UNIT-5 Types and Benefits of CRM

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Demonstrate an understanding of the terms and benefits of CRM on a company's bottom line
- ✓ Analyze the different components of a CRM plan

Unit 5

Types and Benefits of CRM

Customer Relationship Management

Customer Relationship Management in Your Everyday Life

Definitions

The basics:

- CRM is about creating sustainable connections between an organization and its customers.
- It evolved in the late 1990's as a way to redefine customer and company relations, mostly with the help of computerized measurement tools.

CRM theory includes:

- Recording every customer and company interaction. (Note that this is not just for transactions; rather, it is for every single interaction.)
- Developing of sophisticated database measurement tools to demonstrate consumer preferences.
- Collecting data for a blatant purpose: shrink cost and increase employee productivity.
- A focus on servicing existing customers (retention) rather than recruiting new ones.
- Reliance on highly skilled use of resources at significant price.

CRM is not:

- Part of the sales process (which would look to recruit new customers).
- Part of the relationship between sales and the customer (which often targets every prospect as a potential buyer).

What's in It for Me?

CRM programs are not about benefit to the customer. A CRM program is really a measurement tool for a company. As payment for the exchange of information, CRM programs offer a reward of some kind to customers.

Organizations that implement CRM programs do so because the impact to their bottom line is immediately measurable. Implementing a CRM program is an expensive undertaking. The implementation of systems that rely on reading, compiling, and mining data is a complex process. It requires skilled individuals with expertise in CRM, information technology, and demographics. Therefore, CRM programs cannot be easily implemented by small organizations. Larger and medium-sized companies often make six figure investments to implement their CRM programs.

Think of the name of a loyalty program. Write it below.

Now, list all of the elements that went into building that program.

What CRM Is and Who It Serves

Different Faces of CRM

Different Faces of CRM

Introduction
CRM is not a static entity. In different companies, it takes on a different look and feel, depending on what the company is committed to measuring. In large organizations where there are several products or services offered, it is conceivable that more than one type of measurement is needed.

Please read the descriptions of different types of CRM below. Then, working in small groups, write the correct type of CRM beside the examples provided.

Background Information
Operational CRM supports sales, marketing, and service functions. Every interaction with a customer is added to a contact history. Staff can access information from the database so that the customer does not have to describe the same details repeatedly.

Analytical CRM is a tool to analyze customer data. This helps to optimize marketing efforts and design targeted campaigns that involve cross-selling (offering additional products or services that enhance the original purchase, like health insurance for a vacation package), up-selling (McDonald's famous line, "Would you like fries with that?"), and retention (a company offering an incentive that builds customer loyalty, like "buy two, get one free"). Analytical CRM also considers elements such as customer behavior when pricing new products, identifying factors for deciding which products to develop, and the potential that customers might turn to another supplier.

Collaborative CRM is designed to allow internal departments like sales, support, staff training, and development and marketing, to share information that they have collected during customer interactions with one another. For example, information about new features that customers request or common problems that they report to the technical support center can be passed to product development. The goal in collaborative CRM is to collect information and improve the quality of customer service.

Geographic CRM coordinates information from geographic systems with other functions of CRM. For example, transportation companies can plan the most effective delivery routes when they have information about road conditions, construction, traffic flow, and parking availability around commercial and residential areas. This information is often compiled on a map and can even be used to look for potential customers while managing existing customers in the region.

Activity

Write the correct type of CRM beside the examples provided.

Example	Type of CRM
You are purchasing a very reliable car and you will only need to have it serviced twice per year. To make it even more effective for you, if you purchase this warranty protection package, we will provide you with a replacement car whenever you leave your vehicle with our shop.	
Your local computer outlet uses your telephone number to access information about your purchase history and names of each member of your household.	
A garden company calls existing clients in a certain area to say that they will have a truck in their area on Tuesday because of a bug infestation. While they're in the area, they offer to swing by and spray the trees of other clients in the area.	
Someone in sales reports a customer comment. The customer says that every time he sits down with his keys in his trouser pocket, his car starts. He is really frustrated because he has started his car a couple of times while it was in his garage (which is attached to his house). He could solve the problem by storing his keys elsewhere, but as a male he is accustomed to putting his keys in his pocket.	

Who is the Customer?

Based on the discussions up to this point, how would you define who the customer is?

