



**MEASI INSTITUTE OF MANAGEMENT
CHENNAI-14**

**Approved by All India Council of Technical Education,
Affiliated to the University of Madras and ISO 9001:2015 Certified Institution**

**CUSTOMER RELATIONSHIP MANAGEMENT
STUDY MATERIAL**

MEASI INSTITUTE OF MANAGEMENT

Mr.M. Riaz Ahmed
Assistant Professor

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VISION & MISSION STATEMENTS

VISION

- To emerge as the most preferred Business School with Global recognition by producing most competent ethical managers, entrepreneurs and researchers through quality education.

MISSION

- **Knowledge through Quality Teaching Learning Process:** To enable the students to meet the challenges of the fast challenging global business environment through quality teaching learning process.
- **Managerial Competencies with Industry Institute Interface:** To impart conceptual and practical skills for meeting managerial competencies required in competitive environment with the help of effective Industry Institute Interface.
- **Continuous Improvement with the State of Art Infrastructure Facilities:** To aid the students in achieving their full potential by enhancing their learning experience with the state of art infrastructure and facilities.
- **Values and Ethics:** To inculcate value based education through professional ethics, human values and societal responsibilities.

PROGRAMME EDUCATIONAL OBJECTIVES (PEOs)

PEO 1; Placement: To equip the students with requisite knowledge skills and right attitude necessary to get placed as efficient managers in corporate companies.

PEO 2; Entrepreneur: To create effective entrepreneurs by enhancing their critical thinking, problem solving and decision-making skill.

PEO 3; Research and Development: To make sustained efforts for holistic development of the students by encouraging them towards research and development.

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PEO4: Contribution to Society: To produce proficient professionals with strong integrity to contribute to society.

Program Outcome

PO1: Problem Solving Skill

Apply knowledge of management theories and practices to solve business problems.

PO2: Decision Making Skill

Foster analytical and critical thinking abilities for data-based decision making.

PO3: Ethical Value

Ability to develop value based leadership ability.

PO4: Communication Skill

Ability to understand, analyze and communicate global, economic, legal and ethical aspects of business.

PO5: Individual and Leadership Skill

Ability to lead themselves and others in the achievement of organizational goals, contributing effectively to a team environment.

PO6: Employability Skill

Foster and enhance employability skills through subject knowledge.

PO7: Entrepreneurial Skill

Equipped with skills and competencies to become an entrepreneur.

PO8: Contribution to Community

Succeed in career endeavors and contribute significantly to the community.

ELECTIVE COURSE – XVI

Subject Code	Subject Name	L	T	P	S	C
PMF16	CUSTOMER RELATIONSHIP MANAGEMENT	3	0	0	1	3
Course Objectives						

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C1	To enable the students to understand the fundamentals of Customer Relationship Management.	
C2	To enable the students to understand the concepts of CRM	
C3	To acquaint the students with the process of CRM strategy development.	
C4	To enable the students to know CRM practices in different sectors like manufacturing, Services, Call Centers, etc.	
C5	To enable the students to understand the issues and challenges in CRM implementation, tools of CRM and CRM Metrics	
SYLLABUS		
Unit. No.	Details	Hours
Unit I	Evolution of Customer Relationship: CRM-Definition, Emergence of CRM Practice, Factors responsible for CRM growth, CRM process, framework of CRM, Benefits of CRM, Types of CRM, Scope of CRM, Customer Profitability, Features Trends in CRM, CRM and Cost Benefit Analysis, CRM and Relationship Marketing.	9
Unit II	CRM Concepts: Customer Value, Customer Expectation, Customer Satisfaction, Customer Centricity, Customer Acquisition, Customer Retention, Customer Loyalty, Customer Lifetime Value. Customer Experience Management, Customer Profitability, Enterprise Marketing Management, Customer Satisfaction Measurements, Web based Customer Support.	9
Unit III	Planning for CRM: Steps in Planning-Building Customer Centricity, Setting CRM Objectives, Defining Data Requirements, Planning Desired Outputs, Relevant issues while planning the Outputs, Elements of CRM plan, CRM Strategy; The Strategy Development Process, Customer Strategy Grid.	9
Unit IV	CRM and Marketing Strategy: CRM Marketing Initiatives, Sales Force Automation, Campaign Management, Call Centers. Practice of CRM; CRM in Consumer Markets, CRM in Services Sector, CRM in Mass Markets, CRM in Manufacturing Sector.	9
Unit V	CRM Planning and Implementation: Issues and Problems in implementing CRM, Information Technology tools in CRM, Challenges of CRM Implementation. CRM Implementation Roadmap, Road Map (RM) Performance; Measuring	9

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	CRM performance, CRM Metrics.	
	TOTAL HOURS	45
Reference Books		
1.	Kincaid, J., Customer Relationship Management; Getting it right, Pearson, 2005.	
2.	Kumar, V. and Reinartz, W.J., Customer Relationship Management; A Databased Approach, Wiley India Pvt. Ltd., 2006.	
3.	Makkar, U. and Makkar, H.K., Customer Relationship Management, Tata McGraw-Hill Education, 2011.	
4.	Peelen, E., Customer Relationship Management, Pearson, 2008.	
5.	Peppers, D. and Rogers, M., Managing Customer Relationships, 2 nd Edition, John Wiley and Sons, 2011.	
6.	Shanmughasundaram, S., Customer Relationship Management; Modern Trends and Perspectives, PHI Learning Pvt. Ltd., 2008.	
E-Sources		
1.	https://www.slideshare.net/sandy.0485/crm-in-retail	
2.	https://getvoip.com/blog/2018/01/12/retail-crm-strategy/	
3.	https://www.elinext.com/crm/retail/	
4.	http://4dinternationaljournal.com/wp-content/uploads/2015/11/A-STUDY-OF-CRM-PRACTICES-IN-INDIA-TBA.pdf	
5.	http://www.allresearchjournal.com/archives/2016/vol2issue11/PartA/2-10-110-534.pdf	
Assessment Tools Used		
1.	Assignments	6. Group Discussions
2.	Internal Assessment Tests	7. Management games
3.	Model Exam	8. Role play
4.	Seminar	9. Simulation
5.	Case Studies	10. Synetics
Content Beyond Syllabus		
1.	Introduction to Salesforce.com.	
2.	Use of Oracle for CRM	
3.	Introduction to SAP CRM	
4.	Use of Gofrugal CRM software.	
Additional Reference Books		
1.	CRM at the Speed of Light by Paul Greenberg	
2.	CRM; The Foundation of Contemporary Marketing Strategy By; Roger J. Barab and Robert J. Galka	
3.	S. Shanmugasundaram, CUSTOMER RELATIONSHIP MANAGEMENT, Prentice Hall of India Private Limited, New Delhi, 2008 India Private Limited, New Delhi, 2008	

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4.	Jagdish Seth, et al, CUSTOMER RELATIONSHIP MANAGEMENT	
5.	Kaushik Mukherjee, CUSTOMER RELATIONSHIP MANAGEMENT, Prentice Hall	
Course Outcomes		
CO. No.	On completion of this course successfully the students will;	Program Outcomes (PO)
C316.1	Know the fundamentals of Customer Relationship Management.	PO4, PO6
C316.2	Understand the various concepts of CRM	PO4, PO6
C316.3	Understand the process of CRM strategy development.	PO5, PO6, PO7
C317.4	Know CRM practices in different sectors like manufacturing, Services, Call centers, etc.	PO6, PO7
C317.5	Understand the issues and challenges in CRM implementation, tools of CRM and CRM Metrics.	PO1, PO4, PO5, PO6

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INTRODUCTION

- A long term relationship with customers to nurture its stability in today's blooming market.
- Customer's expectations are now not only limited to get best products and services, they also need a face-to-face business in which they want to receive exactly what they demand and in a quick time.
- CRM is a business strategy directed to understand, anticipate and respond to the needs of an enterprise's current and potential customers in order to grow the relationship value.
- The Customer Relationship Management is the procedure that is crucial for every business.

MEANING

- A management philosophy according to which a company's goals can be best achieved through identification and satisfaction of the customers' stated and unstated needs and wants.
- Customer Relationship Management is an upright concept or strategy to solidify relations with customers and at the same time reducing cost and enhancing productivity and profitability in business.
- A CRM system is implemented for small business, as well as large enterprises also as the main goal is to assist the customers efficiently.
- The Customer Relationship Management is the procedure that is crucial for every business. As the customer is the most important part of the business.

DEFINITION

- CRM is a business strategy designed to optimize profitability, revenue and customer satisfaction. **-Gartner.**
- CRM is the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted customers at a profit. It is

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grounded on high quality customer-related data and enabled by information technology. CRM is the establishment, development, maintenance and optimization of a long- term mutually valuable relationship between consumer and organization. Successful CRM focuses on understanding the needs and desires of the consumer and is achieved by placing these at the heart of the business by integrating them with the organization strategy, people, technology and business processes.-CRM (UK) Ltd., 2000.

- Customer relationship management system is a combination of people, processes, and technology that seeks to provide understanding of a company's customer and to support a business strategy to build long- term, profitable relationship with customers.- **Shang and Feng Ko 2006**
- Parvatiyar and sheth (2001) defined CRM is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer.
- A CRM system is not only used to deal with the existing customers but is also useful in acquiring new customers. The process first starts with identifying a customer and maintaining all the corresponding details into the CRM system which is also called an Opportunity of Business'. The Sales and Field representatives then try getting business out of these customers by sophisticatedly following up with them and converting them into a winning deal.
- Customer Relationship Management strategies have given a new outlook to all the suppliers and customers to keep the business going under an estimable relationship by fulfilling mutual needs of buying and selling.

Elements of CRM

CRM is a discipline that covers all the elements needed to build successful relationships with customers. It includes the following elements:

1. The information needed to understand customers better
2. The process management needed to deliver efficient and appropriate experiences to customers.
3. The software tools that allow us to use that knowledge.
4. The training and change management elements so our people and organizations

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understand and are capable of delivering experiences that build stronger relationships and increase loyalty.

The CRM Cycle

The CRM cycle is as follows

1. Obtaining information from customers
2. Creating superior customer value
3. Building loyal customers
4. Acquisition of new customers
5. Working towards increased profitability

Example “Henry’s General Store”

Henry is a young entrepreneur who owns a general store located in an urban settlement. But it’s no ordinary general store. Henry knows his regular customers and takes good care of them. Customer Eduard is approaching the store and Henry sees him from the window (process of identification). Eduard enters the store and Henry kindly greets him and addresses him by his name (personalization). Henry remembers what Eduard usually buys, that he has a wife and two kids (customer data). During the shopping Henry talks with Eduard and gently tries to gather additional information (establishing relationship, possibility for cross-selling, analysis). Eduard appreciates the interest and personal approach and returns often to this store. Henry is thanks to all this information always able to offer him exactly the goods he needs. Another advantage for Eduard is the time saving if he is in a hurry because Henry knows his needs and can serve him faster as well as allow him to leave a debit (trust based on long-term relationship)

CRM Concepts

(a) Customer life cycle:

The Customer life cycle is the total time that the customer is engaged with your company from the customer’s experience and viewpoint.

In customer relationship management (CRM), customer life cycle is a term used to describe the progression of steps a customer goes through when considering, purchasing, using, and maintaining loyalty to a product or service.

Stages in Customer life cycle: (4 stages)



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- a. Consider- customer becomes aware of a need and investigates alternative solutions.
- b. Purchase – customer evaluates and chooses the best alternative and places an order.
- c. Set up- Customer installs the product and learns how to use it.
- d. Use – Customer operates and maintains the product and finally makes the decision to retire it or upgrade, which starts the cycle all over again.

(b) **B2B CRM**

“B2B CRM is the strategic process of strengthening relationships with business customers, especially important clients, beyond transactional relationships to better manage the value of these buyer seller relationships.”

(c) **Customer Asset**

The concept of customer being an asset is very important because investing in customer relationship often does not generate short-term gains.

Customer information: It is a tangible asset that can be inventoried and managed.

Customer Value: Identifying and rewarding the most loyal customers increase their value to the company

(d) **Customer Touch point**

They are the means that we use to interact with our customers. Touch point interactions must be targeted to a specific customer or customer company, and / or they must allow for a response (a conversation, a transaction, a reply, and so on).

Touch point (also touch point, contact point, point of contact) is business jargon for any encounter where customers and business engage to exchange information, provide service, or handle transactions.

SCOPE of CRM/ Stake holders in CRM

CRM is concerned with the development and maintenance of mutually beneficial relationships with strategically significant partners. Its focus is the creation of



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long-term value, and not just short-term profits, for the company and all it works with. The scope of CRM can thus be defined according to its constituencies, how long-term value can be created for and with them and the benefits of doing so.

The Customer

The customer is of key importance because only relationships with customers generate revenues for a company.

The Owners

Companies may remain private for the duration of their lifespan, remaining the property of single proprietors or many owners.

The Suppliers

Suppliers provide input, such as raw materials, technologies, components, investment, human resources and expertise, to the company's value chain.

The Employees

Employees are central to CRM practitioners. Many businessmen, such as Bill Marriott and Richard Branson, claim that their employees or "internal customers" are their most important constituency, not the customers per se.

Other Partners

Establishing a partnering relationship with another company, such as a strategic alliance or joint venture, is done through sharing complementary strengths such as technological expertise, market reach, supplier networks, customer data and customer bases. Partnering with another firm can thus support the creation and delivery of value through increasing efficiency, sharing product development, marketing and distribution costs, and sharing key resources

CONCEPT AND CONTEXT OF RELATIONSHIP MANAGEMENT

Customer relationship management is the technique of providing information to prospects and customers, and collecting information about prospects and customers, that allows us to help them evaluate and purchase products that deliver the best possible value to them.



