

Customer relationship management MB-104



University Syllabus

UNIT-1

- Customer Relationship Management- Introduction
- CRM- Fundamentals
- Evolution of relationship marketing, Stages of relationship
- Issues of relationship, Purpose of relationship marketing
- CRM & Marketing: Historical Perspectives
- Emergence of CRM practice, CRM cycle, Stakeholders in CRM
- Significance of CRM, Types of CRM
- Success Factors in CRM
- CRM Comprehension, CRM Implementation
- Student Group Presentation-1



Customer Relationship Management [CRM]

- Customer relationship management (CRM) is a model for managing a company's interactions with current and future customers.
- It involves using technology to organize, automate, and synchronize sales, marketing, customer service, and technical support.



CRM

CUSTOMER



A customer is the recipient of a goods, services, product, or idea, obtained from a seller, vendor, or supplier for a monetary or other valuable consideration.

RELATIONSHIP



Relationship has been subject matter of individual's personal feeling.

MANAGEMENT

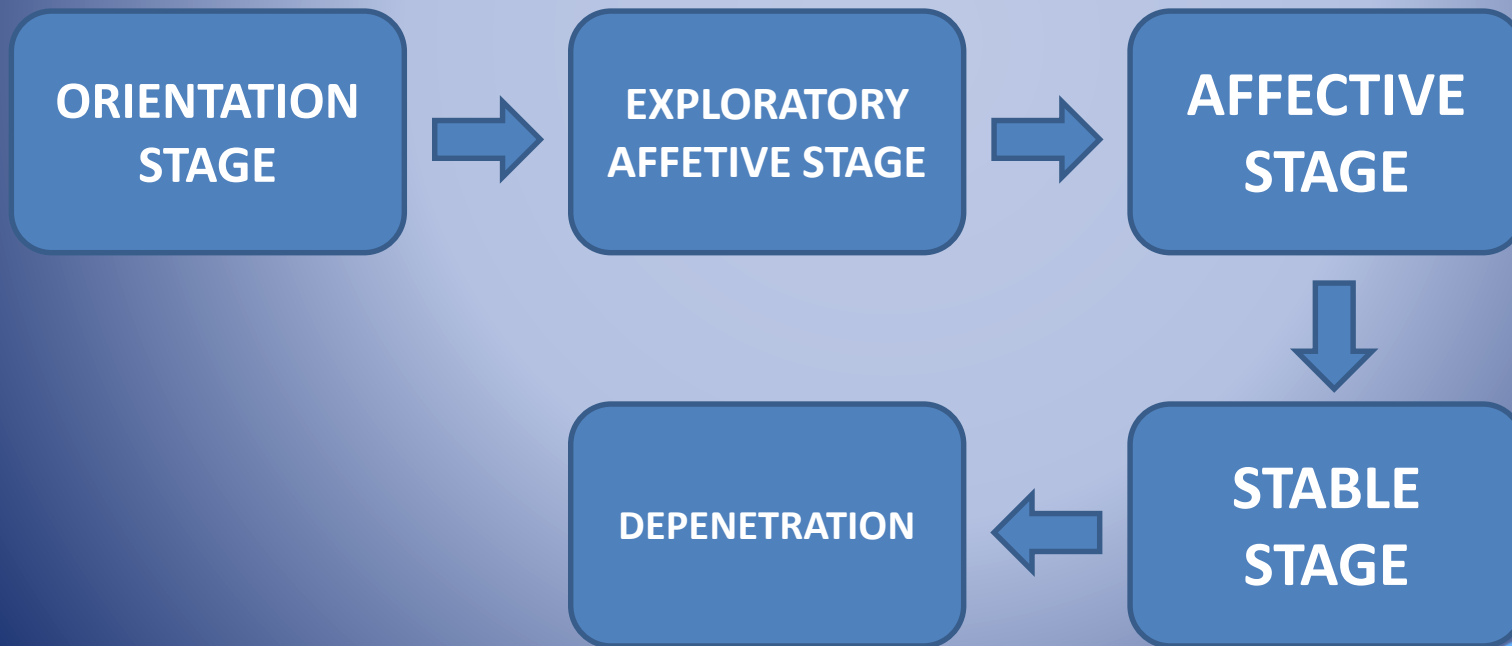


To get the job done through others.