Checklist for Success

Evaluation Metrics

So you have a few ideas about what it will take to establish a business case for CRM in your organization, or perhaps it is already underway. In order to know what you are really aiming for, though, it helps to know when you are ready.

Why do you need to know when you are ready? Because there are plenty of nightmare tales in the business world about CRM gone bad for companies that were not ready, did not have the dedicated budget, or did not really know what was required. CRM is a complex issue, and like other complex issues undertaken by your organization, it is an ongoing process (not a one-time implementation) that takes expertise and dedication that is threaded throughout the organization.

Readiness Questionnaire

Instructions
Read through the following chart and then assess your organization on a scale of one to five. Note that there should be no guessing; if you are not sure, you really need to evaluate the question further. If you are still not sure, you probably need to score the answer very low since, if you do not know about it, it may not exist. Note, too, that when you actually review your organization, some answers may have more weight than others, depending on your needs and what you aim to do with the information.

Questionnaire
On a scale of one to five, indicate whether the statement describes something that is:

1. Not happening in your environment.
2. Happening in very rare instances.
3. Happening once in a while, but not consistently.
4. Happening most of the time, but not all the time.
5. Happens nearly all of the time and is well supported.

Item		Score
1.	Management has demonstrated an understanding of CRM and its benefits.	1 2 3 4 5
2.	Internal staff, other than management, demonstrates an understanding of CRM and its benefits.	1 2 3 4 5
3.	The projects we undertake can be supported by CRM.	1 2 3 4 5
4.	Collected data will help us improve stated goals and objectives.	1 2 3 4 5
5.	We have done some customer data collection in the past.	1 2 3 4 5

	Item	Score
6.	Problems with who owns or manages the data within the company are easily answered.	1 2 3 4 5
7.	An internal sponsor exists for each aspect of CRM.	1 2 3 4 5
8.	Executive management has a defined commitment to pay for CRM activities.	1 2 3 4 5
9.	Individual business units (i.e., sales, IT, production, HR) agree on CRM ownership boundaries.	1 2 3 4 5
10.	Management is committed to providing authority to customer-facing staff, based on increased information and process improvements.	1 2 3 4 5
11.	Management is willing to develop incentives and modify compensation as motivation for employees who commit to CRM.	1 2 3 4 5
12.	All decisions include input and expertise from IT specialists.	1 2 3 4 5
13.	IT staffing has been enhanced to support CRM.	1 2 3 4 5
14.	There is consensus that CRM is not a one-time only activity.	1 2 3 4 5
15.	Obvious expertise is available for each discrete aspect of CRM.	1 2 3 4 5
16.	Employees can describe projected CRM benefits.	1 2 3 4 5
17.	Cross-functional data already exists in the form of a warehouse or central database.	1 2 3 4 5
18.	There is willingness to reorganize, increase staffing, or make adjustments as CRM gets underway.	1 2 3 4 5
19.	Clients and stakeholders commit to modify business processes that need to support CRM.	1 2 3 4 5
20.	Stakeholders understand that CRM requires ongoing support and funding to maintain development and programs throughout the program, not just at initiation.	1 2 3 4 5
	Add up your scores.	

Scoring

Use the following metrics to help you determine how ready your organization is to get a successful CRM program underway.

90–100	Suggests that you are ready to undertake a CRM program with confidence of success.
80–89	Suggests that with some enhancements (such as improving skill sets and getting infrastructure in order), your company may be ready to support a CRM project in the near future.
70–79	Suggests that there is still substantial work to do in preparation for CRM (such as doing initial data collection, establishing an environment that is ready for change, establishing an environment which is highly adaptable, etc.).
Below 69	Although you are reviewing the potential for a program, these scores suggest that you are not ready to plan for CRM at this time. Complete another readiness assessment once you have completed core improvements.

Privacy Issues

Any time that you collect customer information, you take responsibility for your customers' privacy and the security of their data. When organizations first started collecting such information, it was not unusual for them to sell the lists to, or trade them with, other companies.

Have you ever wondered where your information is going? While conducting an Internet search for an item, have you ever had pop-up windows appear with information about related products? The pop-up window is an instantaneous and powerful demonstration of CRM data mining and application.

Understanding people's desire and expectations for privacy, and also that the law in some regions is very rigid about what can be done with information that you collect, what additional complexity does the privacy issue add to your CRM implementation?

