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Know When to Hold 'Em

Nature of Customer Relationship Management

Objectives:

A Describe customer relationship management.

B Discuss the role of customer relationship management within a business.

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Paige is ready to trade in her old Jeep for a new, fuel-efficient car. She knows exactly the make, model, and color she wants. Her family already has a relationship with a local car dealer, so she calls a salesperson there to let him know what she's looking for. He tells Paige he'll have her car ready the next day. However, the next day comes and goes with no call from the salesperson. Frustrated, Paige contacts another dealership. The salesperson there not only locates Paige's car right away, he offers to have it delivered to her house that very evening!

Have you ever had an experience similar to Paige's? This and many other examples show how important it is to establish and maintain good relationships with customers. Learn more about the role of customer relationship management in your business.

It's All About Relationships

CRM: More than just technology

"Customer relationship management"—conduct an Internet search on this phrase, and, most likely, you will come up with thousands of web sites for companies trying to sell various software programs. For many people and businesses, this term refers solely to technology. But **customer relationship management (CRM)** is much more than that. It involves technology, but it also involves strategies, processes, and most importantly, *people*. It combines these elements for the purpose of building, maintaining, and maximizing the long-term value of customer relationships.

Examples of CRM initiatives a business might undertake include:

- Implementing a "frequent shopper" program that provides discounts and special offers to valued customers (See http://www.crmtrends.com/loyalty.html for more on these customer loyalty programs.)

◄ *Spend $600 a year on your Kohl's Charge and you'll become a Most Valued Customer (MVC) and receive at least 18 exclusive discounts annually.*

- Creating a "customer dialogue" section on its web site, where customers can go to give feedback and offer suggestions

- Ensuring that customers can always reach a live operator when calling the business's help center

- Installing software that allows employees to quickly access customer information when needed, enabling them to provide more individualized service and attention

- Using technology to identify its most valuable customers so it can give them special attention and capitalize on their long-term value to the company

In the past, customer relationship management was used mainly as a way to track and organize information about customers so a business could identify its most valuable clients and tailor its marketing strategies to generate more revenue. Over the years, the meaning of CRM has expanded quite a bit. Today, it's also viewed as a way for employees to perform their jobs more efficiently and for businesses to increase one of their most important assets—**customer loyalty**. In addition, it's an important tool for use in business decision making and **product development**. As business changes, so does CRM. A closer look at modern customer relationships sheds light on how today's businesses approach CRM.

A common myth about customer relationship management is that it is the same as customer service. Not so! Customer service is very important, but it's just one part of a customer's overall relationship experience with a business.

CRM: How it's changing

To understand how customer relationship management fits into the modern business world, consider a few key characteristics of today's customer-business relationships:

- Customers tend to look at a business as a whole, not the sum of its parts. So, despite the number of **touch points** (interactions between a customer and a business) a customer experiences, both positive and negative, the customer will not usually have "mixed feelings" about a business. S/He will either like it or dislike it.

- There are now a great number of touch points between customers and businesses taking place online (advertising, shopping, etc.). While there are advantages to this trend, such as greater marketing opportunities for businesses and greater purchasing opportunities for customers, there are disadvantages as well. The vastness of the Internet can make it more difficult for businesses to establish and nurture personal relationships with their customers.

- For a growing number of goods and services, price is no longer a factor in customers' buying decisions. Prices have stabilized to the point where a customer can purchase a gallon of gas for about the same amount on one street as s/he can the next street over. The price of gas may go up and down, but competitors' prices will remain roughly the same.

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▲ *Touch points, the interactions between a customer and a business, are everywhere. But, customers still tend to look at a business as a whole.*

- In most cases, today's customers tend to prefer **relationship buying** to shopping around. They want to find businesses they feel comfortable with and stick with them. Although greater access to information can make shopping around easier than it was in the past, customers often don't want to spend the time or the effort looking for new businesses to deal with—as long as they are satisfied with the businesses they currently patronize.

So, how do these characteristics affect the way businesses approach customer relationship management? Businesses know they have to work harder if they want to create customer loyalty and gain an edge over competitors. Every touch point is critical. Reaching out to customers goes way beyond offering a quality product at a good price. Customers want to establish relationships with businesses. They want to receive special status and extra benefits. Many professionals argue that we no longer live in a service economy—it has shifted to an "experience" economy. Customers want to have a good experience every time they deal with a business. Enter a new concept in CRM—customer experience management.

Not only do modern customers do a lot of online shopping, many of them like to shop and interact with businesses directly from their phones. For more on these "mobile shoppers," check out Zach Eberhart's article "19 Characteristics and Activities of Today's Mobile Shopper." You can find it here: https://blog.compete.com/2013/10/10/characteristics-activities-mobile-shopper/.