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One-to-one marketing, and relationship marketing is to make it easier for the customer to do business with you. Marketing and sales people have many opportunities to influence customer purchase decisions. Until recently it was normal for these functions to be performed separately — by different departments within a company — without acting as a unified team. So we must understand that coordinated efforts are now being made to unify approach

Customer Relationship Management has become a popular name for a variety of software tools and techniques aimed at attracting and retaining customers. In general, CRM uses a centralized database to bring marketing and sales activities together in a unified approach to serving customers.

One-to-one marketing and relationship marketing is to make it easier for the manufacturer to do business.

- Marketing and sales people have many opportunities to influence customer purchase decisions by the way making smooth relationship with the customer.
- The concept of relationship management with respect to the customer, to get efficiency (cost reduction) and responsiveness (instant delivery).
- RELATIONSHIP MANAGEMENT by an organization can be divided into two categories
 1. External relations
 2. Internal relations

EXTERNAL RELATIONSHIP

- Two major external stakeholders of a business are customers and suppliers.
Customer relations: customer relations can be defined as the process by which companies promote customer satisfaction and loyalty.
- It involves managing communications with customers, particularly customer's questions and complaints and solving their disputes.
- The ultimate goal of customer relations program is to build long term relationships.
- Building a strong reputation for the brand and company.



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Supplier relations: All companies try to build a strong relationship with their suppliers. Supplier relationships are different from simple purchasing transactions in several ways. There can be a sense of commitment to the supplier.

- Eg: vendor (seller) sells certain items to the buyer for several times then he thinks that he will come for a next time purchase.

INTERNAL RELATIONSHIP

- It is an integrative process with in a system for fostering positive working relationship in a developmental way in a climate cooperation and achievement.
- Internal relationship is an ongoing process that occurs strictly within a company or organization.
- Internal relationship helps to motivate and empower employees at all levels of management and it's consistently delivering a satisfying customer experience.
- Features of internal relationship management
- Customer commitment is earned in a social contract
- There is a open ideas for mutual gain.
- Close partnership between suppliers and customers.
- Customers are viewed as individual people and so are value providers.
- Continuous interaction and dialogue between suppliers and customers.
- Focuses on discovering, creating and responding to customer needs.
- Relationships are viewed as enterprise assets.
- There is a systematic collection and dissemination of customer information (detailing and negotiating requirements, expectations, needs, attitudes and satisfaction)

ROLE OF INTERNAL RELATIONSHIP MANAGEMENT

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- MANAGEMENT OF CHANGE Introduction of IT & new management practices.
- BUILDING CORPORATE IMAGE:

The team develops corporate image among the employees.

- STRATEGIC INTERNAL MARKETING:

The CRM team solve an inter departmental conflict and work common benefit of the organization.

- Relationship between companies and customers
- Reducing marketing costs
- Better customer insights
- Life time value (LTV)

EVOLUTION OF CRM

The modern concept of customer service has its roots in the Craftsman Economy of the 1800s, when individuals and small groups of Manufacturers competed to produce arts and crafts to meet public Demand. Individual orders were booked for each customer and supplied according to his/her taste and demands. The economies were small and so were the transactions. The manufacturer was able to meet the customers on one to one basis and talk to customer to understand the minute details. Customer care and service were highly personalized. But then the economics swing was setting in. The technology was increasing and so was it difficult to cater to the individualistic needs of the customer. Gradually, the era of mass production came in.

The advent of Mass Production in the early 20th century, followed by an explosion in the demand for goods after World War II, increased the power of suppliers at the expense of consumers, and thus reduced the importance of customer service. History tells us that customer service as a concept was kept aside in the cell. The manufacturers could produce What they could and these goods will find their way to customers on their own. Infact, it was the age of demand exceeding supplies. There was no need for customer service as an activity or as a tool for promotion or enhancement of markets. But things never remain the same for

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long periods of time.

A shift in this balance began in the 1970s, as international competition increased, and the dominance of western manufacturers was challenged, first by Japan, then by Korea, China and other developing economies. New world emerged with these Eastern economies taking to tremendous growth Producers responded by improving the quality of their products and services.

They introduced to the world entirely a new concept—the concept of simplicity and convenience and economy to the world The economic boom of the 1990s again increased the power of suppliers who, while not completely reverting to lower standards of service, were able to be more selective of which customers to serve, and of what levels of service to provide.

The overall quality of customer service - in society and in specific industry- will continue to be determined by the relative balance of power between suppliers and consumers; it will improve as competition becomes more intense, and decline as competition decreases. We have to assess the global situation today and derive that we are facing a new development. Briefly, the product similarity is making it more a challenge today than ever before, to upgrade customer services to get an edge over the competitors.

- The changes in market demand and competitive strategy forced the company to change from transactional marketing to relationship marketing.
- Marketing mix was developed in the 1950s in order to exploit market demand. all the p's of marketing helps to explore increased demand of the company's products and services.
- The objective of transactional approach of marketing is to sell more products and services to maximize sales and profit.
- Increased competition and matured markets have led to the low growth. It results in increased pressure and corporate profitability.
- The beginning of globalization of markets, new competitions led to the greater customer choice.
- Companies must move from a short-term transaction oriented goal to long term

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relationship building goal.

- Companies are competing successfully in domestic and global markets including customers, distributors, employees, unions and governments.
- The term marketing domain is defined as stakeholders who have to be taken into consideration in order to develop relationships and to achieve long-term success in the final marketplace.
- The increased importance of relationship marketing also led to an increasing demand for an efficient customer relationship management.
- Create customer knowledge and the utilization of the customer relationship management system is essential.

Parts of CRM/ Types of CRM

Strategic CRM is focused upon the development of a customer-centric business culture. This culture is dedicated to winning and keeping customers by creating and delivering value better than competitors. The culture is reflected in leadership behaviors, the design of formal systems of the company, and the myths and stories that are created within the firm.

Operational CRM automates and improves customer-facing and customer-supporting business processes. CRM software applications enable the marketing, selling and service functions to be automated and integrated. Some of the major applications within operational CRM are marketing automation, sales force automation and service automation.

Analytical CRM is concerned with capturing, storing, extracting, integrating, processing, interpreting, distributing, using and reporting customer-related data to enhance both customer and company value. Analytical CRM builds on the foundation of customer-related information. Customer-related data may be found in enterprise-wide repositories: sales data (purchase history), financial data (payment history, credit score), marketing data (campaign response, loyalty scheme data) and service data.

Collaborative CRM is the term used to describe the strategic and tactical alignment of normally separate enterprises in the supply chain for the more profitable identification, attraction, retention and development of customers. For example, manufacturers of



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consumer goods and retailers can align their people, processes and technologies to serve shoppers more efficiently and effectively. They employ practices such as co-marketing, category management, collaborative forecasting, joint new product development and joint market research. Collaborative CRM uses CRM technologies to communicate and transact across organizational boundaries. Although traditional technologies such as surface mail, air mail, telephone and fax enable this to happen, the term is usually applied to more recent technologies such as electronic data interchange (EDI), portals, e-business, voice over internet protocol (VoIP), conferencing, chat rooms, web forums and e-mail. These technologies allow data and voice communication between companies and their business partners or customers. Collaborative CRM enables separate organizations to align their efforts to service customers more effectively. It allows valuable information to be shared along the supply chain.

The Goals of CRM

Maximum customer loyalty, the goal of CRM, cannot be achieved overnight. In the following Figure we see that, much like Maslow's self-actualization pyramid, you cannot jump right in at the top designing loyalty programs unless you have already addressed all the lower levels of the pyramid.

CRM is practiced in a wide variety of commercial contexts, which present a range of different customer relationship management problems. We'll consider four contexts: banks, automobile manufacturers, and high-tech companies and consumer goods manufacturers. Banks deal with a large number of individual retail customers. Banks want CRM for its analytical capability to help them manage customer defection (churn) rates and to enhance cross-sell performance. Data mining techniques can be used to identify which customers are likely to defect, what can be done to win them back, which customers are hot prospects for cross-sell offers, and how best to communicate those offers. Banks want to win a greater share of customer spend (share of wallet) on financial services. In terms of operational CRM, many banks have been transferring service into contact centers and online in an effort to reduce costs, in the face of considerable resistance from some customer segments.

- Automobile manufacturers sell through distributor/dealer networks. They have little contact with the end-user owner or driver. They use CRM for its ability to help them develop better and more profitable relationships with their distribution networks. Being physically disconnected from drivers, they have built websites that enable them to interact with these end-users. This has improved their knowledge of customer requirements. Ultimately, they hope CRM will enable them to win a greater share of end-user spend across the car purchase, maintenance and replacement cycle.

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- High-tech companies manufacture complex products that are generally sold by partner organizations. For example, small innovative software developers have traditionally partnered with companies such as IBM to obtain distribution and sales. However, companies like Dell have innovated channels. They go direct-to- customer (DTC). CRM helps these DTC companies to collect customer information, segment their customer base, automate their sales processes with product configurator software and deliver their customer service online. They have also developed automated relationships with suppliers, so that they carry no or low levels of inventory, which are replenished frequently in rapid response to order patterns.
- Consumer goods manufacturers deal with the retail trade. They use CRM to help them develop profitable relationships with retailers. CRM helps them understand costs-to-serve and customer profitability. Key account management practices are applied to strategically significant customers. IT-enabled purchasing processes deliver higher levels of accuracy in stock replenishment. Manufacturers can run CRM-enabled marketing campaigns which are highly cost-effective.

TRANSACTIONAL vs RELATIONSHIP APPROACH

As marketing has entered the 21st Century, a significant change is taking place in the way companies interact with customers. The traditional view of marketing as a simple exchange process—a concept that might be termed transaction-based marketing—is being replaced by a different, longer-term approach.

Transactional marketing strategies focused on attracting consumers. The goal was to identify prospects, convert them to customers, and complete sales transactions. But today's marketers realize that, although it remains important, attracting new customers is truly an intermediate step in the marketing process. Marketing efforts must focus on establishing and maintaining mutually beneficial relationships with existing customers. These efforts must expand to include suppliers and employees, as well.

The concept, called relationship marketing, refers to the development, growth, and maintenance of long-term, cost-effective exchange relationships with individual customers, suppliers, employees, and other partners for mutual benefits. It broadens the scope of external marketing relationships to include suppliers, customers, and referral sources.

They must apply the same high standards of customer satisfaction to inter-

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departmental relationships as they do to external customer relationships. Relationship marketing recognizes the critical importance of internal marketing to the success of external marketing plans. Programs that improve customer service inside a company also raise productivity and staff morale, resulting in better customer relationships outside the firm.

Relationship marketing gives a company new opportunities to gain a competitive edge by moving customers up a loyalty hierarchy from new customers to regular purchasers, then to loyal supporters of the company and its goods and services, and finally to advocates who not only buy the company's products but recommend them to others. By converting indifferent customers into loyal ones, companies generate repeat sales.

The cost of maintaining existing customers is far below the cost of finding new ones, and these loyal customers are profitable ones. Effective relationship marketing relies heavily on information technologies such as computer databases that record customers' tastes, price preferences, and lifestyles along with the increase of electronic communications. This technology helps companies become one-to-one marketers that gather customer-specific information and provide individually customized goods and services.

The firms target their marketing programs to appropriate groups, rather than relying on mass-marketing campaigns. Companies who study their customers' preferences and react accordingly gain distinct competitive advantages.

THE KEY POINTS ARE AS FOLLOWS.

- Transactional marketing, which was developed in the late 1950's and 1960's.
- Transactional marketing main concept which centers on the four P'S, was developed by Borden in 1964.
- The marketing mix has since been described as an -infallible guide for the effective planning and implementation of marketing strategy.
- The focus on transactional marketing is shifting to focus on relationship marketing.
- The firms make the market fall by providing consumer packaged goods at one extreme and the services at the other.



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- In this situation all the firms are forced to adapt from transactional to relationship approach.
- Transactional marketing approach is on individual transaction and does not concern continuous relationship with customers.
- Transactional marketing does not contain a strategic long term perspective.
- The relationship marketing focuses on continuous multiple transactions rather than isolated individual transactions.
- It also considers customer as insiders to the business and aims to build a long term and never-ending relationship with them.

CRM AS A STRATEGIC MARKETING TOOL

Marketing is one of the new discoveries in business management. Of late, marketing has come to occupy significant position in the overall strategic studies. Various challenges are emerging in marketing as well as new approaches are being made in its study to view its different aspects of the many things it has been recently realized that customer is the most important elements in marketing and its sustenance and retention is far more important than any other marketing functions. CRM is one of the core area in marketing.

The major areas of CRM focus on:

- Generation and servicing more loyal customers.
- Expansion of customer base
- Reduction of advertising costs
- Increase in profitable customers
- Ease in introduction of new products
- Personal Information Gathering and Processing, Self-Service.
- CRM is the marketing management practice of identifying, attracting and retaining the most valuable customer to sustain profitable growth
- CRM is the process of making and keeping customers and maximizing their profitability, behaviors and satisfaction.



