

“CUSTOMER RELATIONSHIP MANAGEMENT”

An Opportunity for Competitive Advantage



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1. *Customer Relationship Management: An Eye Opener*

The new millennium is in the midst of explosive change witnessing rapidly changing market conditions, volatile equity markets, reconstructed value chains and new global competitors. And Customers themselves are changing – natural customer loyalty is a thing of past. Little wonder then, the concept of customer relationship management (CRM) has taken center stage in the business world for sustainable business advantage. Long-term success requires a great Customer Relationship Management strategy. A technology-enabled CRM strategy to meet Customer-focused objectives involves the vast majority of any organization's activity.

No doubt about that Customer relationship management (CRM) has become a top priority for companies seeking to gain competitive advantage in today's stormy economy. However, confusion reigns about exactly what CRM is, how to best implement it, or even what role it should play in enhancing customer interaction.

This paper describes in a nutshell, how CRM-focused enterprises mobilize the entire company to better serve customers, locking in long-term relationships that benefit both buyer and seller.

2. *What is Customer Relationship Management ?*

Customer Relationship Management (CRM) is a process by which a company maximizes customer information in an effort to increase loyalty and retain customers' business over their lifetimes.

The primary goals of CRM are to

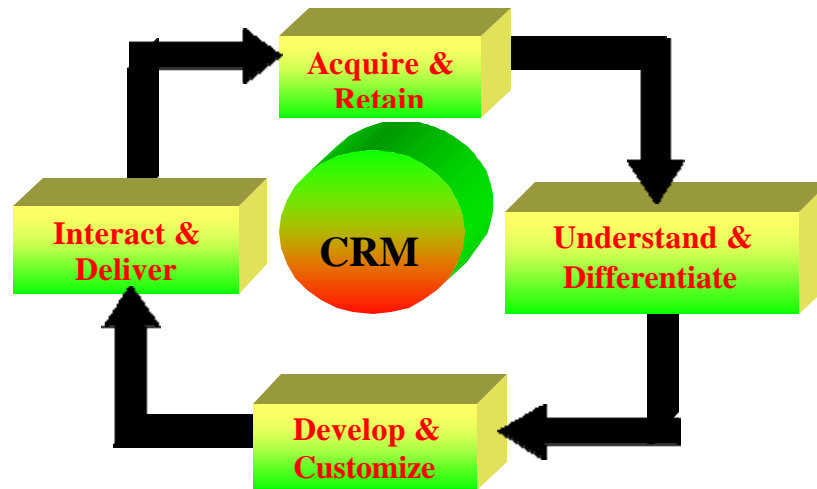
- Build long term and profitable relationships with chosen customers
- Get closer to those customers at every point of contact
- Maximize your company's share of the customer's wallet



"If you wish to prosper, let your customer prosper"

3. CRM Business Cycle

As shown in the diagram below, any organization starts with the acquisition of customers.



3.1 Acquisition and Retaining

Acquisition is a vital stage in building customer relationship. For purpose of customer acquisition an organization is likely to focus its attention the suspects, enquiries, lapsed customers, former customers, competitor's customers referrals, and the existing buyers. From these the organizations need to acquire customers and prospective customers and retain valuable customers.

3.2 Understand and Differentiate

Organizations cannot have a relationship with customers unless they understand them...what they value, what types of service are important to them, how and when they like to interact and what they want to buy. True understanding is based on a combination of detailed analysis and interaction.

Several activities are important:

- ✓ Profiling to understand demographics, purchase patterns and channel preference
- ✓ Segmentation to identify logical unique groups of customers that tend to look alike and behave in a similar fashion. While the promise of one-one marketing sounds good, we have not seen many organizations that have mastered the art of treating each customer uniquely. Identification of actionable segments is a practical place to start.

- ✓ Primary research to capture needs and attitudes.
- ✓ Customer valuation to understand profitability, as well as lifetime value or long term potential. Value may also be based on the customer's ability or inclination to refer other profitable customers.

Customers need to see that the company is tailoring service and communications based on what they have learned independently and on what the customers have told them.



3.3 Develop and Customize

In the product world of yesterday, companies developed products and services and expected customers to buy them. In a customer – focused world, product and channel development has to follow the customer's lead. Organizations are increasingly developing products and services, and even new channels based on customer needs and service expectations.