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CRM & CEM

Customer experience management (CEM) is a relatively new business concept that is gaining widespread acceptance in many organizations. Some businesses view CEM as a replacement for customer relationship management, while others view it as part of an overall CRM plan. Customer experience management includes the strategies, processes, and policies a business uses to meet or exceed customer expectations and to provide customers with outstanding experiences at every touch point. Another main goal of CEM is creating customer **advocacy**—**word-of-mouth promotion** and referrals to other potential customers.

As you can see, the goals of CEM and CRM are similar. The main difference between CEM and traditional CRM, then, is in perspective. CRM tends to look inward. Its focus is on the business itself—its goals, its strategies, its internal processes, etc. CRM asks, "How can we track and organize customer information and use it to our best advantage?" CEM, on the other hand, looks outward. Its focus is on customer needs and wants (also known as a **customer-centric** focus), asking, "How can we create the best possible experience for customers when they interact with our business?" At each touch point, an interaction takes place. CRM uses touch points to learn something valuable about the customer; CEM uses touch points to allow the customer to learn something valuable about the company. (You can find further insight into the similarities and differences between CRM and CEM in Natasha Cloete's article "CRM vs. CEM: Two Sides of One Coin." You can access the article here: http://www.acctech.biz/blog/2014/08/15/crm-vs-cem-two-sides-of-one-coin/.)

Common CRM practices

First things first. Before adopting any new customer relationship management practices or purchasing CRM software, managers should assess the business and create clear strategies and goals for CRM. What are the main objectives the business wants to achieve through CRM? Organizing customer information for use by the sales team? Identifying the company's most valuable customers? Getting feedback on customer experiences? Knowing the answers to these questions prevents the business from wasting time and money on unnecessary procedures or irrelevant technology. Having a clear strategy also helps managers to integrate the CRM program throughout the entire organization more easily.

Some common customer relationship management practices include:

- **Training employees in CRM.** This includes both new-employee training and continuing professional development for current employees at all levels. Employees need to learn how to execute CRM procedures (what to do in case of a complaint, for example), how to operate CRM software, and how to "go the extra mile" to develop and maintain good relationships with customers.

- **Empowering employees to make CRM decisions.** Employees need the authority to create and maintain customer relationships. A salesperson, for example, should be able to offer a valuable customer a discount if it helps to make the sale and increase that customer's loyalty to the business. Having to get managerial permission each time could slow down the process and hamper the establishment of a positive customer relationship.

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▲ *It's important to train all employees, both new and old, in CRM.*

- **Allowing customers to provide their own information.** Every CRM program is based on customer information. Businesses can gather information without asking customers for it—they can keep track of what products are purchased, how much money is spent, etc. However, it is the information customers volunteer that can take CRM to the next level. Customers can provide feedback about their experiences with the company, offer suggestions for new goods or services, and give specific information about what benefits or "perks" they prefer. Businesses must keep in mind that customers will volunteer information only if they feel they can trust the business. This applies to providing feedback and suggestions as well as to providing personal information, such as addresses and telephone numbers. Customers should always feel that *they* are in control of their own information, and that a business will use it only to provide them with a better customer experience.

- **Managing marketing campaigns.** The marketing department uses information from CRM to target customers, promote the business's product(s) to those customers, and track their responses.

- **Managing sales leads.** The sales department uses information from CRM to qualify and prioritize sales leads. This makes more efficient use of their time and effort in the selling process.

▲ *Customer feedback takes CRM to the next level.*

- **Managing customer service.** Customer service is an important part of CRM. Relationships can be made or broken based on how a business treats its customers *after* a sale. Businesses can build customer loyalty by providing excellent customer service through maintenance and repairs policies, warranties and guarantees, and ongoing customer support.

- **Managing customer complaints.** This ties in to providing excellent customer service. Have you ever called a business with a complaint and talked to an employee who didn't seem to be "on your side"? On the flip side, have you ever experienced a business "bending over backwards" to fix a problem and make sure you're satisfied? How a business handles complaints greatly affects its ability to maintain long-term relationships with its customers.

▲ *Solving customers' problems quickly and effectively often results in greater customer loyalty.*

CRM benefits

So, what benefits can you expect for your business once you implement an appropriate, well-planned customer relationship management program? Take a look at what CRM can do for you. It can:

- **Help you identify your most valuable customers.** By tracking and organizing customer information, you can determine which customers spend the most with your business now as well as which customers have the potential to spend the most with you in the future. This allows you to prioritize where you spend time, money, and effort, and to create special programs and perks for your VIPs.