Tips and Information

At the time of this writing, in the United States it is illegal to gather information and use it for purposes for which it was not intended. For example, if you want to gather someone's name and e-mail address, you cannot just ask for a business card and then add them to your e-mail newsletter database.

In the United States, you can only add members of a subscription type of newsletter to your database if they opt in. You are not permitted to scan websites or gather e-mail addresses (known as phishing) to start sending mass e-mails (known as spam) to people. There are now applications such as firewalls, spam filters, and sophisticated technologies that help individuals protect their information.

In Canada, it is not legal to gather information for one purpose (e.g., adding a client to your invoicing database) and then include them in a marketing list for e-mail distribution, unless you actually tell people that their information could be used for that purpose.

What Does This Mean for You?

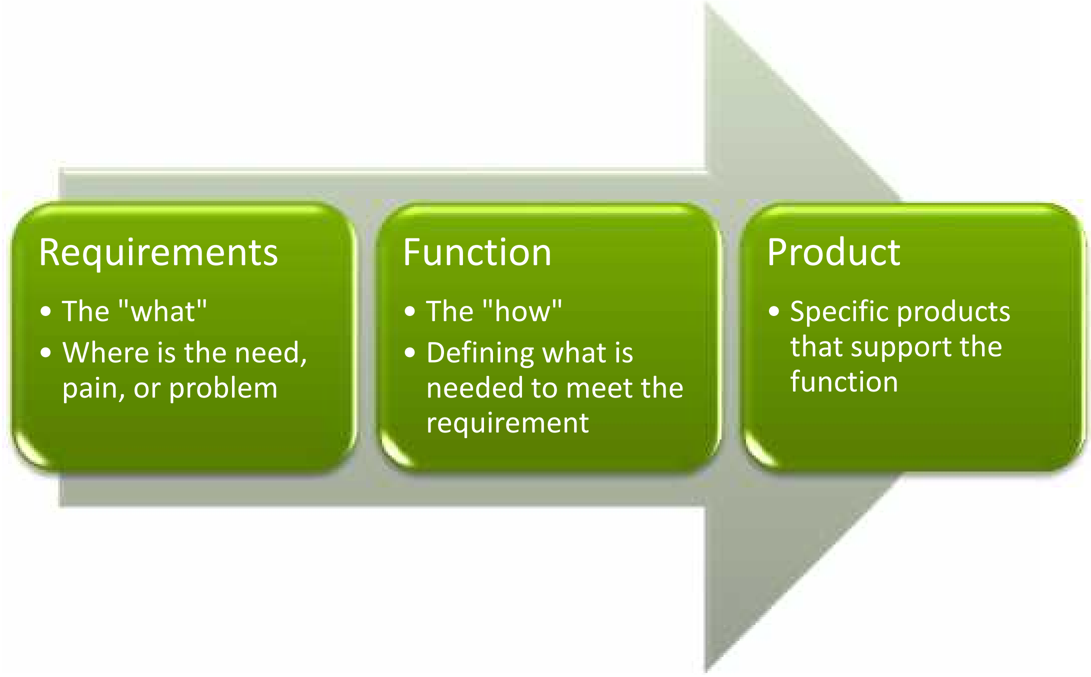
As CRM continues to evolve and people become less tolerant of breaches or privacy as well as junk mail and spam, the laws will continue to tighten and companies will be more restricted in what they can access.

When people receive a reward for putting up with a company's e-mail newsletters, junk mail, or dinnertime phone calls, they are less likely to mind these data mining activities. This is why CRM-based loyalty and reward programs are tremendously popular. Whatever incentive you are working with, there is no denying the public's penchant for discounts, coupons, two-for-one, and no interest types of programs.

Requirement Driven Product Selection

Requirement Driven Product Selection

Requirement driven product selection is a CRM best practice. As with many things, the exact methods that you use will vary depending on what your company needs. This process requires defining the business need (or pain or problem, depending on the issue), deciding which functions are needed to meet the requirements, and then defining the products that support the selection.



Case Study

For example, McDenim is a clothing manufacturer with about a 40% market share. They make industrial grade, denim clothing that provides workers in physically demanding jobs (like construction and warehousing) with tough, strong trousers and jackets. Their market share has dropped 5% in the last 18 months. So, they use the CRM data they have obtained through a couple of small databases and a customer loyalty program based on point collection to review what they can do to improve their proceeds and increase their market share. They have a couple of options.