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- Today customer demand open equal access, real time specialized information, convenient access, portability, process and logistics transparency, pricing transparency, global pricing, ability to set prices, choices of distribution channels and control over their information.
- First time customer can become a repeat customer, thereafter a client, then an advocate and finally one's partner in progress.
- Loyal customers always create a profit and also reduced operating cost, increased purchases and give plenty of referrals.
- The realistic observation on customers that it costs ten times more to sell to new customers than to sell to an existing one.
- Existing customer deliver most of the revenues.
- It's very important part of CRM is to identify the Most Valuable Customers (MVC) for the success of the business.
- Marketing and sales are charged with influencing customer behavior.
- Customer success always equal to business success.

CRM SIGNIFICANCE TO STAKEHOLDERS

- Four principal stake holders play a major role in the entire process of customer relationship management.

1. Customers
2. Employees
3. Suppliers
4. Partners

Relationship Marketing

One of the things of most value to a company is its relationships—with customers,

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employees, suppliers, distributors, dealers, and retailers. The company's **RELATIONSHIP CAPITAL** is the sum of the knowledge, experience, and trust a company has with its customers, employees, suppliers, and distribution partners. These relationships are often worth more than the physical assets of a company. Relationships determine the future value of the firm.

Relationship marketing (RM) marks a significant paradigm shift in marketing, a movement from thinking solely in terms of **competition** and conflict toward thinking in terms of mutual interdependence and cooperation. It recognizes the importance of various parties—suppliers, employees, distributors, dealers, retailers—cooperating to deliver the best value to the target customers. Here are the main characteristics of relationship marketing:

- It focuses on partners and customers rather than on the company's products.
- It puts more emphasis on customer retention and growth than on customer acquisition.
- It relies on cross-functional teams rather than on departmental-level work.
- It relies more on listening and learning than on talking.

Traditional transaction marketing (TM) tended to ignore relationships and relationship building. The company was viewed as an independent agency always maneuvering to secure the best terms. The company was ready to switch from one supplier or distributor to another if there was an immediate advantage. The company assumed that it would normally keep its current customers, and it spent most of its energy to acquire new customers. The company neglected the interdependence among its main stakeholders and their roles in affecting the company's success.

Difference between Relationship Marketing and CRM

Relationship marketing and customer relationship management (CRM) are closely-related business concepts. However, most experienced marketing professionals agree that CRM is an evolution of relationship marketing that enhances key concepts of customer retention.

Main Differences

1. "CRM is conceiving a strategy and RM is executing it"
2. CRM includes collection of data about customers, segmenting them logically and targeting the right kind of marketing programs. RM executes the strategies of CRM. RM has direct contact with the clients or customers.
3. A relationship manager is basically into sales & acquisition of clients...whereas a CRM is into maintenance of those clients



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4. RM is focused on the building the relation itself while CRM is more focused on how to maintain that relation.
5. While relationship marketing is a sales and marketing concept, CRM refers to the tools used to carry out the concept.
6. Relationship marketing is implemented as a strategy and includes activities such as identifying long- term sales and retention goals, public relations, marketing and advertising campaigns.

CRM includes the operational tasks that support the relationship marketing strategy. Activities include gathering data about the customers, then organizing and analyzing it to create target customer profiles. CRM data is also effective in finding opportunities to create special offers to reward long-time customers for their loyalty, further building the relationship.

Key principles of Relationship Management.

1. Manage customer as an asset
2. Rate customers on the basis of their profit stream-current and future potential.
3. Customize relationship to individual customer-using information based decision making capabilities.
4. Implement innovative ways and means to get close to the customer to hear “ the voice of the customer”

Customer Segmentation:

All customers are not equal so they have to be treated differently by segmenting them on various basis.

Basis of Segmentation:

1. **Behavioral segmentation:** Customers can be segmented on the basis of Loyalty, frequency of use, usage occasion, and whether they would recommend to others.
2. **Geographic segmentation:** The customers can be segmented on the basis of the geographic region to which they belong like the region or the locality from where they come from eg. Uptown customers.
3. **Demographic segmentation:** the customers are also classified on the basis of age, gender, occupation, educational qualification.
4. **Channel preferences:** Segmentation is done based on frequency of communication expected number and choice of communication channel.
5. **Based on Purchases:** The customers are segmented based on the proportion of purchases, frequency of purchases, types and quality of goods purchased, average value of purchases.

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Types of Customers

1. Apostles- loyal customers, they are highly satisfied with the company's offerings
2. Terrorists/ Defectors- highly dissatisfied, or dissatisfied customers and also includes satisfied customers who have encountered failures with the company's offerings.
3. Mercenaries- satisfied customers but chase low prices, pursue fashion, buy on impulse. They are highly disloyal customers.
4. Hostages- They are very loyal, are highly habituated to a particular brand. They are without power and they even accept even the worst things a company can offer.

Types of relationship with the above category of customers

1. Need centered relationship: Based on personalization of services this relationship is with apostles in favorable circumstances and with defectors in unfavorable circumstances.
2. Price centered: Based on the best deal. This type of relationship is with mercenaries.
3. Value centric: based on the collaboration with customers over a period of time
4. Product centered: based on the delivery of customized products, services and solutions this type of relationship is with apostles and hostages.

Loyalty as a basis of segmentation:

Who are loyal customers?

- The customers who purchase a same brand over a period of time.
- Purchasing the same brand for more than 70% of time for a period of three years according to Kraft international.
- If a customer spends large proportion of the annual budget spent on a particular brand then he/she is Loyalty and satisfaction on a grid.

Linking profitability and loyalty

Customers can be divided into four types .All four of those types of customers tend to show up as though they are repeat business, but several of them do not bring the profit margins that warrant focusing your attention on reaching them. Reinartz and Kumar

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suggest the following strategies for addressing these groups.

Loyal Customer

- **True Friends** – These are the truest of loyal customers. They think highly of your company/product, and continue to come back for more. They also bring in the most profit. The authors suggest that these customers should be rewarded the most, with exclusive products of high value and other elite benefits. However, they warn against over-contact. True Friends are already bringing value to your business, and exploiting them may lead to burnout.
- **Butterflies** – Butterflies are also profitable, but much less loyal to the company. They should be given a hard sell in the early stages of their purchase, while they are still interested in the company's products. However, once it appears that their purchases have dropped off, you should stop investing much time and effort into selling to them.
- **Barnacles** – Barnacles tend to be less profitable. Although they think highly of the company and its products, they spend very little to make dedicating resources to them profitable. Ideally, the best course of action is to try to sell them on products that are related to what they already have, and otherwise spend resources elsewhere. .
- **Strangers** – Strangers may often seem like loyal customers, but they rarely bring in much value and otherwise don't show other signs of customer loyalty. The authors suggest that this group should be left alone, as they bring in very little value and are not otherwise befitting the company.

Customer Value.

There are various interpretations of what is meant by customer value. The term may mean low price, receiving what is desired, receiving quality for what is paid, or receiving something in return for what is given (Zeithaml, 1988). Woodruff's (1997) definition of customer value is widely cited and encompasses most interpretations of customer value. Woodruff defines customer value as: "a customer perceived preference for and evaluation of those products attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations".

Types of customer values



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1. Economic value- this is based on the economic benefit of the net monetary advantage from using a product versus its alternatives.
2. Functional value- Those aspects of a product that provide, measurable functional or utilitarian benefits
3. Psychological value- Focus on tangibles such as brand names, image etc.

Technology in CRM

Why technology is used needed in CRM?

Organizations are evolving to accommodate rapidly changing customer's requirements, increased competitive pressure and business imperatives to do more with less. Applying the appropriate technology and clearly defining effective processes are keys to supporting and enabling rapid changes.

e-CRM

E-CRM stands for Electronic Customer Relationship Marketing. E-CRM relates all forms of managing customer relationship with the use of IT (Information Technology). It uses information technology for integrating the Internal Organization Resources and External Marketing Strategies to know and satisfy the needs of customers. When e-CRM is compared with CRM, e-CRM is very effective for communicating with the customers.

Difference between CRM and e-CRM:

- CRM uses phone, fax and retail store for contacting customers while e-CRM uses wireless, PDA technology, internet and email.
- CRM requires the client to definitely download different applications for viewing Web-Enabled applications while e-CRM does not have such requirements.
- The personalized views of CRM are not available while the personalized views of e-CRM are related to purchase preferences and history.
- The design of CRM system is related to job products and functions while the design of e-CRM system is related to customer needs.
- The maintenance of CRM is very expensive while the maintenance of e-CRM is less expensive and requires only less time.

Technology used in CRM

- I. Contact center technology

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- II. Front desk management technology
- III. CRM technology
- IV. Customer data management.

I Contact center technology:

1. *Interactive voice response (IVR)*
2. *Speech recognition for customer service*
3. *Computer telephony integration (CTI)*
4. *Automatic call distribution (ACD)*
5. *Contact management technology*

1. Interactive voice response (IVR): is a technology that allows a computer to interact with humans through the use of voice and DTMF tones input via keypad. It is a software application that allows a telephone caller to select options (pre-recorded voice prompts) from a voice menu.

2. Speech recognition for customer service: It recognizes the spoken words and phrases and converts them to a machine-readable format. Common voice recognition applications include call routing, speech-to-text and voice dialing. Speech Recognition has a wide range of use and is effectively deployed in **contact** centers

Key benefits of speech recognition:

- Customer satisfaction: the customer directly speaks up his request and the back end system helps the customer in getting the required service.
- Cost savings: A lot of out bound calls can be avoided with a well deployed voice recognition solution
- Improved productivity: it offers mobile workers safe, hands-free access to tools and information resulting in greater collaboration and faster decision making.
- Revenue generation: businesses are leveraging speech beyond traditional uses like voice commerce, personalized notifications, and targeted up selling and cross selling by call center agents.

3. Computer telephony integration (CTI): Is a common name for any technology that allows interactions on a telephone and a computer to be integrated or coordinated. The term is predominantly used to describe desktop-based interaction for helping users be **more** efficient, though it can also refer to server-based functionality such as automatic call routing.

The benefits of CTI:

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1. Improved customer service
2. Greater efficiency
3. Flexibility
4. **Automatic call distribution (ACD):** is a device or system that distributes incoming calls to a specific group of terminals that agents based on customer need, type, and agent skill set. It is often part of a computer telephony integration (CTI) system.
5. **Contact management technology:** The technology for complaint management system is generally divided into two parts namely front end and back end. The front end is used by the employees who are dealing with the customers for taking their complaints and communicating a solution back to them. Back end systems are used by the responsible for resolving customer complaints.

II Front desk management technology:

1. **Electronic queue management systems**
2. **Payment technology**
3. **Customer self- service portals**

1. Electronic queue management systems:

This helps the service providers to manage the complete customer service effectively especially the rush hours. The electronic queue management systems is ideal for customer related concerns, where waiting forms an essential part of the service, such as airline, hospitals, post office, banks railways etc.

2. Bill payment kiosks:

These kiosks allow users to make cash payment and obtain receipts instead of waiting in lines for check cashing and bill payment centers that can be hard to find. These kiosks typically include a computer inside a durable enclosure.

3. Customer self-service portals

The self- service modules provide an opportunity to the customer to access his/her account and gets lots of information as and he wants and from where he wants. The self-service applications help the customers in the following ways.

- Empowering the customers
- Improve supply chain efficiency
- Reduce cost of *service*



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III. CRM Technology.

1. Functional and technical requirements for CRM solutions. 2. Global CRM product market.

1. Functional and technical requirements for CRM solutions.

1. Business Intelligence and analytical abilities
2. Unified channels of customer interactions
3. Support for web based technology
4. Centralized repository for both customers and other enterprise information.
5. Integrated work flow for business rules and procedures.
6. Integration with ERP and other enterprise wide applications.

CRM applications address the three core areas of business delivery

- a. Sales process
- b. Marketing process
- c. Customer service and support process.

2. Global CRM product market

Criteria for CRM product selection:

- i) Organization imperative
- ii) Integrating with existing IT applications landscape
- iii) Product adaptability
- iv) Scalability of the application
- v) Implementation experience
- vi) Post roll out support structure.



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GLOBAL CRM PRODUCT MARKET

<u>Target Industries</u>	<u>Server centric</u>	<u>Web centric (hosted)</u>
Large industries	Siebel, oracle, people soft, My SAP CRM	Siebel CRM on demand. Sales force.com
Small and medium enterprise	Talisma, sales logix, Microsoft, ory & sales notes.	Sales notes.netNetCRM.

CUSTOMER INFORMATION DATABASE:

The true business of the every company is to make and keep customers!. The single most important factor for the success of any business enterprise is the customer. Understanding the customer needs and wants is the important factor for selling of our product and services.

CUSTOMER INFORMATION

The most often used information in a CRM database is the customer information. This can include personal information, such as contact addresses and phone numbers, as well as family size, location, and other demographic information. Many companies also use their CRM database to record purchase information, service calls, customer support needs, and even warranty information. Anything relative to customer interaction can be placed in a CRM database.

- Customer information database includes personal information, such as contact addresses, phone numbers etc.
- It also includes family size, location and other demographic information and geographical location.
- CRM database to record purchase information, service calls, customer support needs, and even warranty information.
- Customer related databases might be maintained in a number functional areas; eg.

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Sales, marketing, logistics and accounts.

IV Customer data management.

1. Data Mining

2. Data warehousing

1. Data Mining:

It is a methodology to assess the value of data and to leverage that value as an asset to provide valuable information for decision making to the management based on a continuously evolving analytical model. Any service organizations will have a lot of data pertaining to various milestones of customer life cycle. However the effectiveness of this data utilization for better customer service has always been a challenge.