Relationship: Theoretical Perspective

I- Social Penetration Theory

– Stages of Social Penetration



II- Social Exchange Theory:

Social Exchange Theory has cost, benefit, outcome, comparison level, satisfaction and dependence as important components.

Few Calculations in Relationship:

1. $\text{Outcome} = \text{Benefits} - \text{Cost}$
2. $\text{Satisfaction} = \text{Outcome} - \text{Comparison Level}$
3. $\text{Dependence} = \text{Outcome} - \text{Comparison Level Option}$

III- Equity Theory:

This theory states that individual who perceive themselves as either under-rewarded or over-rewarded will experience distress and this distress leads to restore equity within the relationship.

It focuses on determining whether the distribution of resources is fair for both relational partner.



Relationship: Theoretical Perspective

Contd.....

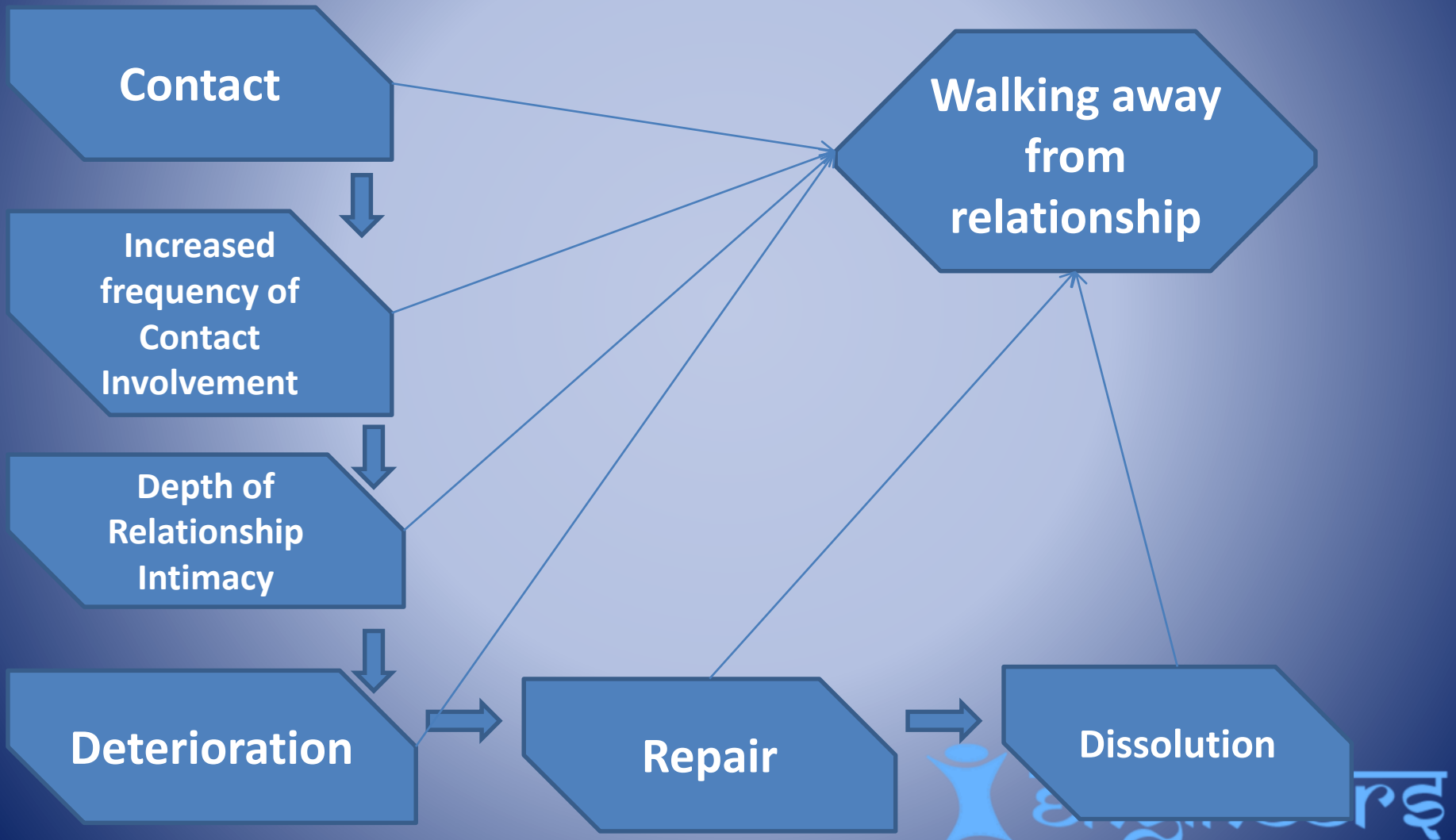
- This theory postulate that one is attracted to other on the basis of four major factors:
 1. Attractiveness
 2. Proximity
 3. Reinforcement
 4. Similarity