3.4 Interact and Deliver

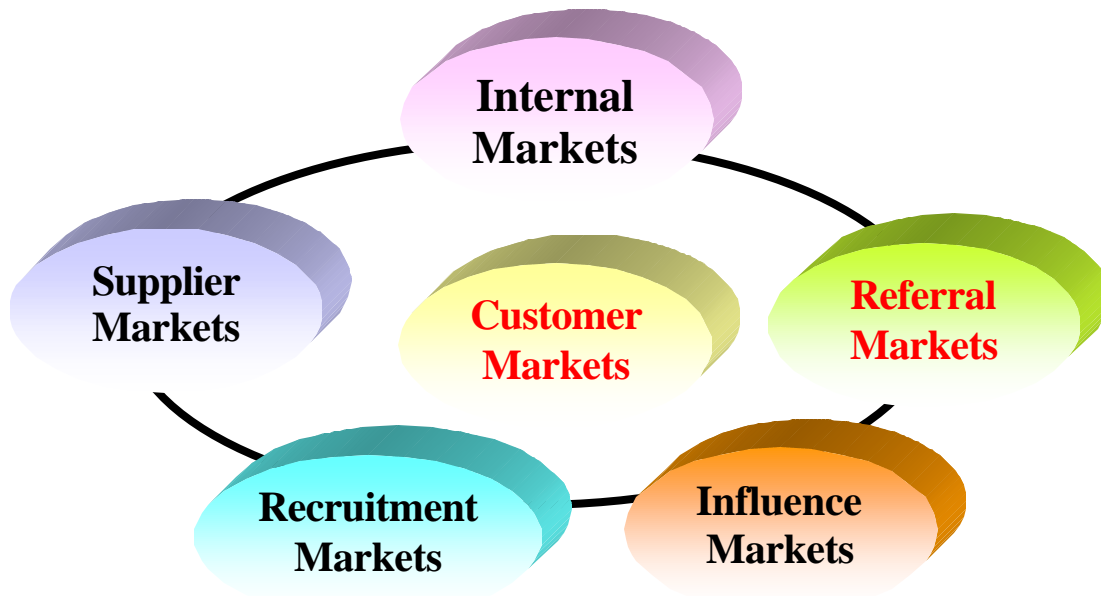
Interaction is also a critical component of a successful CRM initiative. It is important to remember that interaction doesn't just occur through marketing and sales channels and media; customers interact in many different ways with many different areas of the organization, including distribution and shipping, customer service and online.

With access to information and appropriate training, organizations will be prepared to steadily increase the value they deliver to customers.

"Quality is when your customers come back, not your products" - Mrs. Thatcher.

4. Six Markets Framework

The broadened view of relationship marketing addresses a total of six key market domains, not just the traditional customer market. The Six markets are:



1. Customer Markets – Existing and prospective customers as well as intermediaries.
2. Referral Markets – Existing Customers who recommend to other prospects, and referral sources or multipliers such as doctors who refer patients to a hospital
3. Influence Markets – Government, consumer groups, business press and financial analysts.
4. Recruitment Markets – For attracting the right employees to the organization
5. Supplier Markets – Suppliers of raw materials, components, services etc.
6. Internal Markets – The organization including internal departments and staff.

“Think of the customer first, if you want the customer to think of you first.” - Unknown

5. Use of technology in CRM

The application of technology is the most exciting, fastest growing and changing the way customers get information about products and services. Technology includes all the equipment, software, and communication links that organizations use to enable or improve their processes. The mostly used tools are explained below:

5.1 Sales Force Automation

These systems help in automating and optimizing sales processes to shorten the sales cycle and increases sales productivity. They enable the company to track and manage all qualified leads, contacts and opportunities throughout the sales cycle including customer support. They improve the effectiveness of marketing communications programmes for generating quality leads as well as greater accuracy in sales forecasting. The Internet can be used by the company in imparting proper training to its sales force. In depth product information, specialized databases of solutions, sales force support queries, and a set of internal information on the Internet can improve the productivity of the sales force.