2. Data warehousing:

Data warehouses are generally used to store large customer data. This technology makes it possible to provide all the key people in an enterprise an access to information that is needed by the enterprise to survive and prosper in an increasingly competitive world. Data warehousing is a field that has grown out of the integration of a number of different technologies and experiences over the last few years. The need is multi fold and organizations are realizing this very strongly.

INFORMATION TO BE INCLUDED IN CUSTOMER DATABASE

- Contact names
- Job title and job definitions
- Demographic or psychographic information
- Name of the company
- Address
- Methods of contact
- Buying history
- Sources of lead

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- Sources of sale
- Special needs of customers

BENEFITS OF A CUSTOMER DATABASE

By using a customer database to keep in touch with, and market to, your customers, you can:

- Increase awareness of your brand
- Enhance marketing opportunities
- Build and strengthen relationships between you and your customers
- Build trust in your products and services
- Increase your profits

DEVELOPING A CUSTOMER INFORMATION DATABASE

1. Define the database functions

- Strategic CRM: Data about markets, market offering, customers, channels, competitors, performance and potential.
- Operational CRM: Customer related data to help in the everyday running of the business.
- Analytical CRM: Data to support the marketing, sales and services decisions that aim to enhance the value created for and from the customers.
- Collaborative CRM: It includes two subsets of operational and analytical purpose.(OLTP,OLAP)online-transaction, A-analytical processing.

2. Define the information requirements

- Customer information fields
- Contact data
- Contact history
- Transactional history



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- Current pipeline
- Opportunities: It looks forward after sales.
- Products
- Communication preferences

3. Identify the information sources

- Internal data: market size ,market segmentation, customer profile, customer acquisition channel, competitor product and pricing, customer requirement
- External data:
 - a) Compiled list data:
 - b) Census data: obtained from government records.
 - c) Modeled data generated by third parties includes variety of sources.
- Secondary and primary data:
 - a) Competition entries
 - b) Subscriptions: customer Subscribe of newsletter or magazine
 - c) Registrations: customers are invite to register their purchase d)Loyalty programs

4. Select the database technology and hardware platform

- Hierarchical
- Network
- Relational: assign unique number in rows and columns and assign other data's of marketing, service, payments and so on.

5. Hardware Platform

Size of the databases: using of PC and server

Existing technology: using software



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Number and location of users

Relational Database Management System (RDBMS)

Populate the database

Sourcing: obtain information from customers Verification

Validation

1. Range validation: Does an entry lie outside the possible range for a field.
2. Missing values: Check for values that are missing in column.
3. Check against the external values: check the details with mail authority.

- De-duplication :

1. Remove the record that should be retained
2. Retain the record that should be removed

- Merge and purge &

6. Maintain the Database

- All new transactions, campaigns and communications are inserted immediately.
- Regularly re duplicates the database.
- Get customers to update their own records.(online purchase)
- Audit the subset of files every year.
- Drip-feed

CUSTOMER PROFILE

- A good method of identifying and understanding customers is to develop customer profile.
- This approach is similar to that used in market segmentation.

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- The marketers create some basis for dividing the various customer groups.
- The marketer then develops a typical customer profile which helps to analyze and understand consumer behavior.

COMPONENTS OF CUSTOMER PROFILE

- *Customer profile analysis :*

Customer profile that gives an indication of who might typically use their outlet.

A customer profile is affected by the macro business environment.

A customer profile is also influenced by the micro-environment, the specific business arena in which the individual market operates.

The perspective of changing consumer profile can be very important to the marketer in order to adequately manage the marketing mix and formulate a marketing strategy.

- Changing customer profile includes into two categories.

Changing customer demography

Changing in consumer values and life style.

CHANGING SHOPPER DEMOGRAPHY

- Demographics comprise selected characteristics of a population

(Age and income distribution and trends, mobility, educational attainment, home ownership and employment status.)

The study of the population in terms of measurable aspects such as birth rate, age profile, working pattern and occupation, total income and expenditure levels.

1. Generational cohorts (buddies or followers)

- Those who share historical or social life experiences. These life experiences tend to distinguish one generation from another.
- Members of the generation groups are linked through shared experiences which create a bond tying members together in what has termed as cohorts.
- Generation cohorts includes

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1. Seniors before 1946(conformity, conservatism, traditional family values, team player)
2. Baby boomers 1946-1964(experimental, individualism, free spirited, less optimistic)
3. Generation X 1965-1976 (quest of emotional security, independent, informality, entrepreneurial)
4. Generation Y 1977-1994 (physical security and safety, patriotism, heightened fears, acceptance of change) bal. b/w work and life style.
5. Tweens 1995 to till date (Belief in individuality, technology interpreted, fast face living)

Changing customer demography

1. Age profile (falling population of teenagers)
2. Income and Expenditure
(The changes in income brought changes in spending pattern of the consumers)
3. Ethnic Diversity (Differences in groups, culture, customs, religion etc)
4. Working patterns (The trend of more women's to enter into workplace. Increasing of working time in work place)

CHANGES IN SHOPPERS VALUE AND LIFE STYLE

- ❖ Changing shopping perspective
- ❖ Changing patronage for different retail format
- ❖ Attitude towards shopping

CUSTOMER PERCEPTION ANALYSIS

Customer perception analysis is a value-chain assessment methodology that gives a better understanding of one's interaction with customers.

Perception is a process through which the information from outsider's environment is selected, received, organized and interpreted to make it meaningful.

PERCEPTION

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According to Kolasa, perception is selection and organization of materials which stems from the outside environment at one time or the other to provide the meaningful entity we experience.

According to Robbins, "perception may be defined as a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment.

FACTORS INFLUENCING CUSTOMERS PERCEPTION ANALYSIS

1. Exposure- attention(ad)
2. Interpretations (It involves making sense out of stimulus)
3. Relevance –several other factors (substitute)
4. Surprising stimuli
5. Subliminal stimuli
6. Selective perception process
7. Selective Exposure
8. Selective Attention
9. Selective Comprehension
10. Selective Retention

STRATEGIES FOR INFLUENCING CUSTOMER PERCEPTION

1. Measure and manage customer satisfaction and service quality
2. Aim for customer quality and satisfaction in every service encounter-zero defects
3. Plan for effective recovery
4. Facilitate adaptability and flexibility
5. Encourage spontaneity
6. Help employees with problem customers
7. Reflect evidence of service



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8. Enhance customer perception of quality and value through pricing.

CUSTOMER BEHAVIOR

Customer or consumer behavior is the study of how individuals make decisions to spend their valuable resources (Time, money, effort) on consumption-related items. It includes what they buy it, why they buy it, where they buy it, how often they buy it, and how often they use it.

According to belch and belch lconsumer behavior is the process and activities people engage in when searching for, selecting, purchasing, using, evaluating and disposing of products and services so as to satisfy their needs and desires.

CUSTOMER BEHAVIOR IN RELATIONSHIP PERSPECTIVE

1. Understanding customer is the central part of the marketing process to know why a customer or buyer makes a purchase.
2. Without such an understanding, business will find it hard to respond to the customer's needs and wants.
3. Some business still produces the product without knowing the importance of the customer.
4. Organization clearly understands the benefits wanted by customers, reasons for purchase, re- purchase etc.
5. Importance of customer behavior
6. Production policies
7. Price policies
8. Decision regarding channel of distribution
9. Decision regarding sales promotion
10. Exploiting market opportunities
11. Customers do not always act or react predictably.
12. Consumers preferences are changing and becoming highly diversified.
13. Rapid introduction of new products



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14. Implementing the –marketing conceptl

FACTORS INFLUENCING CONSUMER BEHAVIOR

15. *Psychological factors*

1. Motivation

2. Perception

3. Learning

4. Beliefs and attitude

- *Personal Factors*

1. Age and Life cycle stage

2. Occupation

3. Life style

4. Personality and self-concept

- *Cultural factors*

1. Culture

2. Sub culture

3. Social class

- *Social factors*

1. Reference groups

2. Family

3. Roles and status

- Buying role of a customer

- Initiator

- Influencer

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- Decider
- Gatekeeper
- Buyer
- User

Buying decision of customers

- What to buy?
- How much to buy?
- Where to buy?
- When to buy?
- How to buy?

INDIVIDUAL CUSTOMER

- The term consumer, end user, individual buyer and individual user refer to the same, a buyer who buys product and services for end use.
- Understanding their need, want, value expectation and service expectations are the way to win this market by product and services which a firm is offering.

Individual customer decision making process/Buying process

- Problem recognition
- Pre-purchase information research

1. Personal service
2. Commercial sources
3. Public sources
4. Experimental sources

- Evaluation of alternatives:

1. Evaluative criteria

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2. Beliefs

3. Attitudes

4. Intentions

- Purchase decisions
- Post-purchase behavior

1. Post-purchase satisfaction

2. Post-purchase action

3. Post-purchase use and disposal

GROUP CUSTOMERS

- Group customer are referred as industrial market which consists of all the individuals or organizations who acquire goods and services that enter into the production of other products or services that are sold, rented or supplied to others.
- Organizations establish the need for purchased products and services, and identify, evaluate and choose among alternatives brands and suppliers.

Group customer decision making process/Buying process

- Problem recognition
- General need Description
- Product specification
- Supplier Search
- Proposal solicitation
- Supplier selection
- Purchase Routine selection
- Post purchase evaluation

CUSTOMER LIFE TIME VALUE

- Customer lifetime value (CLV), lifetime customer value (LCV), or lifetime value

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(LTV) is the net present value of the cash flows attributed to the relationship with a customer.

- The use of customer lifetime value as a marketing metric tends to place greater emphasis on customer service and long-term customer satisfaction, rather than on maximizing short-term sales.
- Building Profitable Customer-Centric Strategies: Maximizing Profit Potential
- Our high-impact processes for becoming more customer-centric and creating innovative strategies will be valuable only if we can effectively deliver on these profitably.

SELECTION OF PROFITABLE CUSTOMER PROFITABILITY

- We first understand the key factors that will drive profitability for customer insight initiatives.
- During the innovation stage, the objective was to creatively generate new sources for capturing intelligence from customers and creating insight that could enhance the way we communicate and sell to customers.
- As you learn more from customers about their needs and preferences, you have the opportunity to better target your marketing messages, offers and channels, which ultimately leads to reduced marketing expenses and increased conversion rates.
- **Customer life time value**

The key factors that will drive the profitability of customer insight initiatives include these:

- Reaching high-value customers and prospects
- Capturing intelligence on a critical mass of customers to justify the fixed costs of setting up and managing the program
- Generating incremental profits from increased sales to new customers, higher customer retention, selling more to existing customers or winning back lost customers
- Reducing costs of delivering solutions and servicing customers
- Capturing intelligence cost-effectively
- Building the ability to influence customer profitability over time

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ELEMENTS OF CRM:

When your company communicates with your customers the process can involve many different people within both organizations using a variety of different methods. The main tool that is used is an order that is communicated by your customer to your sales department. However this is only one of many communications that should be managed. To ensure that your company can provide the best customer service experience possible the use of customer relationship management (CRM) software should be considered.

- CUSTOMER KNOWLEDGE

The customer service function in your company represents the front office functions that interact with your customers. These are the business processes that allow your company to sell products and services to your customers, communicate with your customers with regards marketing and dealing with the after sales service requirements of your customers. Each interaction with the customer is recorded and stored within the CRM software where it can be retrieved by other employees if needed.

- RELATIONSHIP STRATEGY

- COMMUNICATION

- INDIVIDUAL VALUE PROPOSITION

- SALES FORCE AUTOMATION

- The company's sales department is constantly looking for sales opportunities with existing and new customers. The sales force automation functionality of CRM software allows the sales teams to record each contact with customers, the details of the contact and if follow up is required. This can provide a sales force with greater



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efficiencies as there is little chance for duplication of effort. The ability for employees outside of the sales team to have access to this data ensures that they have the most recent contact information with customers. This is important when customers contact employees outside of the sales team so that customers are given the best level of customer service.

CAMPAIGN MANAGEMENT

- The sales team approach prospective customers in the hope of winning new business. The approach taken by the sales team is often focused in a campaign, where a group of specific customers are targeted based on a set of criteria. These customers will receive targeted marketing materials and often special pricing or terms are offered as an inducement. CRM software is used to record the campaign details, customer responses and analysis performed as part of the campaign.

CRM PROCESS

- The formation process of CRM refers to the decisions regarding initiation of relational activities for a firm with respect to a specific group of customers or to an individual customer with whom the company wishes to engage in a cooperative or collaborative relationship.
- It is important that a company be able to identify and differentiate individual customers. In the formation process, there are three important decision areas: defining the *purpose* (or objectives) of engaging in CRM; selecting *parties* (or customer partners) for appropriate CRM programs; and developing *programs* (or relational activity schemes) for relationship engagement with the customer.



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CRM PROCESS FIGURE 1



- THREE STEPS OF CRM PROCESS 1.Acquisition :

It comprises enquiry, interaction, exchange, co-ordination and adaptation.

2.Customer Interaction Management 3.Customer Retention

- Customer Acquisition
- Customer acquisition is a broad term that is used to identify the process and



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procedures used to locate, qualify, and ultimately secure the business of new customers.

