



## CUSTOMER RELATIONSHIP

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## About the Tutorial

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Customer Relationship Management (CRM) in a very broad way can be defined as the efforts made towards creating, developing, and maintaining a healthy and long-lasting relationship with the customers using technology. This tutorial is an introductory guide to CRM that touches upon various topics such as understanding 21<sup>st</sup> century customers and managing them, building value for them, CRM software, and future trends in CRM.

## Audience

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This tutorial is prepared for beginners to help them understand the basics of Customer Relationship Management. It will be quite a useful learning material for all those readers who want to make a career in management and professionals who interact with customers as the face of their companies.

## Prerequisites

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We assume the reader has a basic knowledge of business administration, marketing concepts, basic database concepts, and software. Analytical thinking, strategic thinking, and good communication skills are a plus.

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## Part 1 – CRM Basics

# 1. INTRODUCTION TO CRM

*"Successful CRM is about competing in the relationship dimension. Not as an alternative to having a competitive product or reasonable price, but as a differentiator. If your competitors are doing the same thing as you are (as they generally are), product and price won't give you a long-term, sustainable competitive advantage. But if you can get an edge based on how customers feel about your company, it's a much stickier-sustainable-relationship over the long haul."*

**– Bob Thompson, CustomerThink Corporation**

Business people started using the term Customer Relationship Management (CRM) since the early 1990s when the concept of business started to change from being transactional to relational. CRM directly contributes towards customer benefits and the growth of businesses.

Information Technology plays a very critical role in identifying, acquiring, and retaining the customers, and thereby managing a healthy relationship with them.

Here in this chapter, we will discuss the very basics of CRM.

## What is CRM?

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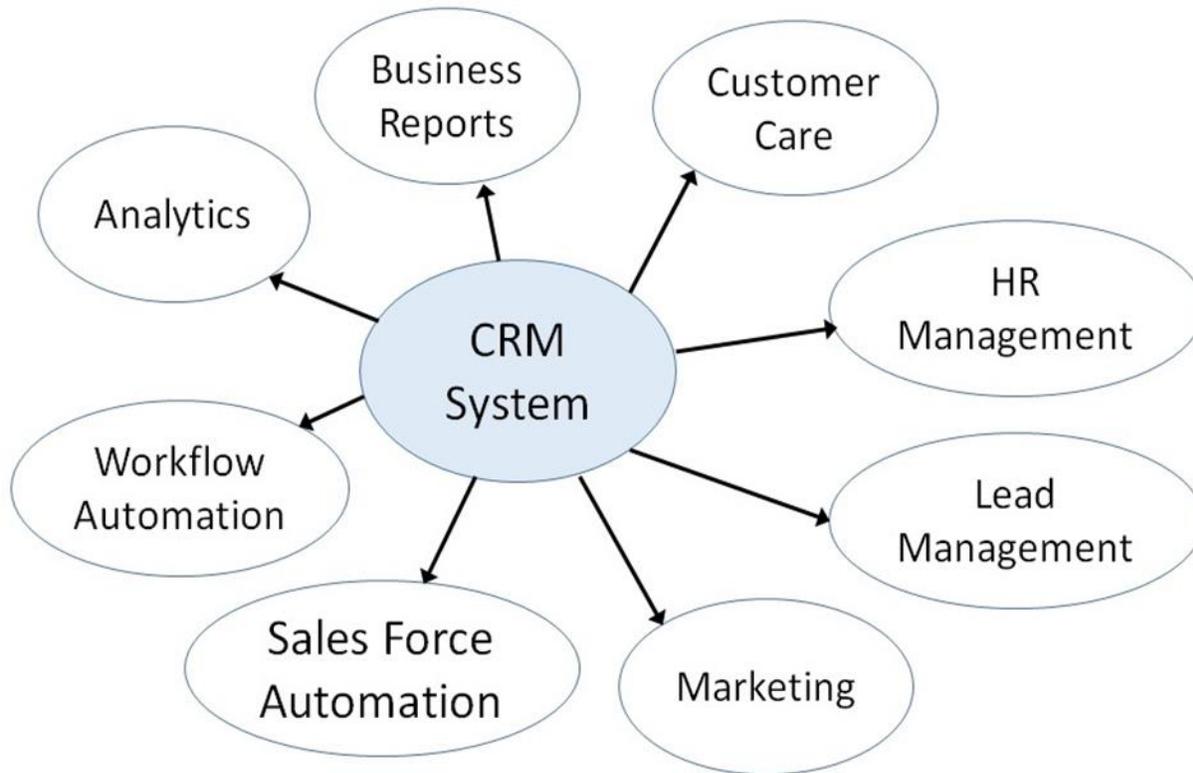
There can be multiple definitions of CRM from different perspectives:

- From the viewpoint of the Management, CRM can be defined as *an organized approach of developing, managing, and maintaining a profitable relationship with customers.*
- By equating the term with technology, the IT organizations define CRM as *a software that assists marketing, merchandising, selling, and smooth service operations of a business.*
- As per Franics Buttle, World's first professor of CRM, it is the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to a target customer at profit. It is grounded on high quality customer data and information technology.

