2.1 Introduction to CRM

The better a business can manage the relationships it has with its customers, the more successful it will become. Therefore IT systems that specifically address the problems of dealing with customers on a day-to-day basis are growing in popularity.

Customer Relationship Management (CRM) is not just the application of technology, but is a strategy to learn more about customers' needs and behaviours in order to develop stronger relationships with them. As such, it is more of a business philosophy than a technical solution to assist in dealing with customers effectively and efficiently. Nevertheless, successful CRM relies on the use of technology.

In the commercial world the importance of retaining existing customers and expanding business is paramount. The costs associated with finding new customers mean that every existing customer could be important. The more opportunities that a customer has to conduct business with your company the better, and one way of achieving this is by opening up channels such as direct sales, online sales, franchises, use of agents, etc. However, the more channels you have, the greater the need to manage your interaction with your customer base.
Customer relationship management (CRM) helps businesses to gain an insight into the behaviour of their customers and modify their business operations to ensure that customers are served in the best possible way. In essence, CRM helps a business to recognize the value of its customers and to capitalize on improved customer relations. The better you understand your customers, the more responsive you can be to their needs.

CRM can be achieved by:

- Finding out about your customers' purchasing habits, opinions and preferences
- Profiling individuals and groups to market more effectively and increase sales
- Changing the way you operate to improve customer service and marketing

2.2 CRM Definition

General definition of CRM

In general, Customer Relationship Management (CRM) is a term representing the business strategy built around the concept of improved customer service. CRM practice involves all aspects of communication and dealing an organization has with its client, whether it is product or service linked. More clearly, CRM aims at increasing customer satisfaction, consequently increasing a business' income.

Alternate definition of CRM

“CRM is a process of building partnerships with your clients/customers, which involves technology, personal marketing techniques, strategic planning, and
internal business processes from customer service, sales and marketing to build a relationship that adds to revenue margins and productivity”.

Definition of Web-based/Hosted CRM

Web-based CRM, also known as hosted CRM, online CRM or on-demand CRM, are examples of SaaS (Software as a Service). The central database is managed by CRM provider who from his client’s behalf collects, maintains and shares data, as well as provides analysis and management tools to improve the CRM based practices. On-demand CRM is much easy to set-up and maintain as no software installation or server maintenance is required. In today’s competitive business environment it has become essential for all enterprises.

Conclusion on definitions of CRM

Customer mentalities are always growing, and business services should increase along with these potentials. Here, the definition of CRM can be stated as a way through which companies can interact with their customers and so serve them better. Businesses with wealthy CRM approaches and applications will result in a large raise in sales, customer pleasure, and merely the overall achievement of the business.
2.3 EVOLUTION OF CRM

CRM is an extension of marketing and sales that have evolved over the years. In the past, the corner store and door-to-door sales forces served customers and personal relationship established by the sales person and it was the key to success. This model provided an intimacy and knowledge about the customers through personal interactions.

The old model was suitable for limited market but it found that the mass marketing and target marketing had to find out new model. In order to interact more number of customers spread over large area. At this time improved technology of television, radio, printed press started available to have interaction between producers and consumers. The corner stores and personal contact methods started development of super markets, impersonal campaign etc.

The mass production and mass distribution systems requires trust and loyalty of knowing what the customer wants, needs and values, and also need for inter-activity and personal contact and the way in which the customers wants to be contacted. The success of a customer centric business strategy is measured not only by share of market but by share of customers.
2.4 TYPES OF CRM

CRM allows the organization to address all types of customers. It serves at different points in their life cycle and to bring together the organization and customers to have sale and purchase of products and services. There are 4 types of CRM programmes, which will help the organization to win back customers who have defected, to create loyalty among existing customers and to prospects for new customers.

The following are four types of CRM

- Win back or save type
- Prospecting
- Loyalty
- Cross selling / up selling.

1) WIN BACK: In this case convincing the customers to stay with the organization when they want to defect. It is more effective if the contact is made within 8 to 10 days, following defection than it is made after one month.

2) PROSPECTING: It refers to win the new first time customers. It is possible by focused approach.
3) **LOYALTY**: It is to prevent the present customers from leaving and it requires organization to invest in retaining loyalty of customers by loyalty, affinity and special segment programme.

4) **CROSS SELLING / UP SELLING**: It is a programme to increase the wallet share or amount the customers spend with you. It is offering complementary services such as gifts, free tours, free educational facilities, free health services, price reduction in the next purchase etc. In case of up selling instead of offering complementary product, the organization offers enhanced one.

