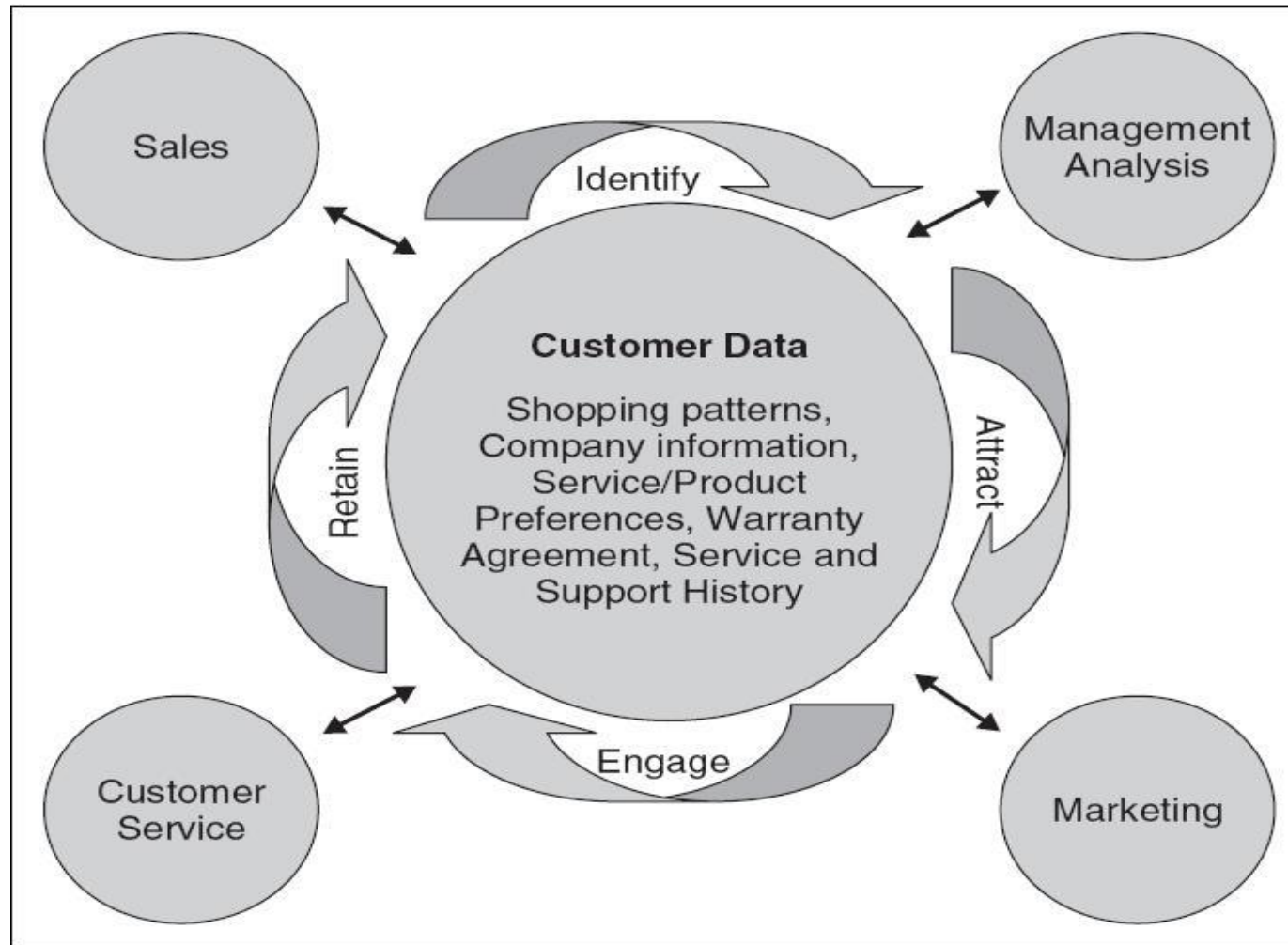
CRM Components (Cont'd)

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- Customer Service Support
 - Typically includes help desk ticket management software, e-mail, and other interaction tools connected to a fully integrated customer database, which is connected to the SCM and ERP application.
- Data Mining and Analytics
 - Data must be collected, sorted, organized, and analyzed for trends, demographics, cross-selling opportunities, and identification of other sales patterns.

Figure 12-2 CRM Components

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CRM Packages and Vendors

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- Big CRM vendors provide more features than the smaller vendors do, but there is no software package that can work directly off-the-shelf.

Target Market	Vendor
Large Enterprises	Siebel, Vantive, Clarify, and Oracle
Midsize Firms	Servicesoft, Onyx, Pivotal, Remedy, and Applix
Small Companies	Goldmine, Multiactive, and SalesLogix

On-Demand CRM

- Provides firms with the option of a scalable CRM application suite via a browser, and pay a per-month, per-user set fee.