If they decide to use **bottom-up CRM**, they could finish development and launch a new line of products that provide an option for clients to have their logos emblazoned on their clothing (through a special patch on the chest pocket of the jacket or a handsome label on the rear pocket of the trouser). This is a tempting option, but what if customers do not notice it when it gets into the marketplace?

Requirements-driven CRM approaches the issue differently. Data analysis will demonstrate which of their clients is buying what and point out where the losses are coming from. Internal staff and stakeholders will be involved in the program and have a say in how to respond to the problem by developing the product and associated technologies that support well-designed function that directly relates to what people need. The requirements-driven analysis will drill down to answer questions such as:

- Customer purchase history.
- Presence or likelihood of repeat purchases.
- Customer product review scores.
- Customer comments from the order desk and any complaints. (For example, ask customers what compels them to try new products or to purchase things that they already trust. This is where you learn about their drivers: free products, discounts, undercutting price from competition, etc.)
- A scan of industry and economic factors that could impact purchasing habits.

If requirements-driven CRM seems be a longer process, it is. The advantage? It is much more meaningful than a knee-jerk reaction (such as focusing only on bottom-up CRM) that could lead to launch of a product no one even wants.

Could you see your company committing to requirements-driven CRM, or would they focus on a bottom-up approach?

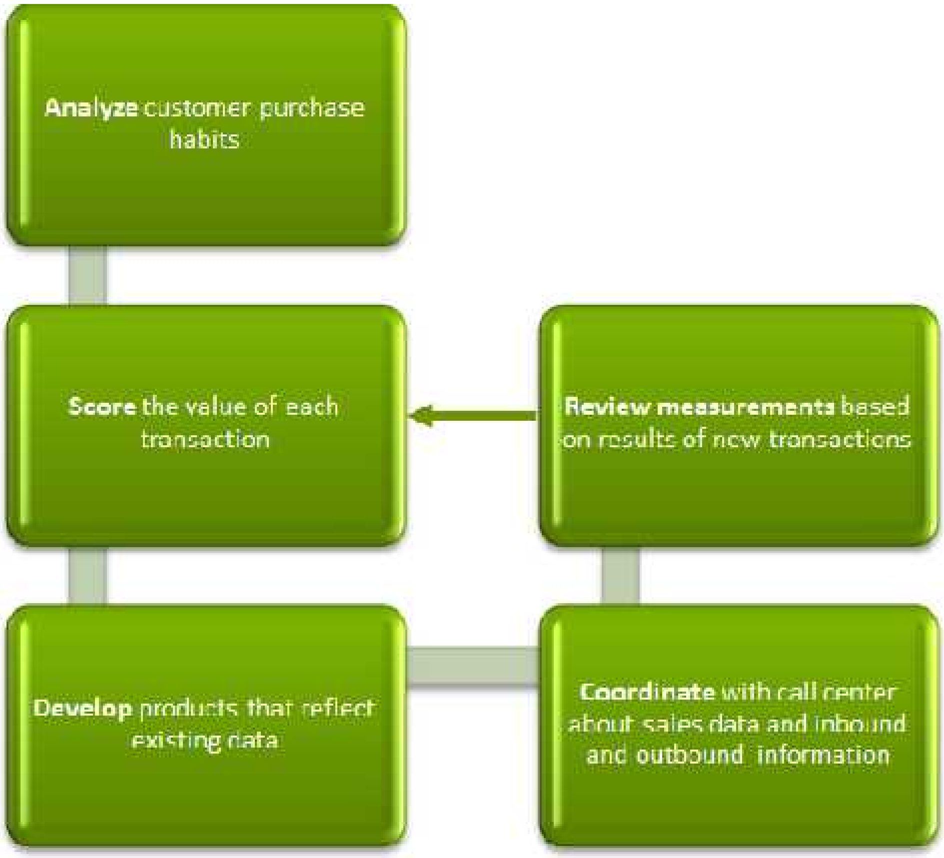
Determining Function

One of the difficulties within CRM can involve maintaining a customer focus. Remember that the “C” in CRM stands for “customer!”

Function is the “how” in the equation when you think about how you will meet the demands caused by the current problem. It is determined by what you need in order to solve a problem, heal pain, and so on.