The primary goal of CRM is to increase customer loyalty and in turn improve business profitability.

## Ingredients of CRM

Take a look at the following illustration. It shows the ingredients that work together to form a successful CRM system.



Here are some of the important ingredients of CRM:

- **Analytics** – Analytics is the process of studying, handling, and representing data in various graphical formats such as charts, tables, trends, etc., in order to observe market trends.
- **Business Reporting** – Business Reporting includes accurate reports of sales, customer care, and marketing.
- **Customer Service** – Customer Service involves collecting and sending the following customer-related information to the concerned department:
  - Personal information such as name, address, age, etc.
  - Previous purchase patterns.
  - Requirements and preferences.
  - Complaints and suggestions.

- Human Resource Management – Human Resource Management involves employing and placing the most eligible human resource at a required place in the business.
- Lead Management – Lead Management involves keeping a track of the sales leads and distribution, managing the campaigns, designing customized forms, finalizing the mailing lists, and studying the purchase patterns of the customers.
- Marketing – Marketing involves forming and implementing sales strategies by studying existing and potential customers in order to sell the product.
- Sales Force Automation – Sales Force Automation includes forecasting, recording sales, processing, and keeping a track of the potential interactions.
- Workflow Automation – Workflow Automation involves streamlining and scheduling various processes that run in parallel. It reduces costs and time, and prevents assigning the same task to multiple employees.

## Objectives of CRM

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The most prominent objectives of using the methods of Customer Relationship Management are as follows:

- **Improve Customer Satisfaction** – CRM helps in customer satisfaction as the satisfied customers remain loyal to the business and spread good word-of-mouth. This can be accomplished by fostering customer engagement via social networking sites, surveys, interactive blogs, and various mobile platforms.
- **Expand the Customer Base** – CRM not only manages the existing customers but also creates knowledge for prospective customers who are yet to convert. It helps creating and managing a huge customer base that fosters profits continuity, even for a seasonal business.
- **Enhance Business Sales** – CRM methods can be used to close more deals, increase sales, improve forecast accuracy, and suggestion selling. CRM helps to create new sales opportunities and thus helps in increasing business revenue.
- **Improve Workforce Productivity** – A CRM system can create organized manners of working for sales and sales management staff of a business. The sales staff can view customer's contact information, follow up via email or social media, manage tasks, and track the salesperson's performance. The salespersons can address the customer inquiries speedily and resolve their problems.

## History of CRM

### 1970s – Emergence of Material Resource Planning (MRP)

The complex and expensive MRP solutions emerged. They needed a large technical staff to execute MRP software on mainframe computers.

**1972:** Five German engineers started System Analysis and Programming (SAP) business to develop a software for providing business solutions.

**1977:** Larry Ellison started Oracle Corporation.

**1978:** Baan started The Baan Corporation for financial and administrative consultation.

**1979:** Oracle offered first commercial SQL Relational Database Management System (RDBMS).



### The 1980s: Formation of Database Marketing

- Robert and Kate Kestnbaum pioneered database marketing, collected customer contacts, and analyzed customer information.
- **1986:** ACT! created Contact Management System (CMS) to store the data and organize customer information.
- **1987:** PeopleSoft created Human Resource Management System (HRMS).



### The 1990s: Industrial Growth

- Brock Control Systems started Sales Force Automation (SFA), and added the features of database marketing, CMS, inventory control, and customer interaction tracking.
- **1993:** Tom Siebel started Siebel Systems, soon became leading provider of SFA.
- **1995:** SFA and CMS evolved as very similar modern CRM software, soon settled as Customer Relationship Management System (CRMS or simply, CRM). Enterprise Resource Planning (ERP) solution vendors Oracle and Baan entered the CRM market, and added more marketing, sales, and service applications to CRM.
- **1999:** ECRM vendors emerged. CRM also entered into the mobile market.



### The 2000s: The modern CRM

- Microsoft entered CRM market with its product Dynamics CRM.
- Oracle acquired Siebel, and numerous other enterprise application vendors.
- **2007:** Salesforce introduced the world to cloud-based CRM.