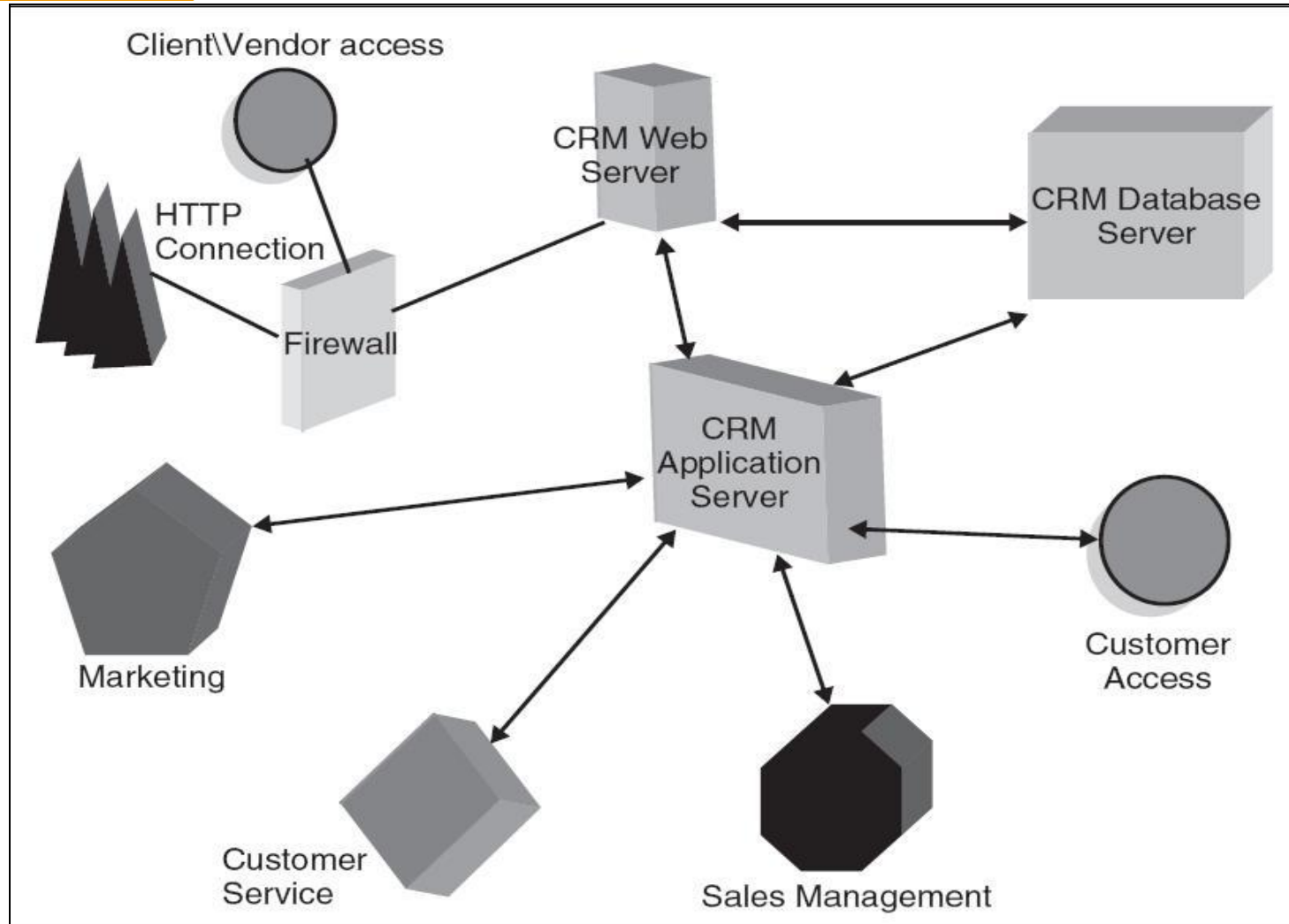
CRM Architecture

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- Typical CRM systems follow client – server architecture. The system environment consists of the following components:
 - **Application server:** Runs either front-end processing or querying data and possibly a Web interface for the CRM system.
 - **Database server:** Houses the back-end database and possibly retrieves information from other database systems in the company to present through the application server.
 - **Web server:** Used if the CRM provides an extranet access point for such external users as vendors or customers and an intranet access point for employees.