**Example**: Replacement of analog line with an ISDN line. This fasters the relationship already with the organization.

### 2.5 The CRM Business Cycle

CRM term applied in a fairly broad context from marketing software, to customer service processes, to sales and service systems infrastructures, to one-to-one architectures for the Web. In larger organizations, there may be 10, 20 or even 30 different initiatives all focused on CRM.

Most of the times it is believed that what is needed, and is often lacking in these initiatives, is a common understanding of the broader underlying CRM business cycle. While all of these initiatives may have merit, failure to tie them to a business purpose can lead to very short-lived success.
There is a universal, underlying cycle of activity that should drive all CRM initiatives and infrastructure development. All initiatives and infrastructure development should somehow be tied to this core cycle of activity.

As a cycle, the stages are interdependent and continuous. As you move from one stage to the next, you gain insight and understanding that enhances your subsequent efforts. You become increasingly sophisticated in your implementation of CRM processes and, over time, become increasingly profitable by doing so.

As shown in the Figure 1, for any organization, business starts with the acquisition of customers. However, any successful CRM initiative is highly dependent on a solid understanding of customers.

Figure 2.1: CRM Cycle
Understand and Differentiate

We cannot have a relationship with customers unless we understand 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-to-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.

Analysis and research alone, however, are insufficient. To create and foster a relationship, we have to act on what we learn about customers. Customers need to see that we are differentiating service and communications based both on what we've learned independently and on what they've told us.

At the same time, differentiation should be based on the value customers are expected to deliver.
Develop and Customize

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

Most organizations today are not able to cost-effectively customize products for individual customers. However, products, services, channels and media can be customized based on the needs of quantitative customer segments. The extent of customization should be based on the potential value delivered by the customer segment.

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.

To foster relationships, organizations need to ensure that:

- All areas of the organization have easy access to relevant, actionable customer information.
- All areas are trained how to use customer information to tailor interactions based on both customer needs and potential customer value.
With access to information and appropriate training, organizations will be prepared to steadily increase the value they deliver to customers. Delivering value is a cornerstone of the relationship and value is not just based on the price of the product or the discounts offered. In fact, customer perceptions of value are based on a number of factors including the quality of products and services, convenience, speed, ease of use, responsiveness and service excellence.

Acquire and Retain

The more we learn about customers, the easier it is to pinpoint those that are producing the greatest value for the organization. Those are the customers and customer segments that we want to clone in our prospecting and acquisition efforts. And, because we continue to learn about what is valuable to each segment, we'll be much more likely to score a "win" with the right channel, right media, right product, right offer, right timing and most relevant message. Successful customer retention basically involves getting it "right" on an ongoing basis. Successful customer retention is based very simply on the organization's ability to constantly deliver on three principles:

- Maintain interaction; never stop listening.
- Continue to deliver on the customer's definition of value.
- Remember that customers change as they move through differing life stages; be alert for the changes and be prepared to modify the service and value proposition as they change.
And so the cycle continues. As you move from one stage to the next, you gain insight and understanding that enhances your subsequent efforts. Your development initiatives simultaneously become increasingly sophisticated as does your implementation of CRM processes.

2.6 ARCHITECTURE OF CRM

Architecture is a blueprint created to define the solution to a problem. In order to make architecture as a single and cohesive entity there is need for a good blueprint to guide the developing team member in their individual tasks.

Data warehouse represents backbone of architecture for CRM initiatives and it should be comprehensive customer information platform that supports the marketing process.

A typical architecture for CRM system should include the following process components supported by a customer information platform.

1) ANALYSIS/PROFILING: It is collecting quality data about organizations customer’s results of previous campaigns and customer interaction to the actions performed. This process utilizes various analytical tools such as data mining and statistical analysis. It evaluates the previous customer treatment strategies and use the analysis to modify different kinds of models that are used to indicate consumer segments propensity to buy, up sell cross sell etc.
2) **COMPaign PLANNING AND MANAGEMENT**: It is analyzing and executing phases of CRM cycle. The result of each campaign must be tracked so that organization can learn the success or failure of promotion. After the numbers of campaign have been run and results captured, though results can be analyzed and adjustment can be made in the model.

3) **CUSTomer INTERACTION**: Organization cannot truly develop a relationship with their customer base without instituting mechanism for direct, bi-directional contact. These mechanisms are called touch points or channels.
   a) The sales forces automation system that allows the direct sales forces to promote products and gather customer feedback.
   b) The call centre, which allows both customers, initiated direct contact and outbound tele-marketing tele-sales.
   c) Expanding web access component for self-service customers must be able to get the same information from the web sales force or call centre.