Types of Relationship

- Depends on Situation

Stages of Relationship



Relationship marketing

- Relationship marketing was first defined as a form of marketing developed from direct response marketing campaigns which emphasizes customer retention and satisfaction, rather than a dominant focus on sales transactions.
- As a practice, relationship marketing differs from other forms of marketing in that it recognizes the long term value of customer relationships and extends communication beyond intrusive advertising and sales promotional messages



Contd....

- Relationship marketing refers to a short-term arrangement where both the buyer and seller have an interest in providing a more satisfying exchange.
- This approach tries to disambiguously transcend the simple post purchase-exchange process with a customer to make more truthful and richer contact by providing a more holistic, personalized purchase, and uses the experience to create stronger ties.

Mass Markets

- Historically large-scale mass production and distribution methods adopted.
- Cost-efficiencies drove prices lower.
- However, products became standardized.
- Customers had to find the best option that fulfilled their needs.
- Customers grouped into mass markets and were communicated through mass media-TV, Print etc.
- Suited well for a supplier's economy



Today's Markets

- Foreign suppliers and competition from non traditional suppliers has increased competition.
- This increases supply, and so the need for better service.
- Technology has made the reach of companies global.
- Technology has enabled large scale customized production : called mass- customization.



Today's Markets

- Stagnation of growth in customer base.
- Too much competition for customer's free time.
- Customers are increasingly convenience shopping as opposed to price driven shopping.
- Consumers now prefer suppliers that provide good quality at a fair price.
- They find such a supplier and stay with them for a long time.



Customer Retention+ Share of Customer

- **Basic premise:**
 - Retain customers over a long term and satisfy the largest portion of their needs with your products and services.
- The *“leaky bucket”* concept is out.
- Today’s consumers want companies to
 - Understand their needs and wants
 - Adapt their products and services to these needs and wants
- The company takes partial responsibility for the customer’s choice of product.



Developing Relationship Marketing Capabilities

- **Initial steps include:**
 - Data collection
 - Data access and marketing tools
 - Product and service customization
 - Customer service procedures
 - Customer access channels
- **Key measures:**
 - Customer satisfaction
 - Share of Wallet
 - Stability of relationship



Developing Relationship Marketing Capabilities

- If implemented properly customers are locked in due to satisfaction, ease of service, and value.
- This increases the cost on the customer's part when they have to switch suppliers.
- Customer service should be interactive, personalized.
- Communication is through multiple channels.



Developing Relationship Marketing Capabilities

- Use customer service opportunities to
 - Verify if needs and preferences have been addressed
 - Measure levels of satisfaction
 - Find any other questions that need to be answered
 - Additional customer information such as change in status
 - Verify if presenting new products or options is appropriate

Customer Information

- Requires more information than traditional direct marketing.
- Optimal types of customer information will vary by industry, company market positioning, and marketing programs.
- Building a customer information base is an iterative long term process.

Example: Cellular Phones

- Stage 1:
 - Preliminary information collected during the first purchase to make recommendations
- Stage 2:
 - Based on the calling patterns and bills make refined recommendations and offer better deals that the customer cannot refuse.



Customization and Added Value

- Provide tangible benefits to customers through customization.
- Example: Dell Computers
- Trend evident in service industries such as
 - Insurance
 - Computer systems
 - Telephone
 - Financial Services
- Customer service is a better differentiating weapon than price or features.