5.2 Call Centres

Call Centre helps in automating the operations of in bound and outbound calls generated between company and its customers. These solutions integrate the voice switch of automated telephone systems with an agent host software allowing for automatic call routing to agents, auto display of relevant customer data, predictive dialing, self –service Interactive Voice Response systems, etc. These Systems are useful in high volume segments like banking, telecom and hospitality. Today, more innovative channels of interacting with customers are emerging as a result of new technology, such as global telephone based call centers and the Internet. Companies are now focusing to offer solutions that leverage the internet in building comprehensive CRM systems allowing them to handle customer interactions in all forms.

5.3 Data Warehousing

A data warehouse is an implementation of an informational database used to store shareable data that originates in an operational database-of-record and in external market data sources. It is typically a subject database that allows users to tap into a company's vast store of operational data to track and respond to business trends and facilitates forecasting and planning efforts.

5.4 Data Mining and OLAP

Data mining involves specialized software tools that allow users to sift through large amounts of data to uncover data content relationships and build models to predict customer behavior. Data mining uses well-established statistical and machine learning techniques to build models that predict customer behavior.

OLAP (Online Analytical Processing), also known as multi-dimensional data analysis, offers advanced capabilities in querying and analyzing the information in a data warehouse. In some CRM initiatives, OLAP plays a major role in the secondary analysis that takes place after initial customer segmentation has occurred. For example, in CRM – based campaign management systems, OLAP is an excellent tool for analyzing the success or failure of the promotional campaigns.

5.5 Decision Support and Reporting Tools

Web enabled reporting tools and executive information systems are used to deploy the business information that has been discovered. This enhanced customer knowledge is distributed to executive decision- makers as well as to the operational customer contact points. Applications equipped with some of the same sophisticated modeling routines developed in the data-mining phase are applied to individual contacts in real time.

5.6 Electronic point of Sale (EPOS)

The main benefit of EPOS and retail scanner systems is the amount of timely and accurate information they deliver. Advances in the technology have significantly aided the scope for data analysis. In addition to the original scanner-related data on sales rate, stock levels, stock turn, price and margin, retailers now have information about the demographics, socio-economic and lifestyle characteristics of consumers.

“Cherish customers who complain; they tell you what to change.”

6. Six E's of eCRM

The "e" in eCRM not only stands for "electronic" but also can be perceived to have many other connotations. Though the core of eCRM remains to be cross channel integration and organization; the six "e": in eCRM can be used to frame alternative decisions of eCRM based upon the channels which eCRM utilizes, the issues which it impacts and other factors; the six 'e's of eCRM are briefly explained as follows:

- 1. Electronic channels:** New electronic channels such as the web and personalized e-messaging have become the medium for fast, interactive and economic communication, challenging companies to keep pace with this increased velocity. eCRM thrives on these electronic channels.
- 2. Enterprise:** Through eCRM a company gains the means to touch and shape a customers experience through sales, services and corner offices-whose occupants need to understand and assess customer behavior.
- 3. Empowerment:** eCRM strategies must be structured to accommodate consumers who now have the power to decide when and how to communicate with the company through which channel, at what frequency. An eCRM solution must be structured to deliver timely pertinent, valuable information that a consumer accepts in exchange for his or her attention.
- 4. Economics:** An eCRM strategy ideally should concentrate on customer economics, which delivers smart asset-allocation decisions, directing efforts at individuals likely to provide the greatest return on customer-communication initiatives.
- 5. Evaluation:** Understanding customer economics relies on a company's ability to attribute customer behavior to market programs, evaluate customer interactions along various customer touch point channels, and compare anticipated ROI against actual returns through customer analytic reporting.

"You have no mercy on the people who make the items you buy in your personal life. Why should you expect your customers to treat you differently" -- Crosby

7. Conclusion

In summary, to implement CRM successfully, you'll have to reorganize your customer and change your organizational mindset. When CRM works, it helps to solve this problem by meshing everyone together and focusing the entire organization on the customer. Like all strategic initiatives, CRM requires commitment and understanding throughout the company, not just in marketing. In all, it adds to a sense of expectation and loyalty being instilled within the consumer and the development of a relationship between company and customer that competitors find hard to break. Business decisions based on complete and reliable information about your customers are very difficult for your competitors to replicate and represent a key and *sustainable competitive advantage*.

" A customer is the most important visitor
on our premises.
He is not an interruption on our work, he is
the purpose of it.
We are not doing him a favour by serving
him.
He is doing us a favour by giving us an
opportunity to do so"
-- Mahatma Gandhi

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