BBA 603- M2 Customer Relations Management

Unit 1- CRM concepts: Acquiring customers, customer loyalty, and optimizing customer relationships. CRM defined: success factors, the three levels of Service/ Sales Profiling, Service Level Agreements (SLAs), creating and managing effective SLAs.


Unit 3- E-Commerce and Customer Relationships on the Internet, Enterprise Resource Planning (ERP), Supply Chain Management (SCM), Supplier Relationship Management (SRM), Partner relationship Management (PRM).

Unit 4- Analytical CRM: Managing and sharing customer data - Customer information databases, Ethics and legalities of data use. Data Warehousing and Data Mining concepts.

Unit 5- CRM Implementation: Defining success factors, justification, processes, managing customer relationships: conflict, complacency, resetting the CRM strategy. Selling CRM internally: CRM development Team, Performance measurement.

Customer Relationship Management

Definition of CRM

“CRM is concerned with the creation, development and enhancement of individualised customer relationships with carefully targeted customers and customer groups resulting in maximizing their total customer life-time value”.

Meaning of CRM

CRM is specific software that allows a company to measure & control contacts with the customer. CRM can be used for controlling contacts with the customer either by phone, faxes or e-mail. The data collected can be used for research & analysis of the customer relationship.
CRM is often thought of as a business strategy that enables business to-

1. Understand the customers
2. Retain customers through better customer experience
3. Attract new customers
4. Win new clients & contacts increase profitably
5. Decrease customer management cost

The purpose of CRM

- The focus [of CRM] is on creating value for the customer and the company over the longer term”.

- When customers value the customer service that they receive from suppliers, they are less likely to look to alternative suppliers for their needs.

- CRM enables organisations to gain ‘competitive advantage’ over competitors that supply similar products or services

Determinants of CRM

1. Trust: The willingness to rely on the ability, integrity, and motivation of one company to serve the needs of the other company as agreed upon implicitly and explicitly.
2. Value: The ability of a selling organisation to satisfy the needs of the customer at a comparatively lower cost or higher benefit than that offered by competitors and measured in monetary, temporal, functional and psychological terms.

CRM cycle
Interact and Deliver:

- Interact with customers & prospective customers
- Deliver increased value to customers

Acquire and Retain:

- Acquire customers & prospective customers
- Retain valuable customers

Understand and Differentiate:

- Understand customer needs
- Differentiate based on customer needs, characteristics & behavior

Deploy and Customize:

- Develop products, services, channels to meet customer needs
- Customize by customer segments

Principles of CRM

The overall processes and applications of CRM are based on the following basic principles.

Treat Customer individually

Acquire and retain customer loyalty through Personal Relationship
Select “Good” customer instead of “Bad” customer based on Lifetime value.

In summary, personalization, loyalty, and lifetime value are the main principles of CRM implementation.

**How to achieve goals of crm**

**Customer Identification:** To serve or provide value to the customer, the company must know or identify the customer through marketing channels, transactions, and interactions over time.

**Customer Differentiation:** Each customer has their own lifetime value from the company’s point of view & each customer imposes unique demands and requirements for the company.

**Customer Interaction:** Customer demands change over time. So keeping track of customer behavior & needs is an important task of CRM.

**Customization/ Personalization:** “Treat each customer uniquely” is the motto of the entire CRM process.

**ACQUIRING CUSTOMERS**

Customer acquisition is the process of acquiring new customers for business or converting existing prospect into new customers.

**Process of customer Acquisition**
1. Primarily it is important to determine and focus on psychology of customers, like how the customers feel and think and then selecting the product segment to be presented to them.
2. Concentrating on how the customers are influenced by the surrounding environment like the business culture, technology, media etc.
3. Analysis of customer behavior and tendency while buying specific range of product.
4. Studying the customer’s limitation of knowledge processing power which influence the decision making power.
5. Finally it’s very important to engage best strategies for effectively convincing new customers and improving marketing campaigns.