Customization and Added Value

- **Competitive advantage gained through**
 - Implementing a corporate culture focusing on the customer.
 - Developing a products and services that can be customized.
 - Training and empowering the customer service staff.
 - Developing infrastructure to collect and maintain customer information

Marketing Objectives

- Customer Awareness and Education
- Customer Acquisition
- Customer Acceleration
- Customer Retention
- Niche Marketing
- Lapsed Customer Reactivation



Building Customer Loyalty

- Key measurement for loyalty: Retention
- 5% increase in retention rate can increase lifetime value by 75% (F. Reichheld)
- The top 20% customers yield 80% of revenue
- So, treat the 'Gold' better than others



Building Customer Loyalty

- Relationship effects of retaining non profitable customers
 - Reference accounts
 - Referral
 - Learning
 - Innovation



Building Customer Loyalty

- Five customer loyalty promotions
 - Develop catalog with premiums available with proof of purchase
 - Establish an 'insiders' or 'special privilege' club
 - Create a prestige society offering both practical benefits and self-image symbols
 - Establish an apparently personal relationship
 - Provide extra conveniences that have secondary purpose of increasing consumption



What is CRM: Evolution and Scope

- What is CRM
 - Is it
 - A strategy
 - A process
 - A software
 - A philosophy
 - A programmer
 - A call centre support



Let us examine....

- **Gartner:**
 - CRM as business strategy designed to optimize profitability, revenue and customer satisfaction.



Result....

- On the basis of discussions CRM implies following:
 - CRM is a process.
 - It needs continuous revision and updation.
 - Customer value identification is must.
 - It strives for customer delight.
 - CRM process aims at profitable relation with the customers.
 - It also aims to convert them to act as company's brand ambassador.
 - Employee involvement and empowerment is must for its successful implementation.
 - Adequate technological support is also essential for successful CRM.



Designing CRM Strategy

- A successful CRM strategy will address four key areas of the business:
 - Strategy
 - People
 - Technology
 - Processes



D 4 concept

Step 1: Define the existing CRM process within the company

Step 2: Determine the perception that how the company will manage their customer relationship both internally and externally

Step 3: Design the ideal CRM solution relative to the company or industry

Step 4: Deliver a strategy for implementation

What motivates companies to adapt CRM Strategy?

- Competition
- Consumer Expectations
- Technology
- Diminishing impact of advertising