## 2. TYPES OF CRM

*"A business absolutely devoted to Customer Service Excellence will have only one worry about profits. They will be embarrassingly large."*

**– Sir Henry Ford**

In the past twenty years, the focus of global markets has shifted from sellers to customers. Today, customers are more powerful than sellers, if we consider the driving factors of market. We have different types of CRM according to the changes in customer portfolios, speed of business operations, requirement of handling large data, and the need of sharing information, resources, and efforts jointly.

CRM systems are divided based on their prominent characteristics. There are four basic types of CRM systems:

- Strategic CRM
- Operational CRM
- Analytical CRM
- Collaborative CRM

The following table lists the types of CRM and their characteristic features:

Type	Characteristic
Strategic CRM	Customer-centric, based on acquiring and maintaining profitable customers.
Operational CRM	Based on customer-oriented processes such as selling, marketing, and customer service.
Analytical CRM	Based on the intelligent mining of the customer data and using it tactically for future strategies.
Collaborative CRM	Based on application of technology across organization boundaries with a view to optimize the organization and customers.

### Strategic CRM

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Strategic CRM is a type of CRM in which the business puts the customers first. It collects, segregates, and applies information about customers and market trends to come up with better value proposition for the customer.

The business considers the customers' voice important for its survival. In contrast to Product-Centric CRM (where the business assumes customer requirements and focuses on developing the product that may sometimes lead to over-engineering), here the business constantly keeps learning about the customer requirements and adapting to them.

These businesses know the buying behavior of the customer that happy customers buy more frequently than rest of the customers. If any business is not considering this type of CRM, then it risks losing the market share to those businesses, which excel at strategic CRM.

## Operational CRM

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Operational CRM is oriented towards customer-centric business processes such as marketing, selling, and services. It includes the following automations: Sales Force Automation, Marketing Automation, and Service Automation.

**Salesforce** is the best suitable CRM for large established businesses and **Zoho** is the best CRM for growing or small-scale businesses.



### Sales Force Automation

SFA is the application of technology to manage selling activities. It standardizes a sales cycle and common terminology for sales issues among all the sales employees of a business. It includes the following modules:

- **Product Configuration:** It enables salespersons or customers themselves to automatically design the product and decide the price for a customized product. It is based on if-then-else structure.
- **Quotation and Proposal Management:** The salesperson can generate a quotation of the product prices and proposal for the customer by entering details such as customer name, delivery requirements, product code, number of pieces, etc.
- **Accounts Management:** It manages inward entries, credit and debit amounts for various transactions, and stores transaction details as records.

- **Lead management:** It lets the users qualify leads and assigns them to appropriate salespersons.
- **Contact Management:** It is enabled with the features such as customers' contact details, salespersons' calendar, and automatic dialing numbers. These all are stored in the form of computerized records. Using this application, a user can communicate effectively with the customers.
- **Opportunity Management:** It lets the users identify and follow leads from lead status to closure and beyond closure.

## Marketing Automation

Marketing automation involves market segmentation, campaigns management, event-based marketing, and promotions. The campaign modules of Marketing Automation enable the marketing force to access customer-related data for designing, executing and evaluating targeted offers, and communications.

**Event-based (trigger) marketing** is all about messaging and presenting offers at a particular time. For example, a customer calls the customer care number and asks about the rate of interest for credit card payment. This event is read by CRM as the customer is comparing interest rates and can be diverted to another business for a better deal. In such cases, a customized offer is triggered to retain the customer.

## Service Automation

Service automation involves service level management, resolving issues or cases, and addressing inbound communication. It involves diagnosing and solving the issues about product.

With the help of Interactive Voice Response (IVR) system, a customer can interact with business computers by entering appropriate menu options. Automatic call routing to the most capable employee can be done.

Consumer products are serviced at retail outlets at the first contact. In case of equipment placed on field, the service expert may require product servicing manual, spare parts manual, or any other related support on laptop. That can be availed in service automation.

## Analytical CRM

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Analytical CRM is based on capturing, interpreting, segregating, storing, modifying, processing, and reporting customer-related data. It also contains internal business-wide data such as **Sales Data** (products, volume, purchasing history), **Finance Data** (purchase history, credit score) and **Marketing Data** (response to campaign figures, customer loyalty schemes data). **Base CRM** is an example of analytical CRM. It provides detailed analytics and customized reports.

Business intelligence organizations that provide customers' demographics and lifestyle data over a large area pay a lot of attention to internal data to get more detail information such

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