- Customer retention effort is to identify and quality potential customers.
- Inputs for Acquisition
- The purpose of customer acquisition an organization is likely to focus its attention on the following
 1. The suspects
 2. The enquiries
 3. The lapsed customers
 4. The former customers
 5. The competitors customers
 6. The competitors lapsed customer's
 7. The competitor's enquiries
 8. The competitors former customers
 9. The referrals
 10. The existing customers

STRATEGIES FOR CUSTOMER ACQUISITION

1. FOCUSED APPROACH:

- a) Knower
- b) Preferred
- c) Indifferent
- d) Rejecters

2. PROVIDING A WIN-WIN PLATFORM

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3. INITIATE FORUM FOR COMMUNICATION
4. ATTEMPT TO MINIMIZE -FUD (Fear,Uncertainty,Doubts)
5. PROJECTION OF BENEFITS AND NOT PRODUCTS
6. CONTEXTUAL APPLICATION
7. FOCUS ON DECISION PROCESS

CUSTOMER RETENTION

Customer retention is the activity that a selling organization undertakes in order to reduce customer defections.

Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship.

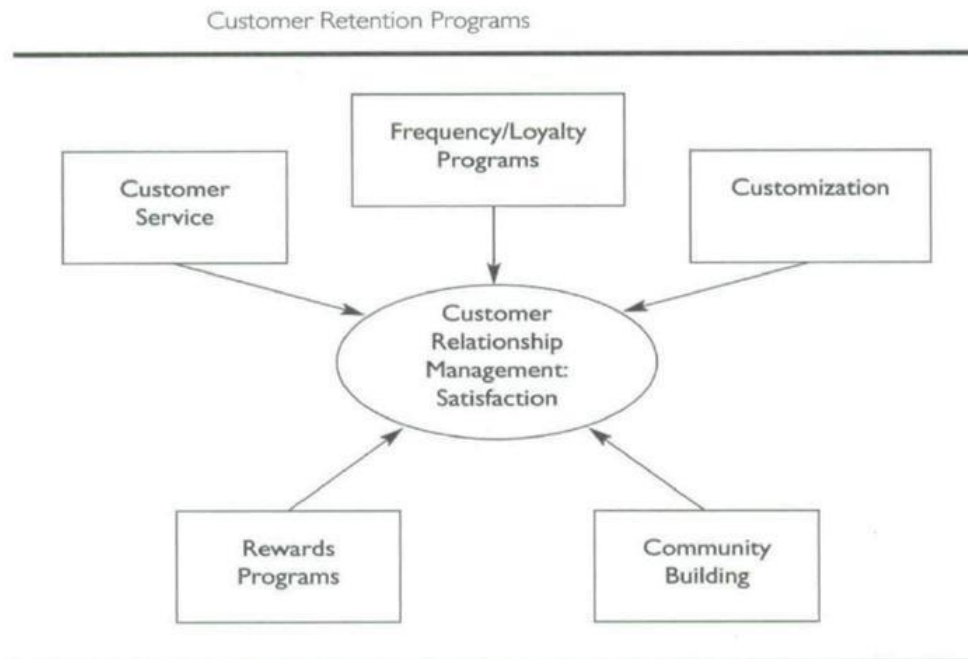
A company's ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace.



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Customer Retention Programs : Figure: 3.2



STRATEGIES FOR CUSTOMER RETENTIONS

1. PEOPLE
2. PRODUCT
3. PROCESS
4. ORGANISATION
5. SETTING SATISFACTORY SERVICE STANDARDS
6. CONCENTRATION ON COMPETITORS
7. CUSTOMER ANALYSIS

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8. COST ANALYSIS
9. CONCENTRATION ON THE PAYING ABILITY OF CUSTOMERS
10. KNOWLEDGE ON PURCHASE BEHAVIOUR PATTERN
11. DIFFERENCIATION IN PRICES AND QUALITY STANDARDS
12. FOCUS ON REDUCING DISSATISFACTION
13. ATTENTION ON CHANGING REQUIREMENT OF CUSTOMERS
14. CONCENTRATION ON PERFORMANCE
15. TRAINING TO SUPPLY CHAIN EMPLOYEES
16. EMPOWERMENT TO SERVICE PROVIDERS
17. INCENTIVIZING SERVICE PROVIDERS
18. AUGMENTING INTANGIBLE BENEFITS
19. VISIT TO THE POINT OF USAGE OF THE PRODUCT
20. DEVELOP PARTNERSHIP WITH CUSTOMERS
21. ORGANIZING CUSTOMER CLUBS
22. RELATIONSHIP BASED PRICING SCHEMES
23. EFFECTIVE CUSTOMER COMMUNICATION SYSTEM
24. CUSTOMER COMPLIANT MONITORING CELL
25. DEVELOPING CUSTOMER SATISFACTION INDEX
26. FOCUS ON PREVENTIVE ACTIONS



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CUSTOMER DEFECTION

Customer defection is the rate at which customers defect or stop the usage of products of a company. Business with high defection rate would be losing their existing customers.

In order to overcome this they use another term of customer retention, in simple words it's to retain or prevent the existing customers to defect the product.

TYPES OF DEFECTION

- PRICE DEFECTORS
- PRODUCT DEFECTORS
- SERVICE DEFECTORS
- MARKET DEFECTORS
- TECHNOLOGICAL DEFECTORS
- ORGANISATIONAL DEFECTORS

STRATEGIES FOR PREVENTION OF DEFECTION

Every customer that you keep represents at least three that you don't have to attract.

Numerous research studies indicate that the cost of acquiring a new customer usually runs from two to four times the annual cost of keeping an existing customer. Obviously, an effective customer retention strategy translates into profits.

It has been estimated that most companies spend about 98 percent of their time reacting to problems and less than 2 percent preventing them. The first, most important, way to prevent customer defections is to identify and define each problem from the customer's vantage point. This blog suggests several ways to retain customers once you understand the problems and their ramifications.

Superior service and database management provide your best defense against customer defections. Service provides the opportunity to solve customer problems and build



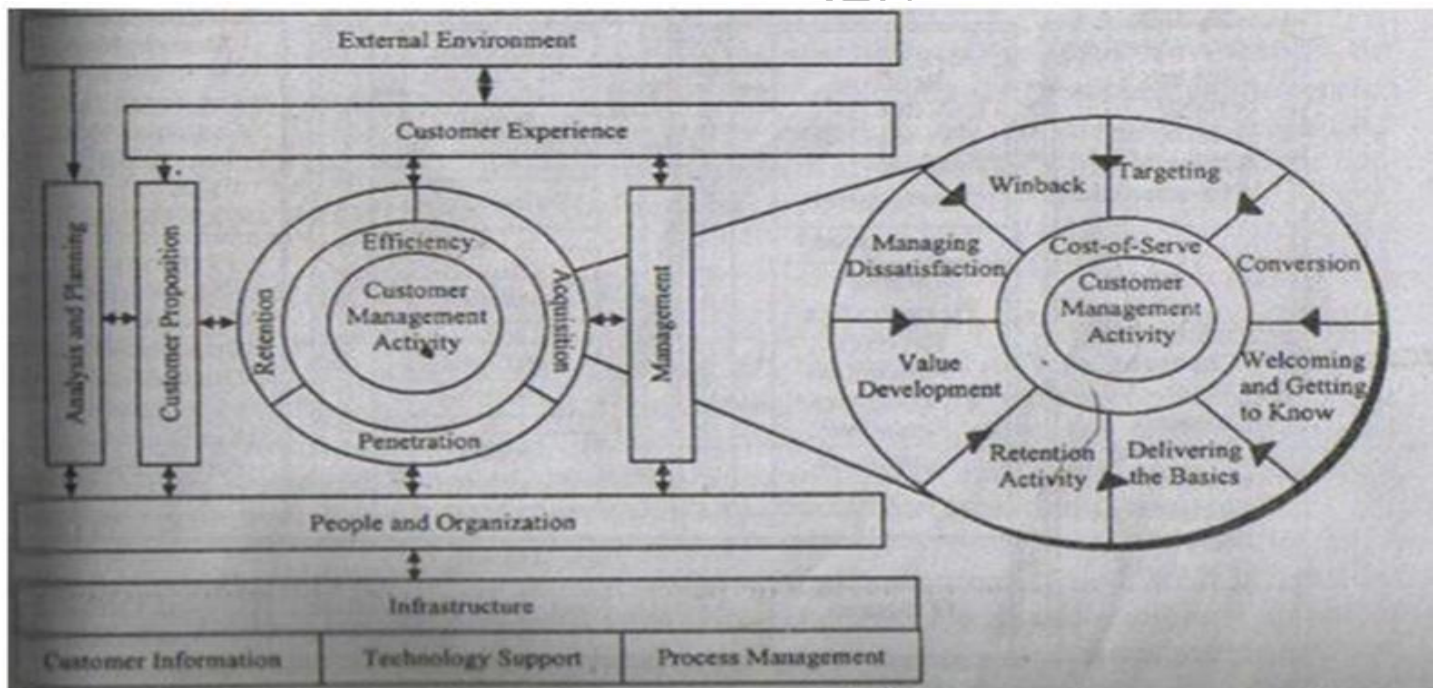
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partnerships; the database serves as a vehicle to personalize customer communication and enhance your relationships.

MODELS OF CRM

- IDIC MODEL:
- I- IDENTIFY
- D – DIFFERENTIATE
- I – INTERACT
- C - CUSTOMIZE
- IDIC MODEL : Figure:3.3

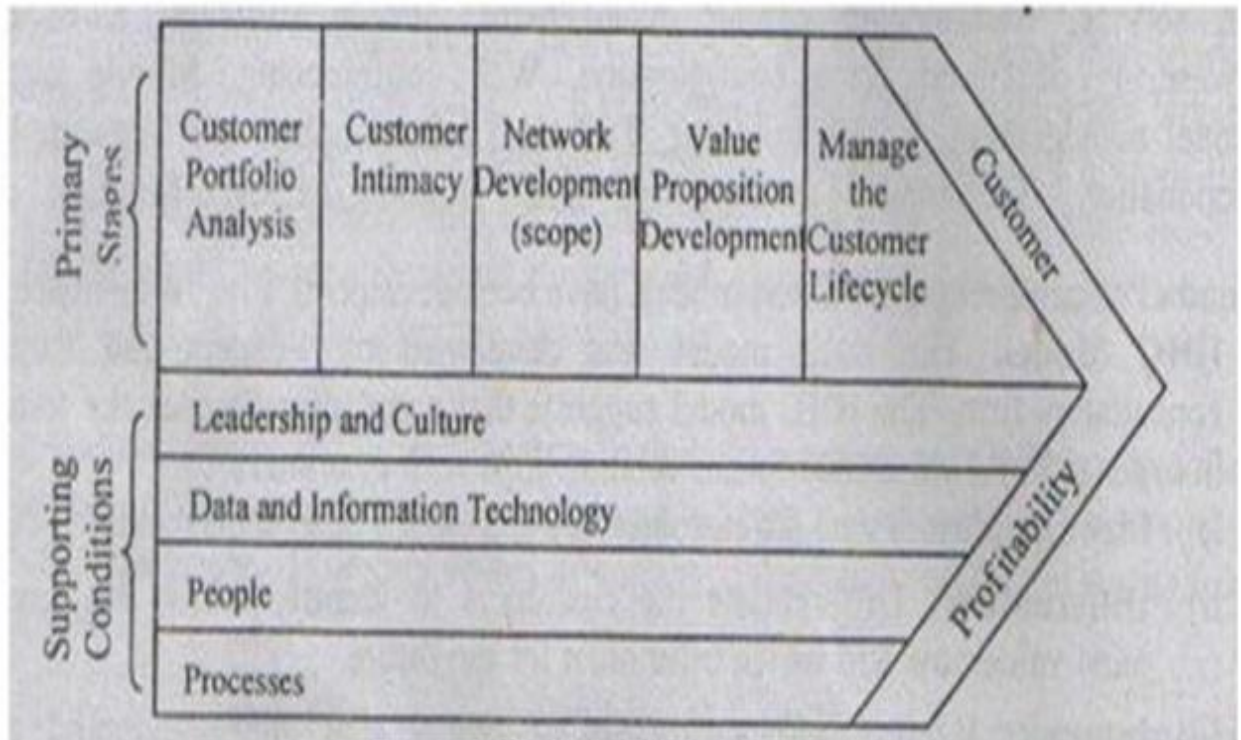




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- CRM Value chain Figure:3.4