If your **requirement** is to launch the three products that your customers are most likely to buy in order to recover your lost market share, here is a process to determine what you will produce. The steps to follow are:

- Analyze
- Score
- Develop
- Coordinate
- Review



In a real life scenario, this process may become a bit more complex. However, it is important to keep to something that you can comfortably explain and support, so try to keep it simple. Once your products launch, you will repeat the process by moving from “Review” to “Score” as a way to continually evaluate the process and determine whether you need to make adjustments.

Considerations in Tool Selection

What’s Your Function in the Field?

Functionality is a critical consideration in setting up your CRM program. Functionality is supported by technology, so you will need to define your technical requirements to ensure that the products will work in your environment.

Your technical requirements can be broken down into several areas. You can also score each of these elements to measure their fit to the corporate IT structure. The following items are examples of technical requirements.

Connection Requirements and Integration
Does the program integrate into the existing technology infrastructure (including hardware, software, and networking)? Considerations include:

- Operating system (including the transitions between operating system versions and Mac and PC platforms)
- Ability to interact with existing database systems and critical programs (Oracle, SAP, etc.)
- Capability to interface with existing telephone systems

Security Issues

- Does the program limit information access appropriately?
- Does the program allow the right people to have the right data at the right time?
- Are provisions in place for usage management at individual, departmental, and screen levels?
- Are appropriate password and anti-hacking measures in place?

Reporting Ability

- Can pre-formatted reports be automatically sent to end users?
- Is there flexibility for end users to create ad hoc reports?
- Do users have the ability to analyze data meaningfully?

Processing and Performance Requirements

- Do you know the limit of transactions that can be supported?
- Is the data volume that can be supported (including housing, archiving, and mining) known?
- Can your system support an adequate number of concurrent users?

Intuition

- Does the usability of the system meet expectations?
- Is the system customizable to allow end users to easily and intuitively complete tasks?
- Is there a print screen feature?
- Are the esthetics (such as pictures, graphs, and tables) pleasing?

Functionality

- Does the workflow management capability meet the needs identified in automating a user-defined workflow?
- Is there integration with e-mail to enable routing e-mails to specific customer service areas?
- Is there predictive functionality that would allow suggestions to be added to the "buy" list as customers build their orders?
- Is there potential for wireless access to the CRM server?

Performance Requirements

- Are expectations for creating reports (e.g. less than one minute processing time) met?
- Can required lists for campaigns be generated in a timely fashion (e.g. thirty minutes)?
- Is the frequency of software/hardware updates and service interruption schedules for upgrading acceptable?
- Is the time of day that the database is available (e.g. office hours or 24/7 for international operations) adequate?
- Are self-diagnostic tools that alert administrators to potential downtime or system failure available?

Once you have a reasonable idea of the functional and technical requirements, you can have a meaningful conversation with CRM vendors and determine whether there is a product available that will meet your needs.

Making Connections

Identify your three greatest areas of technological concern or need.

Think of five steps that you can take to resolve the issues effectively.

Getting Information In and Out

We've mentioned that there is considerable complexity in establishing a successful CRM program. One of the benefits to understanding some of these complexities as you get underway is that by planning ahead, you can avoid problems that can interfere with success in the program. In addition to the technological aspects we have explored, there are some people issues to consider. As such, this section focuses on the people in your organization.

The term "**workforce management**" means different things to different people, so it is important to take a few moments to discuss what it means in terms of CRM.

Workforce management is the aspect of human resources that considers the functions of every single staff member in each individual role. Understanding the workforce, what they do, and what you need from them, are all very important. An important function that is separate from, yet related to, your workforce plan is the succession plan. **Succession planning** refers to both having critical roles filled at all times and having a plan for succession when certain staff members leave the organization or become ill. Your concerns about labor shortages, staff qualifications, and access to specialists with IT expertise, management, and technical skills, are also addressed within workforce and succession planning.

CRM is essentially a technology, but more specifically, it is a process. Data that is entered by people, managed by people, and analyzed by people is sometimes subject to external influences; therefore, any data information system must minimize errors and make the most of the human element.

Further Reading:

- ✓ Bergeron, Bryan. *Essentials of CRM: A Guide to Customer Relationship Management.* Wiley, 2002.
- ✓ Dyche, Jill. *The CRM Handbook: A Business Guide to Customer Relationship Management.* Addison-Wesley Professional, 2001.