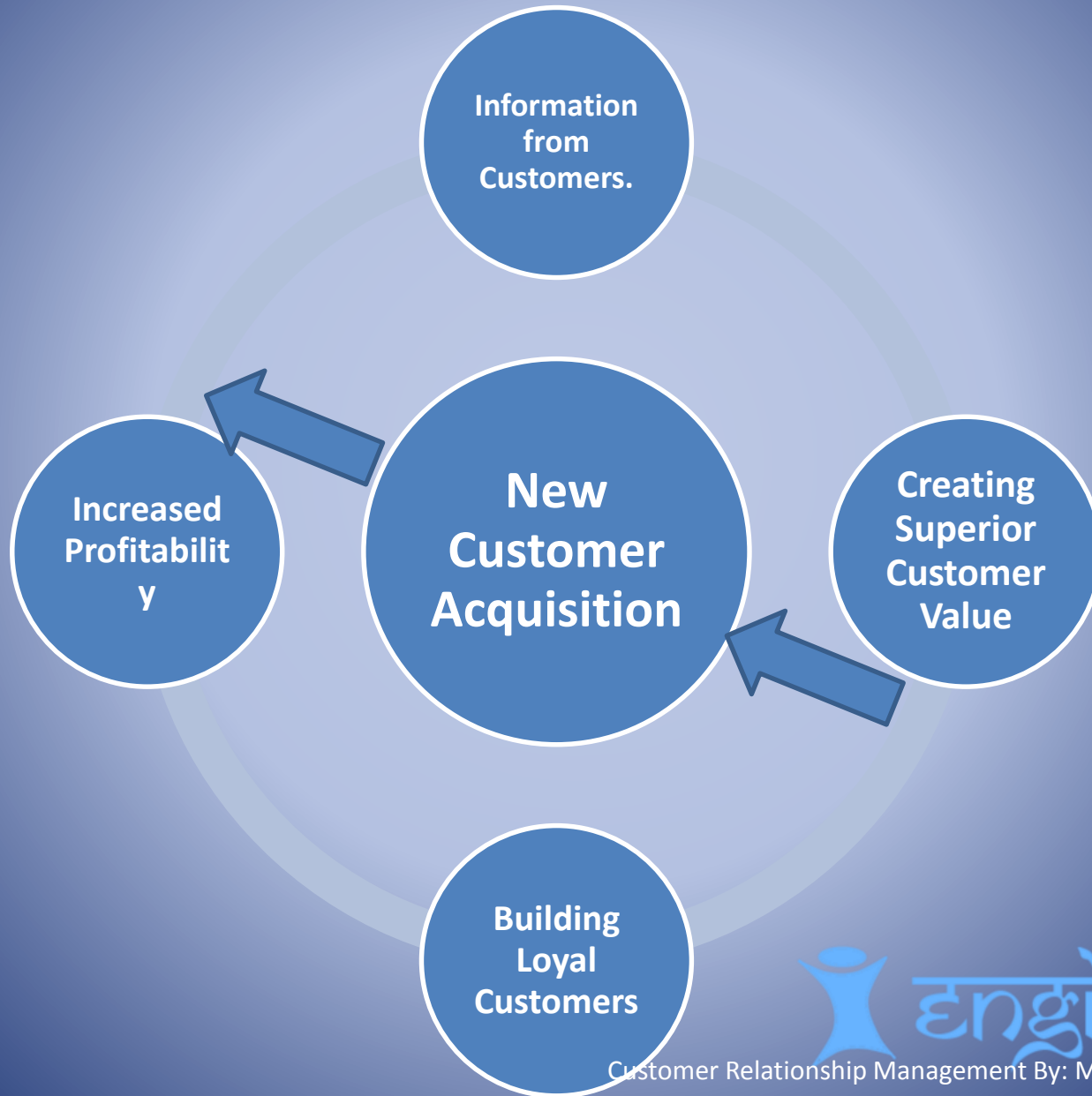


CRM Cycle

- **The CRM cycle is as follows:**
 - Obtaining information from customer.
 - Creating Superior Customer value.
 - Building Loyal Customers.
 - Acquisition of new customers.
 - Working towards increased profitability.



CRM Cycle Diagrammatic Presentation



Stakeholders in CRM

- There are four major stakeholders who play important role in the entire process of CRM:
 - Customer
 - Employees
 - Suppliers
 - Partners

Significance of CRM

- Perpetual stream of Revenue.
- Positive referral creation.
- Provides Premium.
- Helps customer retention.
- Lower cost of sale.
- Helps understanding consumer behaviour.
- Provides opportunity to cross-sell and up-sell.
- Reduces marketing time.
- Channel Cost rationalization.
- Enable Business Process Re-engineering.



Types of CRM

- **Types of CRM are:**
 - Analytical CRM
 - Collaborative CRM
 - Operational CRM
 - Geographic CRM
 - Sales Intelligence CRM



Analytical CRM

- Analytical CRM comprises the analysis and systematic evaluation of customer data using business intelligence functions.
- The aim is to filter out the key facts from gathered information and gain customer knowledge.
- Analytical CRM allows customer satisfaction to be measured, for example, or trends among customers to move to other suppliers to be detected.
- Knowledge of customers' behaviour can also be used specifically for communication and addressing customers in operational CRM, such as in campaign management.
Example: Customers' buying behaviour is analyzed in analytical CRM. This analysis reveals which customers have not bought anything for a considerable length of time. A mail shot campaign, guided by operational CRM, will address this target group directly and encourage it to purchase various products.

Collaborative CRM

- Collaborative Customer Relationship Management (Collaborative CRM or CCRM) is a CRM approach in which the customer interaction data of an organization is integrated and synchronously shared to enhance customer satisfaction and loyalty for maximized profitability and revenue.
- Collaborative CRM integrates customers, processes, strategies and insight, allowing organizations to more effectively and efficiently serve and retain customers.



Operational CRM

- Operational CRM is mainly focused on automation, improvement and enhancement of business processes which are based on customer-facing or customer supporting.
- The main importance of a CRM system lies on how the selling, marketing and service oriented processes are automated, and for which operational CRM systems are embedded with following major automation applications:
 - Marketing Automation
 - Sales Force Automation
 - Service Automation



Geographic CRM

- **Geographic CRM (GCRM) combines geographic information system and traditional CRM. Geographic data can be analyzed to provide a snapshot of potential customers in a region or to plan routes for customer visits.**



Sales Intelligence CRM

- Sales Intelligence CRM is similar to Analytical CRM, but is intended as a more direct sales tool. Features include alerts sent to sales staff regarding:
 - Cross-selling/Up-selling/Switch-selling opportunities
 - Customer drift
 - Sales performance
 - Customer trends
 - Customer margins