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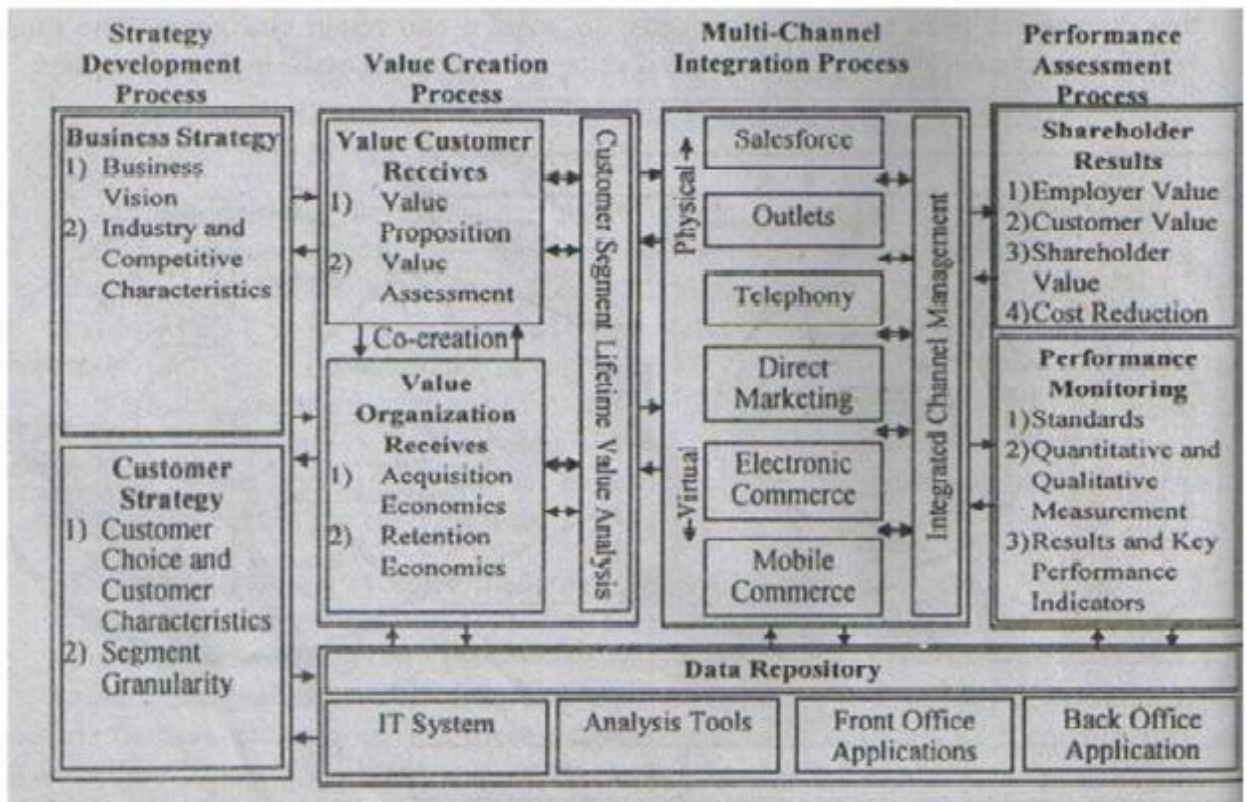
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- Payne's Five-process model : Figure:3.5

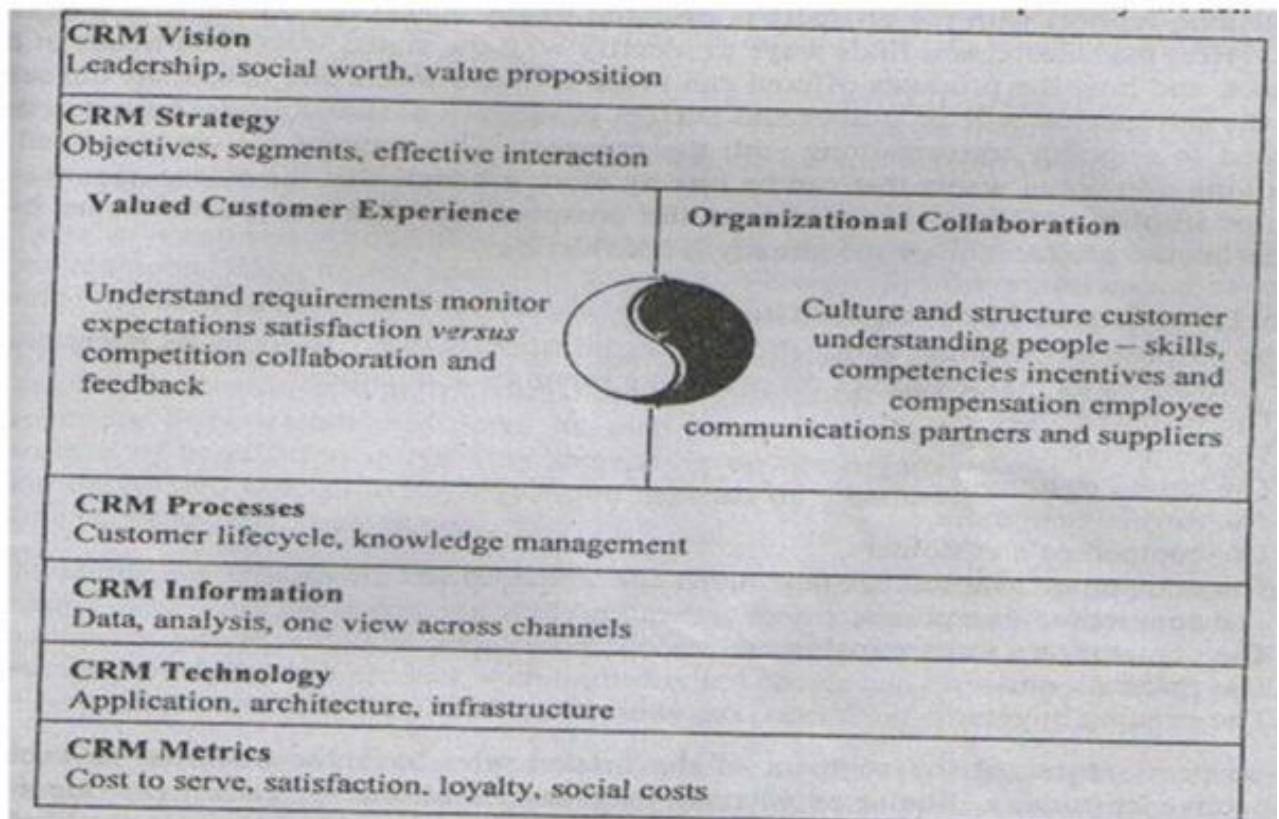




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Gartner Competency model: Figure: 3.6



CRM IMPLEMENTATION ROADMAP

A CRM Roadmap is a strategic plan that identifies how a company can meet and exceed its customers 'needs. This includes, but is not limited to, assessing how the sales, marketing, And service entities work together to:

- 1) Gain insight from their customers
- 2) Produce valuable offerings/products (for example, personalized product); and 3) Provide the ultimate customer experience.

Developing a CRM Roadmap involves aligning an organization's business strategy with its



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prioritized CRM capabilities. For example, if a company's business strategy is to develop products faster to gain unique market positioning, the capabilities that the company needs to master should be aligned with that strategy and might include:

- Leveraging customer information from the service process (for example, integrating customer feedback during service calls with the marketing department).
- Effectively managing product mix (measure success by campaign).
- Effectively managing sales channel strategy (eliminate conflict between distribution channels).

So how do companies know which CRM capabilities they have, and which they'll need to realize their strategic goal? Below are the eight primary steps (which have been used across industries, including financial services, electronics and high-tech, consumer products, manufacturing, etc.) to follow when developing a CRM Roadmap.

- SCENARIO ANALYSIS
- PURPOSE AND OBJECTIVES
- BUSINESS PLANNING
- PROCESS DESIGN

STRATEGIC CRM PLANNING PROCESS:

- Defining the business objectives.
- Understanding CRM Three dimensions (people, process, IT)
- Using a structured approach to manage CRM
- Identifying both corporate and customer needs
- Using customer needs to re-engineer business processes
- Selecting technology based on business needs and functionality



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- Ensuring systems development is business led
- Ensuring actionable measures of customer performance
- Actively managing culture and change, win buy in
- Using a phased implementation strategy

CRM IMPLEMENTATION (PHASES)

- Develop the CRM Strategy
- Build CRM Project foundations
- Need specifications and partner selection
- Project implementation
- Performance evaluation

1. Develop the CRM Strategy

- Situational analysis
- Customer or segments
- Market offering
- Channels of distribution
- Commencing the CRM education
- Developing CRM vision
- Setting priorities
- Goals and objectives
- Identifying the people, process, and technology requirement

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- Develop a business case

2. Build CRM Project foundations

- Identify stakeholders
- Establishing the governance structure
- Identify the change management needs
- Identify the project management needs
- Identifying the criteria success factors
- Developing a risk management plan

3. Need specifications and partner selection

- Process mapping and refinement
- Data reviewing and gap analysis
- Hosted or On-premise CRM
- Calling for proposals
- Invite potential partners
- Revised technology need identification
- Asset the proposals and select one or more partners

4. Project Implementation

- Refining project plan
- Identifying the technology customization needs
- Prototype design, test, modify, and roll out.

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5. Performance Evaluation

- Project outcomes
- Business outcomes
- Implementation issues
- Poor planning
- Poor Integration
- Towards a solution

ANALYTICAL CRM

- 1 Analytical CRM may be defined as a decision support system that is targeted to helping senior executives ,marketing, sales and customer support personnel to better understand and capitalize upon their customer needs, the company's interaction with the customer and the customer buying cycle.
- 2 Analytical CRM consist of applications that enable business to analyze relevant data in order to achieve a more meaningful and profitable interaction with the customer.
- 3 It uses customer data for analysis, modeling and evaluation to create a mutual relationship between company and its customers.
- 4 It helps to better understanding of customer behavior.
- 5 The analytical CRM solution enables the effective management of a customer relationship. Analyses of customer data can a company begin to understand behaviors, identify buying patterns and trends and discover causal relationship.

Key features of Analytical CRM

- It integrates and inheriting all this data into a central repository knowledge base with an overall organization view.
- It combines and interacts the value of customers with strategic business management



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of organization and value of stakeholders.

- It determines, develops and analyzes inclusive set of rules and analytical methods to scale and optimize relationship with customers by analyzing and resolving of all questions.

NEED OF ANALYTICAL CRM

- CUSTOMER ACQUISITION
- CUSTOMER ATTRITION(slow destruction)
- TIME UNTIL ATTRITION
- REVENUE DOLLAR MODEL
- CUSTOMER UPGRADE

PURPOSE OF ANALYTICAL CRM

- Design and execution of targeted marketing campaigns to optimize marketing effectiveness.
- Design and execution of specific customer campaigns, including customer acquisition, cross selling, up-selling, and retention.
- Analysis of customer behavior to aid product and service decision making.
- Management decisions
- Prediction of the probability of customer defection
- Analytical CRM generally makes heavy use of data mining.
- Importance of analytical CRM
- Make more profitable customer by providing high value services.
- Retaining profitable customer through sophisticated analysis.

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- Addressing individual customer needs and efficiently improving the relationship with new and existing customer.
- Improves customer satisfaction and loyalty.
- Find and explore useful knowledge in large customer database.
- It helps in classifying customers, predicting customer behavior.
- Steps in analytical CRM process Step:1 Problem formulation
- Segmentation of clients
- Acquisition analysis
- Relation analysis
- Channel or approach analysis. Step:2 preparation

Step:3 Definitive analysis

- Statistical techniques
- Data mining
- Machine learning techniques Step:4 Visualizing

OPERATIONAL CRM

- OPERATIONAL CRM involves the areas where direct customer contact occurs. These interactions are referred to as customer touch points.
- Company maximizes the process of gathering and understanding customer information from all touch points. (eg: call centers, point of sales, web etc.)
- Touch point classification:

1. Face to Face touch points: sales/service/channel/events/stores/promotions



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2. Database-Driven Touch-points: telephone/e-mail/mail/SMS/Fax/loyalty cards/ATM's.
3. Mass Media: Advertising /public relations/Website.

APPLICATION OF OPERATIONAL CRM

1. **MARKETING AUTOMATION:** It is automatically focused on automating marketing processes. In marketing campaign management involves marketers to use customer specific information to determine, evaluate and develop communication that are targeted to customers in individual as well as multi-level or multi-channel environment.

Campaigns developed to communicate customers individually are easy and involves unique and direct communication.

2. SALES FORCE AUTOMATION:

The main part of CRM is not only deal with existing customer. It also try to acquire new customers also. The process starts with identification of customers, maintaining all correspondence details into the CRM system.

This process includes generation of lead and qualifying those leads into prospects. Business people following up the customer continuously and convert them into a winning deal. Automation of selling process is effectively handled by salesforce automation, which automates all the methodologies or sales cycle.

3. SERVICE AUTOMATION-

It deals with managing organizations service. The actual interaction with the customers such as contact, direct sales, direct mail, call center, web sites and blogs etc. Are examples of operational CRM

Each interaction with the customer can be collected to the client database generally known as customer's history.

This helps to assess a clear view of customer needs such as products owned, prior support calls etc.

Basis of the information, if e customer required the customer can easily be contacted at the right time at the right place.

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- CUSTOMER SERVICE AND OPERATIONAL CRM

CALL CENTER:

A call center is one of the best asserts a customer driven organization can have becoz maintaining a high level of customer support is critical to obtaining and retaining customers.

Contact centers also track customer call history along with problem resolution.

- WEB BASED SELF SERVICE – This service allow customers to use the web to find answers to their questions or solutions to their problems. Example, FedEx courier service
, Gas Booking System, E-Ticketing.
- CALL SCRIPTING – This system helps to assess organizational databases that track similar issues or questions and automatically generate details to the CSR (Customer Service Representatives) who can then relay them to the customer. Example, Frequently Asked Questions.



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CALL CENTER MANAGEMENT

A call center is a place that encourages customers to make calls in order to facilitate their easy usage of the product/service offered by the organization. All calls from customers regarding their queries, problems, suggestions are entertained.

It consists of a group of personnel that are specifically trained in handling inbound and outbound customer calls thus catering to customer service needs.

A center is a place where a number of people handle the incoming as well as outgoing telephone conversations of a varied nature with their customers.