Types of Loyalty

**Transactional Loyalty:** It covers recency, frequency, and customer lifetime and customer share. It is based on transactional records or some historical evidence that shows how recent, frequent, long (customer lifetime) and deep (customer share) the customer is with your company.

**Emotional Loyalty:** It includes the willingness to pay premium price, making your product the de facto standard, recommending your products and services to others, and a willingness to provide feedback to help make your product better. It is based on emotions and relationships, rather than purely the transactional records.

**Ten Tips to Build Customer loyalty**

1. Communicate with Customers
2. Provide Great Customer Service
3. Build Employee Loyalty, Too
4. Train Employees Thoroughly
5. Provide Customer Incentives
6. Promote Product Awareness
7. Build a Reputation for Reliability
8. Be Flexible with Policies
9. Don't Hide Behind Technology
10. Address Customers by Name

**ASPECTS OF CRM**

**Aspect 1 - Front Office Operation**

- Direct interaction with customers
- Face to face meetings
- Phone calls
- E-mail
- Online services etc

**Aspect 2 – Back Office Operation**

- Operations that ultimately affect the activities of the front office
- Billing
- Maintenance
- Planning
Marketing
Advertising
Finance
Manufacturing

Aspect 3 – Business Relationship

- Interaction with other companies and Partners

Suppliers/vendors
Retail outlets/distributors
Industry networks (lobbying groups, trade assn’)

> This external network supports front and back office activities

Aspect 4 – Business Analysis

- Key CRM data can be analyzed in order to plan

Target-marketing campaigns
Conceive business strategies

Judge the success of CRM activities (e.g., market share, number and types of customers, revenue, and profitability)

Business Strategy Perspective

- Three Key Phases

Customer Acquisition: Attracting our customer for the first purchase

We have acquired our customer
• GOAL: Market orientation, innovative IT & value creation
• AIM: Aim is to increase the number of customer’s that purchase from us for the FIRST TIME

Customer Retention: Re-purchase by our customer returns and buys for a second time. This is most likely to be the purchase of a similar product or service, or the next level of product or service.

• GOAL: Market orientation, innovative IT & value creation
• AIM: Aim is to increase the number of customers that purchase from us REGULARLY

Customer Extension: Additional, supplementary purchases by our customers are regularly purchasing. We introduce products and services to our loyal customers different from original purchase. Once purchased, our goal is to retain them as customers for the extended products or services.

• GOAL: Market orientation, innovative IT & value creation
• AIM: Aim is to increase the number of customers that purchase ADDITIONAL products

➢ Three Contextual Factors:
  ▪ Marketing Orientation
  ▪ Value Creation
  ▪ Innovative IT

Features of a Good CRM program:

1. Offering product information, product usage information & technical support.
2. Offering services in keeping with the requirements & expectations of each individual customer.

3. Developing an effective system to track all possible point of contact between the firm & the customer in an integrated manner.

4. Facilitating the adoption of a user friendly mechanism for registering the complaints from the customers to prevent customer dissatisfaction.

5. Locating the potential problems well in advance even before such problem arise.

**Implementing CRM Initiatives:**

1. Creation of a customer focused culture

2. Effective adoption of customer based measures

3. Development of a complete end to end process to serve customers

4. Suggestion of the questions to be asked to help a customer in solving the problem

5. Recommendation of the strategies to deal with customer complaints.

6. Tracking of all aspects of selling to both existing & prospective customers with a view to gain adequate customer support.