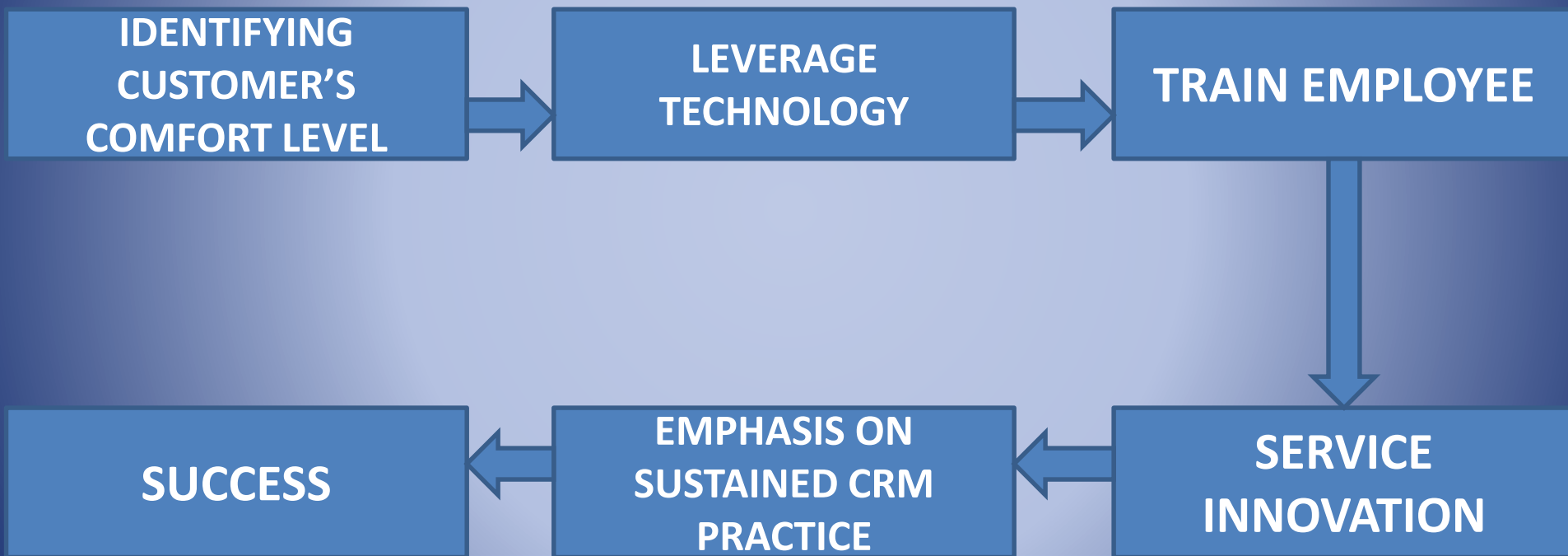


CRM Success Factor

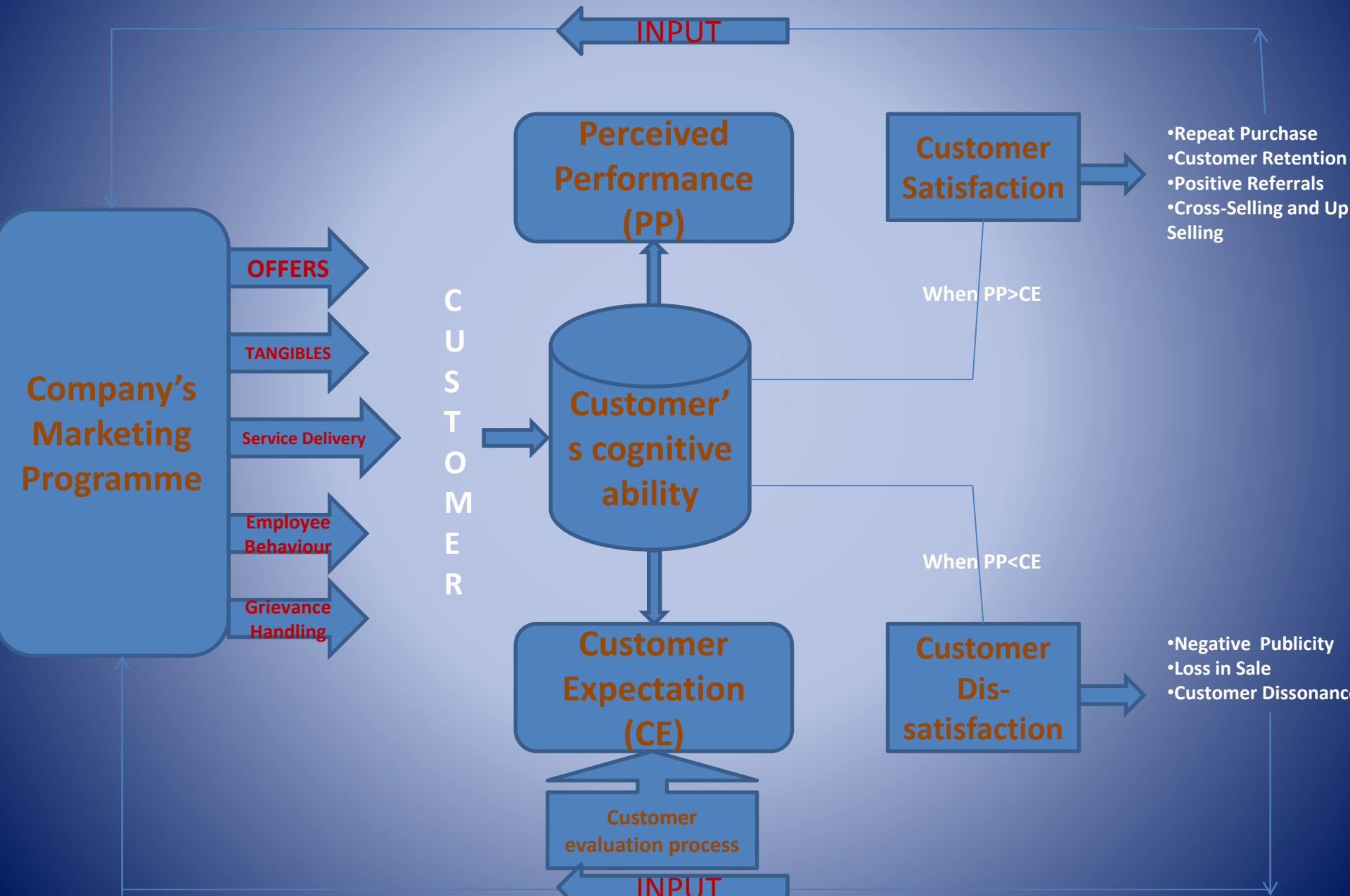
- **Following are the main CRM success factor:**
 - Top management support.
 - Vision
 - Willingness to change the process.
 - Willingness to share the data.
 - Integration of back office process.
 - Cultural/Customer Change.
 - KM Capabilities.

CRM Comprehension

A typical customer service process.



Need of CRM Comprehension



Components of CRM Programme

Company's Marketing Programme

Customer Expectation

Perceived Performance

Competitor's Offers

Customer's Resultant Behaviour

CRM Value Chain

Customer Data



Customer Information



Customer Knowledge



Customer Service



Customer Satisfaction

CRM Implementation

- [CRM Implementation.docx](#)

1

- **Customer Segmentation Based on Customer Life time value**

2

- **Customer Profiling**

3

- **Offer Customization**

4

- **Matching Service Cost and Revenue**

5

- **Employee Participation in CRM Design**

6

- **Motivating Employees for Effective Implementation**

7

- **Making CRM an Enterprize wide Activity**

8

- **Adequate technology Support for CRM Implementation**

9

- **Consistency testing of CRM Programs**

10

- **CRM Practice Evaluation Form**

Difference between Transactional Marketing and Relationship Marketing

Transactional Marketing

- One off exchange
- Brand Management
- Short Term Focus
- Mass Communication
- Isolated Market Research
- Market Share
- Profitability of Transaction
- Brand Equity

Relationship Marketing

- Ongoing Exchange
- Customer Management
- Long Term Focus
- Personal Communication
- Ongoing Dialog
- Mind Share
- Lifetime Value of Customer
- Customer Equity



THANK
YOU!

For Queries Contact:
mayankkumarpandey@gmail.com OR
Personally, anytime