Call centers are undergoing major development. Companies are becoming customer oriented instead of product oriented and are investing in CRM. CRM (Customer Relationship Management) being the customer centered strategy of the decade and finding its roots in customer satisfaction and customer focus, has started to play a very prominent role in the call center sector. How has it achieved this? Call centers are finding that implementing this strategy brings them vast benefits. For example the high potential that call center CRM software has in collecting vital customer data and storing it. This data is entirely essential to the call center and is utilized in its day to day activities. It helps them possess a clearer view of the customer being handled and enables them to give the right answers to customer queries, problems etc. Knowing the customer, his preferences, his purchase history etc. all contribute significantly to the better handling of the customer.

A few features available in this system.

1. Automatic call distribution
2. Interactive voice response (IVR)
3. Predictive Dialing.

HISTORY OF THE CALL CENTER INDUSTRY

- The history of the call center was begins in USA in 1874. (Alexander Graham Bell introduced the voice over wires).
- May 1877, first telephone pattern was introduced and 6 telephone connections were in



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use.

- Nov 1877, over 3000 phones were being connected through wires for homes and business use. During this period, the first call center was created as individual rang operators, who is manually connected their calls through a switch board with a required party.
- In 1880, the number of phones in use had claimed to 1, 33,000. It became more difficult for new or temporary operators to have the knowledge of how and where all the phone lines are connected.
- First ever 24 hours call centers was an inbound customer service and sales center set-up by pan American world airlines in1956.
- In 1967 AT&T introduced 800 toll free lines that gave customers a way of contacting businesses at no cost to them.
- In recent times call centers was flourished because industries such as travel, hospitality, banking, and catalog shopping have found value in the concept.
- They are utilized to provide superior customer service and increase sales to maximize market share.
- Call center service depends on three factors like- speed, quality and efficiency. The main objectives are
 1. Customer satisfaction
 2. Business process analysis
 3. Employee development and welfare
 4. Increase in revenue
 5. Analyzing future trends
 6. Cost reduction.



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CLASSIFICATION OF CALL CENTERS

7. Inbound / Outbound
8. International / Domestic
9. In-house / Out-Sourced

CALL CENTER DEVELOPMENT PROCESS

1. Select a Location for the call center where there is an educated work force.
2. Select the underlying technology component.
3. Decide which channels to support on the call center.
(Mail, Chat, Web Forms, Text Chat, VOIP)
4. Select the software solution that meet requirements and will integrate with existing systems.
5. Integrate system when feasible.
6. Determine service level agreement and business processes.
7. Hire and retain staff.
8. Finalize the budget
9. Establish measurement and performance processes.
10. Establish on – going policies for training and updating CSR.

4.7 ROLE OF CRM MANAGERS

Role of CRM manager in planning and implementation

1. Developing CRM Programs
2. Direction



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- 3 Listening
- 4 Conflict resolution
- 5 Positive image
- 6 Follow through
- 7 Administrative duties
- 8 Coaching sessions
- 9 Customer interaction
- 10 Communication
- 11 Reporting to senior management

Responsibilities:

1. Measurable increase in customer satisfaction measures
 - Maintain or increase recurring revenue from their customers
 - Develop/maintain referenceable customers
 - Decrease in Executive level escalations from assigned customers.
2. Acts as Customer Advocate within the organization
 - Develops in-depth knowledge of the customer's goals and strategy as it relates to the product/service being used, assists the customer in reaching those goals, and communicates those goals internally to help drive product/service decisions.
 - A single contact/escalation point for cross product/cross functional issues
 - Holds customer accountable for maintaining contracted levels of training/staffing/etc.



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Customer Relationship Management (CRM)

- Focuses on providing and maintaining quality service for customers, by effectively communicating and delivering products, services, information and solutions to address customer problems, wants and needs can include:
 - *Call handling* (the maintenance of outbound and inbound calls from customers and service representatives)
 - *Sales tracking* (the tracking and recording of all sales made)
 - *Transaction support* (the technology and personnel used for conducting business transactions)

Research in CRM/Consumer satisfaction survey I Consumer Behavior

It is the study of individuals, groups, or organizations and the processes they use to select, secure, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society.

Buying Behavior is the decision processes and acts of people involved in buying and using products. Need to understand:

- Why consumers make the purchases that they make?
- What factors influence consumer purchases?
- The changing factors in our society.

Consumer Buying Behavior refers to the buying behavior of the ultimate consumer. A firm needs to analyze buying behavior for:

- Buyer's reactions to a firm's marketing strategy has a great impact on the firm's success.
- The marketing concept stresses that a firm should create a *Marketing Mix* (MM) that satisfies (gives utility to) customers, therefore need to analyze the what, where, when and how consumers buy.
- Marketers can better predict how consumers will respond to marketing strategies.

Stages of the Consumer Buying Process

Six Stages to the Consumer Buying Decision Process (For complex decisions). Actual purchasing is only one stage of the process. Not all decision processes lead to a purchase. All



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consumer decisions do not always include all 6 stages, determined by the degree of complexity...discussed next.

The 6 stages are:

Problem Recognition (awareness of need)--difference between the desired state and the actual condition. Deficit in assortment of products. Hunger--Food. Hunger stimulates your need to eat. Can be stimulated by the marketer through product information--did not know you were deficient? I.E., see a commercial for a new pair of shoes, stimulates your recognition that you need a new pair of shoes.

Information search--Internal search, memory.External search if you need more information. Friends and relatives (word of mouth). Marketer dominated sources; comparison shopping; public sources etc.A successful information search leaves a buyer with possible alternatives, the *evoked set*. Hungry, want to go out and eat, evoked set is Chinese food Indian food Burger king

Evaluation of Alternatives--need to establish criteria for evaluation, features the buyer wants or does not want. Rank/weight alternatives or resume search. May decide that you want to eat something spicy, Indian gets highest rank etc. If not satisfied with your choice, then return to the search phase. Can you think of another restaurant? Look in the yellow pages etc. Information from different sources may be treated differently. Marketers try to influence by "framing" alternatives.

Purchase decision--Choose buying alternative, includes product, package, store, method of purchase etc. *Purchase*--May differ from decision, time lapse between 4 & 5, product availability.

Post-Purchase Evaluation--outcome: Satisfaction or Dissatisfaction.

Cognitive Dissonance, have you made the right decision. This can be reduced by warranties, after sales communication etc. After eating an Indian meal, may think that really you wanted a Chinese meal instead.

II What is Qualitative research?

Qualitative research is purely based on the opinions, views and attitudes of the respondents. These methods consist of depth interviews, focus groups, metaphor analysis, college research and projective techniques. Highly trained interviewers conduct these interviews and the findings tend to be somewhat subjective. These results cannot be generalized since they are mostly based on a small sample of respondents



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Example of qualitative research: Interviewing a customer who has a complaint about the quality of the services provided by the organization.

Difference between qualitative research and quantitative research

Features	Qualitative research	Quantitative research
Objective	To gain a qualitative understanding of the underlying reasons and motivation	To quantify the data and generalize the results from the sample of the population of interest.
Sample	Small number of non-representative cases	Large number of representative cases.
Data collection	Unstructured	Structured
Data analysis	Non statistical	Statistical
Outcome	Develop an initial understanding	Recommend a final course of action.

Qualitative research techniques

1. **E-Focus groups:** The online focus group is one of the newest innovations in qualitative research and represents a technological breakthrough when it comes to difficult-to-interview groups. The adoption and popularity of e- focus groups is continuing to grow in business-to-business markets due to the many benefits they offer.
2. **E-surveys:** With the technological advancements E-surveys have become a preferred data collection method for many customer satisfaction and staff satisfaction surveys. These surveys save time and cost and are also accurate.
3. **Depth interviews:** They are used where the subject is highly sensitive as in the case of medical interviewing. In B2B markets depth interviews are the only option due to the dispersion of respondents across the country. These are carried out face to face or over the telephone and are very flexible.



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4. **Industrial interviews:** Interviewing is the key element in nearly all industrial market research surveys. The information obtained through these interviews is often accurate and deep. This often leads to worthy findings and recommendations.

Difference between Marketing research and consumer research

Consumer Research	Marketing research
It focuses more on the data collection and relationship building between the contacted customer and the company.	It focuses on the data collection.
The consumer knows the identity of the company	The research sponsor's identity is not disclosed to the respondent.
The consumer expects some action will be taken by the company to improve upon the product quality and the information given by the respondent will be used for improvement.	Respondents cooperate in this research because they are motivated in some way and even get paid to give their responses.

CONSUMER RESEARCH PROCESS

1. Develop Objectives

The first step of this process is to define the objectives of the study. A specific, thought-out set of objects assists in determining the type and level of information required. *Objective Examples:* To segment the market for Mc Donald's new meal deal. To assess consumers attitudes towards Mc Donald's services and quality.

2. Collection of Secondary Data

Secondary data is data that is readily available and may be from an internal or external source. It is information that has been collected for an ulterior purpose that may be used to serve the current purpose.



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3. Sampling

Sampling is the method in which participants are chosen. One can either use a Probability Sample where Schiffman and Kanuk (2004: 43) tell us this should be chosen if the researcher wants the finding to be project able to the total population. If it is sufficient to have the findings representative of the population then a Non-Probability Sample should be selected.

Methods Of Probability Sampling Simple Random Sample Systematic Random Sample Stratified Random Sample Cluster Sample *Methods of Non-Probability Sampling* Convenience Sample Judgment Sample Quota Sample Selecting the sample type Determining the sample type Determining the sample size

4. Conduct Primary Research

Primary Research is research that one must conduct to obtain the most relevant, valid and reliable data possible. There are two types of research that can be conducted: Quantitative Research Vs Qualitative Research

Quantitative Research Designs:

According to Schiffman and Kanuk (2004:32) there are several methods of conducting qualitative research:

Observational Research:

Observational Research can be used to monitor consumers and gain insight into their bond between people and products that is the essence of brand loyalty . Mechanical Observation uses devices that monitor behavior such as the traffic a store receives or the stress levels in consumers measured by their eye movements.

Example of Observational Research:

Companies may use this method to monitor the traffic their stores receive in order to determine the most popular stores.

Experimental Research:

Schiffman and Kanuk (2004: 34) explain that Causal Research is the name given to an experiment where only certain variables are manipulated whilst the others are kept constant in order to encourage a change in the constant variable.

Example of Experimental Research:

Mr.M. Riaz Ahmed
Assistant Professor

Mrs.W.Shabeena Shah
Assistant Professor



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Companies may use this technique to test market the packaging, price and promotion of a new product.

Surveys:

McDaniel and Gates (2008: 50) tell us that a survey is a method of research in which an interviewer interacts with respondents to obtain facts, opinions and attitudes.

Methods Of Conducting Surveys:

Via the telephone Via Email

Via Post Mail

Via Online Applications (Such as websites)

Quantitative Research Data Collection Instruments:

Data Collection Instruments normally come in for the form of questionnaires that may contain attitude scales. They are systematic to ensure that all participants answer all the questions in the same order to rule out any irregularities. They are to be pretested to pledge the validity and reliability of the instrument. (Schiffman and Kanuk: 2004, 34)

Qualitative Research Designs And Data Collection Methods:

In-Depth Interviews Focus Groups

5. Analyze Data

The data collected must then be coded and quantified. All possible connections in the data must be established and then displayed in the form of tables and graphics.

Data Analysis tools

- a) **Correlation analysis**- the process of establishing a relationship or connection between two or more things. Degree and type of relationship between any two or more quantities (variables) in which they vary together over a period; for example, variation in the level of expenditure or savings with variation in the level of income.
- b) **Regression analysis**- A technique for determining the statistical relationship between two or more variables where a change in a dependent variable is associated with, and depends on, a change in one or more



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independent variables.

- c) **Factor analysis**- is a statistical method used to describe variability among observed, correlated variables in terms of a potentially lower number of unobserved variables called factors. For example, it is possible that variations in four observed variables mainly reflect the variations in two unobserved variables
- d) **Cluster analysis** or clustering is the task of grouping a set of objects in such a way that objects in the same group (called a cluster) are more similar (in some sense or another) to each other than to those in other groups (clusters).
- e) **Conjoint analysis** is a statistical technique used in market research to determine how people value different features that make up an individual product or service. The objective of conjoint analysis is to determine what combination of a limited number of attributes is most influential on respondent choice or decision making. A controlled set of potential products or services is shown to respondents and by analyzing how they make preferences between these products, the implicit valuation of the individual elements making up the product or service can be determined. These implicit valuations (utilities or part-worths) can be used to create market models that estimate market share, revenue and even profitability of new designs.

6. Prepare Report

The report must be summarizing the entire document, as well as make suggestions on its findings. It is often the case that researchers will include a sample of the questionnaire here for the client to see.

Consumer satisfaction survey:

Consumer satisfaction surveys- meaning

Customer satisfaction surveys are a form of research in which companies ask their customers for their views on issues that indicate how well or how badly the company is performing. Satisfaction surveys are a valuable tool for small businesses, helping one gain a better



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understanding of the customers' requirements and concerns so that one may improve the products and the standards of service in line with customers' needs. By monitoring customer satisfaction and responding to problems, companies can improve customer loyalty and protect revenue and profitability.

Statistics suggests that the cost of keeping a customer is only 1/10th of winning a new one, because satisfied customers:

- a) Usually return and buy more
- b) They tell other people about their experiences
- c) They may pay a premium for the privilege of doing business with a supplier they trust.

Key requirements for a customer satisfaction survey program:

Developing a customer satisfaction program is not just about carrying out a survey, because surveys provide important information on where attention is required. And most often it requires fundamental transformation in the company involving,

- a) Cultural change
- b) Training of the staff
- c) Cost
- d) Time
- e) Top management support

The results of the survey must be financially beneficial with less customer churn, higher market rates, premium prices, stronger brands and happier staff.