Figure 12-3 CRM Architecture

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On-Demand CRM

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- High-speed secure Internet connectivity has recently spurred a lot of interest and demand in hosted CRM systems.
- Using thin-client architecture, such vendors as NetSuite, Inc. and Salesforce.com have provided firms with the option of a scalable CRM application suite via a browser and pay a per-month, per-user set fee
- Other on-demand CRM vendors include Siebel, RightNow, Microsoft, and Oracle
- Small businesses are slowly shifting to on-demand software due to high costs of installation, maintenance, and security

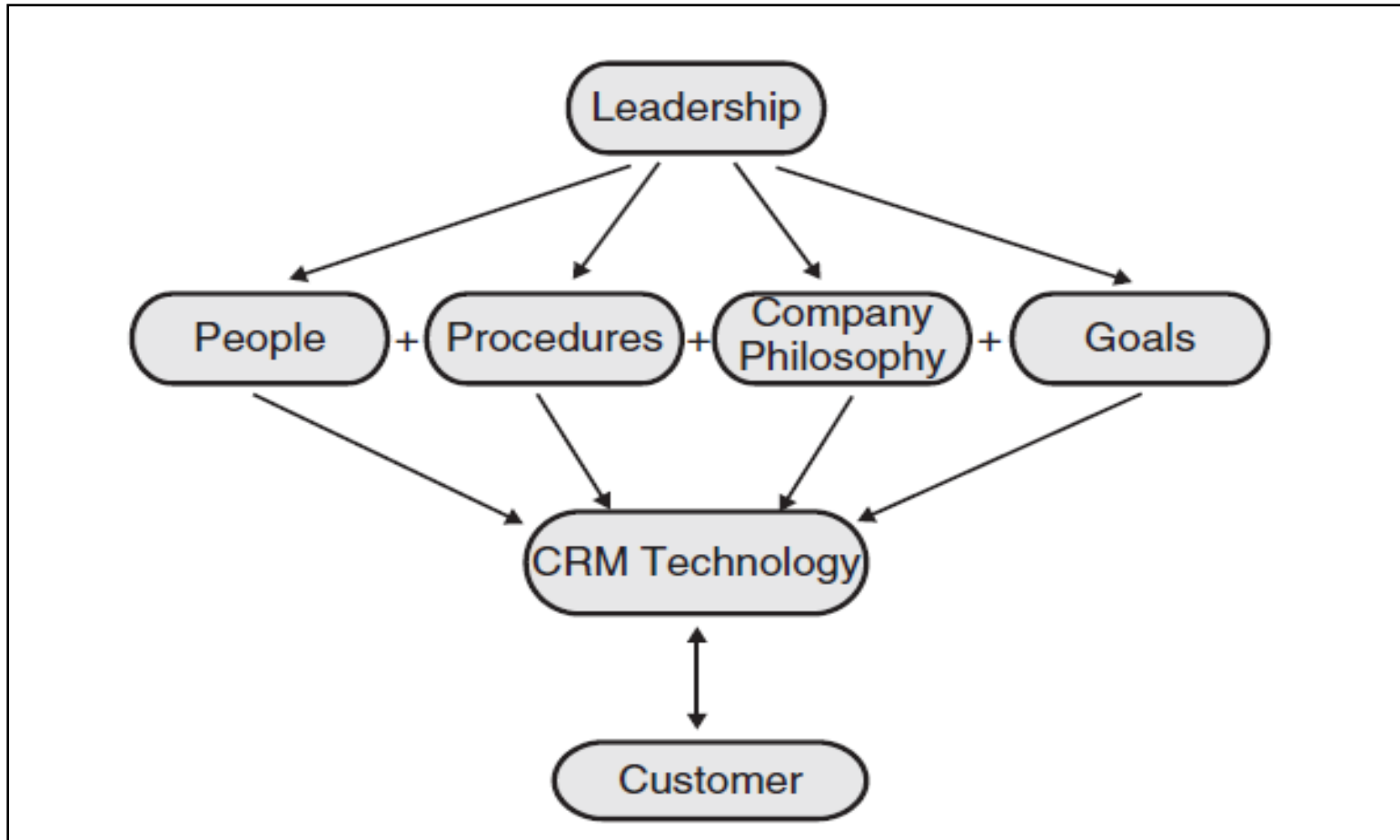
CRM Life Cycle

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- A CRM system life cycle involves focus on people, procedures, company philosophy, and culture, rather than just information technology.
- Adequately outline the corporate CRM goals and the practical process changes that have to occur before focusing on possible technology solutions.
- Functional requirements must be considered before making a decision on the architecture.
- There are many CRM products from which to choose, depending upon the complexity of the information needed and the resources to manage the program.