4) **DATA WAREHOUSE**: It is the official recognized repository of all relevant data for anyone involved in the CRM process and it is organized in such a way to support decision making process of the marketing organization. The analyst and marketers rely on the data in the warehouse to segment their target market and decide upon promotion based on results of the analysis.
2.7 The Business Benefits of CRM

When executed appropriately, a CRM strategy can deliver significant quantitative and qualitative business benefits. The quantitative benefits are driven by two main factors: reduced costs and increased revenues. Looking at these two factors more closely, CRM solutions let organizations reduce the cost of acquiring, selling to, and serving customers, and they help organizations enhance revenue by increasing sales per representative, sales per customer, average order size, and other revenue-driving metrics.

Cost Reduction Benefits

By streamlining and integrating customer-facing processes and providing richer customer data to sales, marketing, and service personnel, CRM can produce significant cost reduction benefits in a few key areas: cost to acquire customers, cost of sales, and cost to retain and serve customers.

Decreased Customer Acquisition Costs

Effective CRM strategies help organizations better understand a customer's preferences, buying behavior, revenue, profitability, and purchasing frequency. Having this knowledge can reduce customer acquisition costs significantly. For example, within one high-tech company, the implementation of a Siebel CRM system helped the telemarketing group to dramatically lower the number of calls required to generate leads. The company's vice president of sales and marketing explains:
Under our old sales information system, our telemarketing people were deluged with irrelevant information-free-form, unstructured information that had been recorded by agents during previous calls. This random information often impeded their call productivity. With our account-focused CRM system, they see just the information they need to converse intelligently service records, for example, or the fact that an account falls into a certain vertical market.

As a result, the telemarketing personnel can now make approximately 80 calls per day versus 60 before the CRM implementation, and the value of those calls has gone up. People's hit ratio—that is, the proportion of calls that translate into qualified leads—has gone from 1 lead for every 52 calls to 1 in 33. Most impressive of all, telemarketing success as a profit center—what we calculate as its "contribution margin" toward closing deals—has roughly doubled since we rolled out the CRM system.

CRM has several advantages over traditional mass media marketing.

1) It reduced advertisement cost.
2) It makes easier to target larger specific customer by focusing on their needs.
3) It makes easier to track the effectiveness of given campaign.
4) It allows organization to compete for customers on service, not prices.
5) It prevents over spending on low level clients or under spending on high value ones.
6) It speeds the time to develop and market a product.
It improves the use of the customer channel, and making the most of each contact with customers.

Virtually everything a company does, but especially its strategy, structure, managerial style, and capabilities, buy-in, and loyalty of employees at all levels will impact on customers. Further, CRM programmes, indeed all customer-related processes, need to embrace and include both internal customers (staff) and external customers (end customers, former customers, potential customers, suppliers, the financial community, etc.) at planning and implementation stages.

Creating customer loyalty requires both a corporate and individual mindset on behalf of customers. The mindset must be both proactive and commitment-based. It is people and processes that make CRM effective, or ineffective, not merely the application of technology, service, or any other individual component of CRM.

In the late 1970's, when management experts Tom Peters and Robert Waterman were still employed by McKinsey & Company, they developed a management model they defined as the Seven S Framework. First presented in a book about the successes achieved by Japanese businesses, The Art of Japanese Management, in 1981, and later repeated in their groundbreaking book, In Search of Excellence, the following year, the Seven S Framework consists of seven groups of characteristics, or factors, which when appropriately developed, aligned, and executed would result in superior performance.
A company's creativity and resilience, strength of culture, and effectiveness of proaction can be assessed through the manner in which these characteristics are focused on optimizing customer loyalty and value. The Seven S Framework is a robust, extraordinarily dynamic, and yet simple and orderly way of understanding how far a company has progressed along this path and how much distance is still to be traveled.

2.8 The Seven S's in the CRM Framework are:

- **Strategy** – the plan of action, the manner in which scarce resources (time, money, staff, facilities, and technology) are allocated on a corporate, business, and functional level.

- **Structure** – the manner in which the company's architecture, its organization chart, is defined. This also includes methods of operation governing jobs and authority, span of control, and operating parameters for staff.

- **Systems** – company processes and reporting mechanisms, particularly information flow (inside and outside of the company).

- **Style** – the culture, or 'feel' of the organization and what those inside and outside the organization experience of it on a day-to-day basis. This includes how management relates to subordinates, staff and customers, and how well key staff members lead.

- **Staff** – the identification, or categorization, of job 'demographics' (titles, descriptions, and levels of training), and their ability to contribute to company goals and objectives.
- **Skills** – the special capabilities of the organization (innovative, high-tech, proactive, etc.) and/or key staff.

- **Shared Values/Superordinate Goals** – the company's set of guiding meanings, directions, and concepts – as understood by the organization, its customers and suppliers. It can also be the basis for the corporate mission or vision.
2.9 Key Challenges in CRM

Define a measurement metrics to be used to access the success of the implementation. Without these, the companies can’t access the benefits or the ROI of the CRM system.