Benefits / Advantages of a customer satisfaction survey:

1. Identifying the Key Drivers of Satisfaction
2. Understanding Customers' Changing Needs
3. Prioritizing Improvement Actions
4. Improving Staff Performance
5. Increasing Customer Retention



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6. Increasing Customer Retention
7. Create a Customer Centric Culture
8. React Quickly to Unhappy Customers
9. Help to assess Company's new products or Services –
10. Competitors Benchmark.

Six important steps/ parts of a customer satisfaction surveys:

1. Who should be interviewed?

We need to interview the right person and ask the right question. The traditional first in line person is an obvious candidate for measuring customer satisfaction. A good customer satisfaction survey program should also include some most important channel intermediaries like the wholesalers and the retailers.

2. What should be measured?

The primary focus is to find out from the customer how he finds the service and product of the organization. The information could be obtained at a high level (how satisfied you are with XYZ Ltd.?) or at a specific level (how satisfied you are with the quality of service rendered?)

One should work out questions from a customer's point of view to gather information at a detailed level.

3. How should the interview be carried out?

There are three options to collect data- a. A self- completion method could be used in a face to face interview b. A postal questionnaire proceeds by a telephonic interview and providing help for the self-completion questionnaire.

4. How should satisfaction be measured?

Customer satisfaction can be measured by rating things with numerical scores. The respondents can readily give a number to express their level of satisfaction. Typically, scale of 1 to 5 is used where the lowest figure indicates extreme dissatisfaction and highest score indicates extreme



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satisfaction.

5. What do the measurements mean?

The scores obtained in the customer satisfaction surveys are used to create a customer satisfaction index (CSI). There is no single definition for a CSI, some use the rating given to overall satisfaction, and some use an average of two key measurements- overall performance and the intention to re-buy.

The average or mean score of satisfaction given to each attribute provides a table of strengths and weaknesses. For example-

- A mean score of more than 8/10 – market leader
- Mean score of 7/10 – adequate but needs attention
- Mean score of less than 7 –serious cause for concern.

6. How to use customer satisfaction surveys to greatest effect?

The purpose of customer satisfaction research is to improve customer satisfaction. Considerable amount of research is done to understand the link between the customer satisfaction and employee satisfaction. A coordinated customer satisfaction survey program should be linked with an employee attitude survey because there can be a dangerous gap between the employees' perception of performance and those of customers.

Developing and implementing CRM strategy

A CRM strategy has to be evolved to enable an organization to gain a quick, accurate knowledge about customers and use it to increase the value of current customers, keeping them for longer period and acquiring new customers more effectively. A CRM strategy takes direction and financial goals from the businesses strategy and aligns with the marketing strategy. CRM strategy is therefore fundamentally not a strategy for technology but a strategy for customer relationship management. The aim of the CRM strategy is to be able to find ways to deliver greater value to customers in more cost efficient ways that employees find satisfying. A CRM strategy has to be good for the customer, the employee and the organization.

Frame work for building a CRM strategy



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Developing a CRM strategy-

CRM strategy is developed by:

- ❖ Auditing the current position regarding customer's value, loyalty and satisfaction.
- ❖ Segmenting the customers
- ❖ Setting customer objectives with reference to acquisition, retention and development.
- ❖ Defining metrics for monitoring the execution of the strategy (eg. Satisfaction, loyalty, and cost to serve etc.)
- ❖ Authorizing the strategy for customization by product segment, pricing, communication channel, customer service and segment management.
- ❖ Specifying the required customer infrastructure(eg. Skills, organization, IT, analysis and data)to give direction to the other operational strategies.

Requisites for a successful CRM strategy

- CRM strategy starts *with an understanding of a firm's clients* that is derived by collecting client data and converting data to usable intelligence about your clients, their industries and the markets you have the potential to serve.
- A successful CRM strategy requires *a supportive organizational infrastructure*, a client- centric culture and formalized business processes.
- CRM implementation must be *marketed internally* to ensure that all functional personnel use and regularly update client information.
- The CRM strategy *should support the overall business objective* by building and leveraging client relationships for a sustained competitive advantage.
- A CRM initiative that is supported from the top and has implementation champions with power in the trenches will result in improved revenue and profitability and move the firm toward its



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strategic vision.

The Eight Building Blocks of CRM

Gartner defines customer relationship management (CRM) as a business strategy that maximizes profitability, revenue and customer satisfaction by:

- Organizing around customer segments
- Fostering behavior that satisfies customers
- Implementing customer-centric processes

To achieve the long-term value of CRM, enterprises must understand that it is a strategy involving the whole business, and thus should be approached at an enterprise level.

CRM initiatives need a framework to ensure that programs are approached on a strategic, balanced and integrated basis. Gartner has developed such a framework, called the Eight Building Blocks of CRM:

1. **Vision** - creating a picture of what the customer-centric enterprise will look like, in order to build a competitive market position based on value propositions that are defined, communicated and personified by the enterprise brand.
2. **Strategy** - developing a strategy to turn the customer base into an asset by delivering customer value propositions. This includes setting objectives and determining how resources will be used to interact with customers.
3. **Valued Customer Experience** - ensuring that the enterprise's offerings and interactions deliver ongoing value to customers, are delivered consistently and achieve the desired market position.
4. **Organizational Collaboration** - changing cultures, organizational structures and behaviors to ensure that employees, partners and suppliers work together to deliver customer value.
5. **Processes** - effectively managing not only customer life cycle processes (for example, welcoming new customers, handling inquiries and complaints, and winning back lost customers), but also analytical and planning processes that build knowledge of the customer.
6. **Information** - collecting the right data and routing it to the right place.
7. **Technology** - managing data and information, customer-facing applications, IT infrastructure and architecture.
8. **Metrics** - measuring internal and external indications of CRM success and failure.



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Risks / roadblocks in CRM implementation

According to Kale, the seven deadly sins for unsatisfactory CRM outcome are:

- (1) Viewing the CRM initiative as a technology initiative;
- (2) lack of customer-centric vision;
- (3) Insufficient appreciation of customer lifetime value;
- (4) Inadequate support from top management;
- (5) Underestimating the importance of change management;
- (6) Failing to re-engineer business processes; and
- (7) Underestimating the difficulties involved in data mining and data integration.

He states that most executives are not even aware of these issues, even though they could spell disaster for their careers and for the company. Others argue CRM failures are heavily influenced by the firm's lack of ability to integrate CRM technologies into its functional processes

CRM Metrics/ what needs to be measured?

A CRM **Metric** is a quantifiable measure that is used to track and assess the status of a specific CRM initiative.

Measuring CRM activity is one of the most complex and varied measurement endeavors businesses can undertake. Many companies develop KPIs(key performance indicators) for measuring progress on CRM.

The **main metrics or KPIs** for measuring CRM initiatives are:

- a. Customer contact initiative
- b. Customer satisfaction
- c. Customer profitability
- d. Customer penetration
- e. Customer loyalty index



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Three approaches in KPI development.

❖ *Measures to align (Balanced score card)*

The balanced scorecard is a strategic planning and management system that is used extensively in business to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals.

❖ *Measures to motivate*

These measures help companies adopt a proactive approach where in the selected KPIs under this category motivate individuals to examine their contributions and drive improvement on the selected metric

❖ *Measures to improve*

This has a reactive orientation and focuses on inputs received by the customer such as customer complaints and drive concerned personnel to take to corrective action.

CRM metrics in various operations involving face to face transactions

Marketing operations	Sales operations	Service operations	Website operations
<ul style="list-style-type: none"> • Sales quota • Customer score • Sales expenses • Close rate • Sales totals • Sales lost • Cross sell rates • Number of calls • Number of new customer 	<ul style="list-style-type: none"> • Call counts and duration • Average hold time • Average talk time • Average handle time • Call quality • Service level • Blocked calls • Response time 	<ul style="list-style-type: none"> • Completion time • Repair fulfillment time • Service level • Customer satisfaction score • Service call priority 	<ul style="list-style-type: none"> • Visitor count • Unique visitor count • Page hits • Duration • Click through rate • Impressions • Breakage



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E-CRM INTRODUCTION

- e-CRM is the application of CRM to an e-business' strategy
 - Includes the personalization and customization of customers' experiences and interactions with the e-business
- Relationship between merchant and customers is distant
- Less expensive to keep customers than to acquire new ones
- Repeat customers have higher *lifetime value* than one-time buyers
 - A customer's *lifetime value* is the expected amount of profit derived from a customer over a designated length of time
- Evaluate the potential to profit from a customer
- Tracking and Analyzing Data
- Employ *tracking devices*
 - Personalize each visitor's experience
 - Find trends in customer use
 - Measure the effectiveness of a Web site over time
 - Purpose is the same—to provide a personal customer service experience that is individualized to each customer's needs and questions
 - Allow customers with Internet access to contact customer service representatives through e-mail, online text chatting or real-time voice communications
- Integration of all customer service functions
- Change the culture of customer service representatives
 - More technically knowledgeable to handle all forms of contact
 - Provide a highly personalized experience that satisfies customers
- New forms of contact can decrease costs 81



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- Outsource contact center services
 - May be appropriate if a company cannot afford to implement a contact center due to the costs of equipment, office space, service representatives and technical support.
 - Stream International, Inc. Sitel Corporation and TeleTech

e-Mail

- E-mail can provide a less expensive customer service solution
 - Customers can use e-mail to ask questions or comment on your company's services or products
- Only appropriate if you have resources to handle demands
- Customers may be not be willing to wait long for an e-mail reply
- Ideally, a response to a customer's e-mail inquiry should be completed within forty-eight hours
- Brightware RightNow Technologies , Servicesoft and Delano

Sales-Force Automation

- Assists companies in the sales process, including maintaining and discovering leads, managing contacts and other sales-force activities
- Can lighten the administrative load on the sales force
- Important information about products and customers can be accessed in real time, allowing salespeople to keep current on company and client information
- Customers may want human contact at some point throughout the purchasing process, especially with higher-priced items
- Salesforce.com, Sales.com Sales Logix and Clarify
- Business-to-Business e-CRM
- Key to (B2B) e-commerce is effective (CRM)
- When selling to another business, you may be selling to someone who is not the direct



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user of your product

- Ask your contact to speak with the end users
- Developing good *partner relationship management (PRM)* includes increasing efficiency in operations and processes between a business and its partners
 - Partners can include resellers, distributors and businesses that improve your product or service
 - Integrating systems to combine selling, buying and marketing operations of partners will streamline processes and provide technical conformity
 - ChannelWave Software, Inc., Allegis and Partnerware
- Complete e-CRM Solutions
- Solutions, software or services that use and integrate all the tools of CRM provide a single view of a customer
 - Costs include the price of the software or service itself, the integration into the current system, the maintenance of the system and employing the service representatives
 - Solutions will continue to become more efficient
- E.piphany
- eGain
- Siebel Systems
- Kana Communications
- Oracle Systems

DATA WAREHOUSING

- Data Warehouse is the extension of database
- Data warehouse is the main repository of customer's data
- Data in the data warehouse are processed (i.e., EFL) therefore is more integrated and



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consistent .

- While the information in the database tends to be real-time, the information in the data warehouse can be updated regularly.
- While database focuses on automating the process of collecting and customers information, data warehouse looks more at assisting managers in performing more advanced analysis and thus making better decisions.

What is Data warehousing?

A series of analytical tools works with data stored in databases to find patterns and insights for helping managers and employees make better decisions to improve organizational performance.

DATA MARTS

- **DATA MARTS**
- Companies often build enterprise-wide data warehouses, where a central data warehouse serves the entire organization, or they create smaller, decentralized warehouses called *data marts*.
- A *data mart* is a subset of a data warehouse in which a summarized or highly focused portion of the customer's data is placed in a separate database for a specific population of users.
- For example, a company might develop marketing and sales data marts to deal with customer info.
- A *data mart* typically focuses on a single subject area or line of business, so it usually can be constructed more rapidly and at lower cost than an enterprise-wide data warehouse.
- However, complexity, costs, and management problems will rise if an organization creates too many *data marts*.
- **Sourcing, Acquisition, Cleanup and Transformation Tools**



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- Data Mining is a step of Knowledge Discovery in Databases (KDD) Process
 - Data Warehousing
 - Data Selection
 - Data Preprocessing
 - Data Transformation
 - Data Mining
 - Interpretation/Evaluation
- Data Mining is sometimes referred to as KDD and DM and KDD tend to be used as synonyms
- Data Mining Evaluation
- Data Mining is Not ...
- Data warehousing
- SQL / Ad Hoc Queries / Reporting
- Software Agents
- Online Analytical Processing (OLAP)
- Data Visualization
- Data Mining Applications

DATA MINING IN CRM:

- Customer Life Cycle
 - The stages in the relationship between a customer and a business
- Key stages in the customer lifecycle
 - **Prospects:** people who are not yet customers but are in the target market
 - **Responders:** prospects who show an interest in a product or service
 - **Active Customers:** people who are currently using the product or service



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- **Former Customers:** maybe –badl customers who did not pay their bills or who incurred high costs
- It's important to know life cycle events (e.g. retirement)
- Customer Life Cycle
- What marketers want: Increasing customer revenue and customer profitability
 - Up-sell
 - Cross-sell
 - Keeping the customers for a longer period of time
- Solution: Applying data mining
- DM helps to
 - Determine the behavior surrounding a particular lifecycle event
 - Find other people in similar life stages and determine which customers are following similar behavior patterns.