Figure 12-4 CRM Life Cycle

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Implications for Management

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- CRM is a strategic business solution and not a technical solution.
- CRM should not be implemented as a single system or at one time.
- CRM systems come in a variety of shapes and sizes, but there is no real off-the-shelf solution.
- Even though CRM provides a great solution for one-on-one individualized marketing, it also provides good mechanisms for privacy and ethical violations.

Summary

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- Customer relationship management (CRM) systems are an integral part of enterprise systems for today's global market where many organizations are competing for the same customers.
- No business can survive in a competitive environment without keeping a customer happy.
- CRM systems can be categorized by functionality, business strategy, and implementation perspectives.
- The customer relationship process is complex and integrates several functional areas of the organization.

Summary (Cont'd)

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- A CRM system combines a wide variety of computer and communication technology.
- The major components of the CRM system are market research tools, sales force automation software, customer service and support tools, and data mining and analytics.
- CRM solutions exist in hosted and installed environments.
- CRM implementation must never focus on a technology solution.

Assignment

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- Read the following case given (Case 12-2).
- Answer the questions given in the Case Questions.
- **Due date: 15/06/22 by 4:00 pm via e-learning**
- This is individual assignment. Any form of plagiarism will result in a zero mark given. Thus, make sure your answers are of your own understanding and written with your own words.

CASE 12-2**Real-World Case***Plexipave: A Failed CRM Implementation*

Source: Based on Reed, T., and Desrosiers, A. (2006). Unpublished Case Study Report, College of Management, University of Massachusetts, 1 University Avenue, Lowell, MA 01854.

Plexipave is the world's largest manufacturer of acrylic sports surfacing systems and surface preparation products. Their acrylic sport surfaces are installed in residential, commercial, institutional, and tournament locations around the world, including Indian Wells, Tennis Asia, and the Davis Cup. Plexipave Sport Surfacing Systems is a division of California Products Corporation, a manufacturer of paints and coatings since 1926, headquartered in Andover, Massachusetts. California began manufacturing Plexipave in 1953 and is now the oldest and largest manufacturer of acrylic tennis court surfaces in the world. Plexipave sells its products to tennis court installation businesses.

After the loss of two long-term sales representatives, who collectively had more than 50 years in the business, the director of the Plexipave division was in search of a better way to capture customer data. Much of the customer and market information from the two territories was lost since the salesmen maintained prospecting information independently from the database in customer service.

Customer service maintained a Microsoft Access database of current customers. It was not integrated with any other systems (e.g., ordering, finance), but instead served as a stand-alone database to retain only the most basic information (e.g., addresses and employee names). In addition, Plexipave subscribed to a lead reporting service called the Dodge Reports, offered by construction publishing powerhouse McGraw-Hill. McGraw-Hill employed reporters from around the country to capture and report construction projects as they went to bid, detailing all aspects of the project. The Dodge Reports were e-mailed to customer service, read, sorted, divided by territory, and e-mailed to the sales representative who would then follow up on the lead. Any report updates were treated as a new report, and the information would be sent once again with the applicable updates.

McGraw-Hill and Seibel entered into an agreement in 2004 to offer a hosted CRM program as an upgraded option for the Dodge Reports. It would enable Plexipave employees to download the daily Dodge reports into the CRM database and to transfer information from legacy programs into the CRM as well. A small one-time fee of \$5,000 plus \$100 per seat annually provided a hosted database that could be accessed remotely through the Internet. The software was designed to eliminate redundant files: If updates were available for a customer or project, it would simply add the information to the existing file. If a user attempted to create a new file for an existing user, the software would likewise alert the user to the double entry.

The director of Plexipave purchased the CRM service and five seats to “test-pilot” the program with key salesmen and customer service personnel. A seat was used for a customer service representative so she could input the data from the Access database (about 175 customers), download the leads from Dodge into the CRM before pushing the data to the sales force, and enter new phone, mail, and fax inquiries into the CRM. Three seats were given to salesmen who volunteered to pilot the program. The last seat was utilized by the director to oversee the program. A Dodge representative trained the internal users by reviewing a “canned” capabilities presentation, and the salesmen were trained through computer-based training (CBT) software with an offer to meet face to face with a trainer if the CBT was not sufficient.

The service went live with no lag time for development. The salesmen spent hours sifting through the database of leads, but did very little in terms of information input. Many approached the automation by compiling notes offline (whether written or typed) and then waiting for downtime or office time to input the data into the CRM. The stockpile of information took hours to input, and, in a short time, the salesmen began to resent the time they had to put aside to use the program. The most frequent comment was, “We spend all this time recording what we are doing and should be out selling.”

CASE QUESTIONS

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1. What was wrong with Plexipave's CRM strategy?
2. What was wrong with the McGraw-Hill/Siebel-hosted CRM application?
3. Do you think Plexipave should implement another CRM system? Provide detailed recommendations.