**Significance of CRM**
1. Build up customer retention & loyalty
2. Deliver a single, informed view of the customer.
3. Improve customer acquisition rate
4. Improve cross-selling & up-selling
5. Boost the contract or call centre effectiveness
6. Improve the effectiveness of field service.
7. Identify & target the best customers & generation of quality leads for the sales force.
8. Establish personalized relationships with the customers.
9. Understand the needs of employees & maintain a sound relationship with them

**Optimizing customer relationship**

Customer Relationship Optimization is an approach to help companies transition from “managing” customer relationships and experiences to “optimizing” them in order to significantly increase customer value, longevity and ROI

**Customer optimizing process**

1. Clear understanding of customers’ value drivers
2. Increased sales and marketing efficiency and effectiveness
3. Customer-centric products, programs and strategies
4. Improved customer engagement, value creation and revenue
5. Predictable outcomes, accelerated growth and organizational performance

**Behavior Prediction:**

It uses historical customer behavior to foresee future behavior. This analysis includes several variations:

1. **Propensity to buy:** understanding which products a particular customer is likely to purchase.
2. **Next sequential purchase:** predicting what product or service a customer is likely to buy next.
3. **Product affinity:** understanding which products will be purchased with other products. Also known as “market basket analysis”
4. **Price elasticity modeling & dynamic pricing:** Determine the optimal price for a given product, often for a given customer or customer segment.

**Behavior prediction**

1. Behavior prediction helps marketing departments determine what customers are likely to do in future.
2. By understanding how a customer likely to behave, a company can make a host of marketing decisions based on this knowledge, including these:
   - Offering discounts to existing customers who are at risk of churning.
   - Refining target marketing campaigns to smaller customer segments or specific products
   - Packaging certain products together & fixed pricing them to sell more products & increase their profitability.
   - Cross selling products likely to be purchased with other products.
Customer relationship

Customer, relationship marketing was embraced as a way for marketing departments to get to know their customers more intimately by understanding their preferences & thus increasing the odds of retaining them.

Target marketing, cross-selling, & customer loyalty programs evolved from one-off pilot projects & became formalized as part of core marketing & sales processes.

One to One marketing

One to one means not only communicating with customers as Individuals, but also developing custom products & tailored messages based on customers’ unspoken needs. It relies on a two way dialog between a company & its customers to foster a true relationship & allow customers to truly express the desires the company can fulfill.

It relies as heavily on the customer’s experience of the company as it does on the specific marketing message he receives.

Ex: You will not be trying to sell a single product to as many customers as possible. Instead, you’ll be trying to sell a single customer as many products as possible. To do this, you will need to concentrate on building unique relationship with individual customers

CROSS-SELLING
• It involves selling to a customer as a result of another purchase made by customer.
• It can be done only after considering customer profile, life cycle stage & other aspects concerned with customer segmentation.
• It efforts would be fruitful if the database is created through well qualified prospects & campaign management is done bearing in mind personalization & customization requirement.

UP-SELLING

Up-selling is concerned with selling a superior product to a customer when he has outgrown the old product. Regular customer interactions & purchase behavior tracking mat help to understand the psyche of a customer which will help in up-selling situations.

Companies are looking for opportunities to up-sell or motivate their existing customers to trade up to more profitable products.

Customer Profitability

The extensive processing & detailed data required to calculate customer profitability combined with the high cost of specialized profitability-modeling products.

Companies have to understand the cost of their various products, and then roll those products up to the account level, and then associate a single customer with multiple accounts.

“A customer can be unprofitable but could have referred high level customers to your firm, thereby rendering himself very valuable.”

Value Modeling

Customer value measurement is data intensive.
The challenge of value modeling is that it is only as accurate as the customer data is rich. Customer behaviors, product costs, support costs, customer profitability and channel usage should all figure into the overall value of a customer.

**Channel optimization**

The goal of marketing automation is to offer the right message to the right customer at the right time.

Understanding the channels through which specific customers prefer to interact with your company is only a slice of the pie.

Channel management means optimizing a company’s “inbound” channel with its “outbound” means of customer interaction & knowing how to choose the best approach for each.

Example: a customer whose use of online banking services has steadily increased might prefer to be emailed, whereas a retiree might get delighted when the branch manager offers a cup of coffee.

**Three levels of customer service**

Plain customer service

Customer engagement

Customer intimacy