Unlike other software implementations, IT team alone should not be expected to roll out a CRM system. It is very critical for companies to form a core CRM team, which in addition to IT draws participation from Top Management, Senior Executives of Sales, Marketing and Customer Service departments and finally the end-users. Decisions related to the implementation should be discussed in this forum.

1. Understanding of CRM

CRM is not software. It’s a business philosophy. It is a strategy, implemented using a software solution, that typically covers all customer facing departments like sales, marketing, customer service, etc of a company. Hence CRM is a term, collectively used to refer to a combination of strategy & software.

2. Getting Clarity on Objectives

What are the set of objectives the company wishes to achieve with CRM? Trivial as it may sound, a majority of implementations don’t have these goals spelled out. Ensure that these objectives are listed
3. The Costing Ice-berg

It is not unusual for CRM implementations to overrun costs and timelines. When assessing the costing always calculate the Total Cost of Ownership (TCO). There are two ways of getting CRM, the license model or the ASP (hosted) model. In the licensing model, licenses typically represent 9 - 18% of the TCO. The actual TCO will need to include the cost of hardware, software, engineering, operations, AMC’s, etc. On the other hand, in the ASP model, a subscription fee represents the true TCO. Since ASP models offer a fully managed and a continuously evolving system, it also saves implementation time, upgrade costs and ownership hassles. Any implementation delays also have a cost associated with it, in form of lost time and opportunity.

4. Product Evaluation Metrics

In most companies, investments in IT are need based. With time, this buying pattern results in multiple systems that fragment customer data. While short-listing CRM products, it is essential to analyze overall capabilities of the product, in addition to the ‘need driver’ module. As the company matures in its CRM initiative, the expectation from its CRM system multiplies. As a rule of thumb, consider only those CRM products that offer multiple modules like Sales Force Automation, Marketing Automation, Customer Support & Services, etc. This will enable companies to span horizontally, as requirements evolve.
2.10 IMPLEMENTATION OF CRM STRATEGY

The implementation of a customer relationship management (CRM) solution is best treated as a six-stage process, moving from collecting information about your customers and processing it to using that information to improve your marketing and the customer experience.

Stage 1 - Collecting information

The priority should be to capture the information you need to identify your customers and categorize their behaviour. Those businesses with a website and online customer service have an advantage as customers can enter and maintain their own details when they buy.

Stage 2 - Storing information

The most effective way to store and manage your customer information is in a relational database - a centralized customer database that will allow you to run all your systems from the same source, ensuring that everyone uses up-to-date information.

Stage 3 - Accessing information

With information collected and stored centrally, the next stage is to make this information available to staff in the most useful format.
Stage 4 - Analyzing customer behaviour

Using data mining tools in spreadsheet programs, which analyze data to identify patterns or relationships, you can begin to profile customers and develop sales strategies.

Stage 5 - Marketing more effectively

Many businesses find that a small percentage of their customers generate a high percentage of their profits. Using CRM to gain a better understanding of your customers' needs, desires and self-perception, you can reward and target your most valuable customers.

Stage 6 - Enhancing the customer experience

Just as a small group of customers are the most profitable, a small number of complaining customers often take up a disproportionate amount of staff time. If their problems can be identified and resolved quickly, your staff will have more time for other customers.

2.11 Potential drawbacks of CRM

There are several reasons why implementing a customer relationship management (CRM) solution might not have the desired results.

There could be a lack of commitment from people within the company to the implementation of a CRM solution. Adapting to a customer-focused approach may require a cultural change. There is a danger that relationships with customers will break down somewhere along the line, unless everyone in the business is committed
to viewing their operations from the customers' perspective. The result is customer dissatisfaction and eventual loss of revenue.

**Poor communication** can prevent buy-in. In order to make CRM work, all the relevant people in your business must know what information you need and how to use it.

**Weak leadership** could cause problems for any CRM implementation plan. The onus is on management to lead by example and push for a customer focus on every project. If a proposed plan isn't right for your customers, don't do it. Send your teams back to the drawing board to come up with a solution that will work.

Trying to implement CRM, as a complete solution in one go is a tempting but risky strategy. It is better to break your CRM project down into manageable pieces by setting up pilot programs and short-term milestones. Consider starting with a pilot project that incorporates all the necessary departments and groups but is small and flexible enough to allow adjustments along the way.

Don't underestimate how much data you will require, and make sure that you can expand your systems if necessary. You need to carefully consider what data is collected and stored to ensure that only useful data is kept. You must also ensure you comply with the eight principles of the Data Protection Act that govern the processing of information on living, identifiable individuals.