- **Provide you with opportunities to create targeted marketing campaigns.** The more you know about your customers and their changing needs and wants, the more you know what kinds of marketing communications they will respond to. This allows your business's marketing team to create targeted marketing campaigns that reach out directly to those customers you most want to establish long-term relationships with.
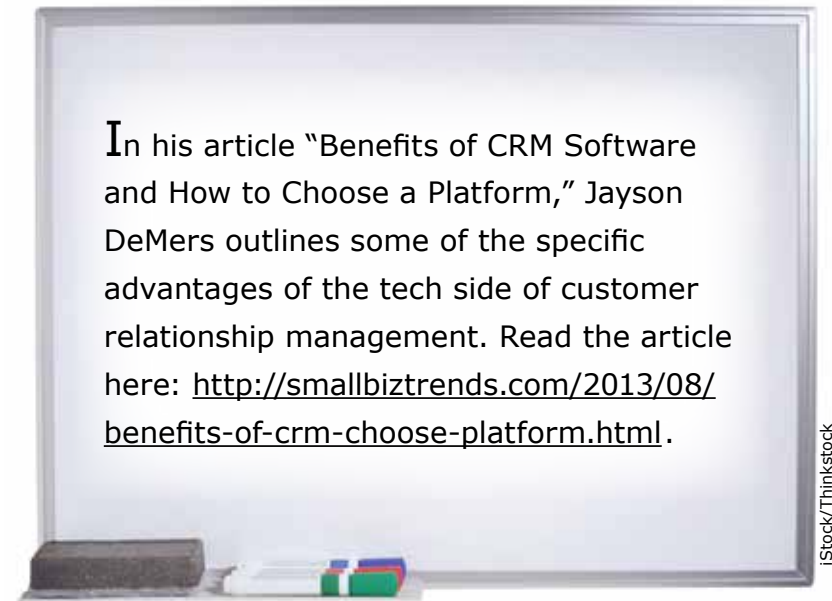
- **Allow your employees to perform their jobs more efficiently.** Let's say your company makes and sells office equipment, such as printers and copiers. You have a call center available with several operators on stand-by to answer questions and to help solve problems with the equipment. The right CRM program will include technology that allows these operators to track and organize information for the customers who call in. That way, if a problem occurs twice, an operator can easily know what solutions the customer has already tried and what help to offer next. This saves time and minimizes frustration on both ends.

- **Increase word-of-mouth promotion.** Modern customers tend to prefer relationship buying. When a customer is satisfied with your business, they will often tell friends, family, and coworkers about you. Word-of-mouth promotion can be an invaluable asset to your business, creating more opportunities for you to establish long-term customer relationships.

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▲ *Word-of-mouth communication among existing and potential customers can benefit your business greatly.*

- **Increase customer satisfaction and loyalty.** Customers will be more satisfied and loyal when a business has taken the time and effort to establish positive, long-term relationships with them. Over time, the value of these customers to a business can be incredibly high!

- **Increase sales and profit**. You might think that running your business with a customer-centric philosophy will distract you from what you *really* want to do—make money! But, over the long term, focusing on your customers and establishing relationships with them will increase your sales and profit. After all, customers are the lifeblood of your business. Their loyalty is what creates your success.

In his article "Benefits of CRM Software and How to Choose a Platform," Jayson DeMers outlines some of the specific advantages of the tech side of customer relationship management. Read the article here: http://smallbiztrends.com/2013/08/benefits-of-crm-choose-platform.html.

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Summary

Customer relationship management (CRM) combines a business's strategies, processes, technology, and people for the purpose of building, maintaining, and maximizing the long-term value of customer relationships. The modern business environment has seen the introduction of a new concept in CRM—customer experience management (CEM). While CRM is inwardly focused (gathering customer information), CEM is outwardly focused (guaranteeing positive customer experiences with the business). Businesses should establish CRM goals and strategies before putting a program into place. Common CRM practices include training and empowering employees, allowing customers to provide their own information, managing marketing campaigns, managing sales leads, managing customer service, and managing customer complaints. CRM has many benefits for a business, including helping to identify valuable customers, helping to create targeted marketing campaigns, helping employees to perform their jobs more efficiently, increasing word-of-mouth promotion, increasing customer satisfaction and loyalty, and increasing sales and profit.

TOTAL RECALL

1. What is customer relationship management?

2. How have customer-business relationships changed from the way they were in the past?

3. How have changing customer-business relationships affected CRM?

4. What is customer experience management?

5. How does CEM relate to CRM?

6. What should a business do before putting a CRM program in place?

7. List some common CRM practices.

8. What benefits does a business get from CRM?

THE GRAY ZONE

Identifying a business's most valuable customers is a traditional use of customer relationship management. Some customers contribute more than others to a business's long-term profitability—this is known as a customer's "lifetime value." Of course, businesses want to identify these customers and make every effort to keep them satisfied and loyal.

Some people, however, think that businesses' giving certain customers special treatment over others is unfair. For instance, a "VIP" customer may be more likely to talk to a real person when s/he calls the business, whereas a "regular" customer may be greeted by an automated answering service. These practices aren't illegal, but are they unethical? What do you think?

Relating to Your Business

You know what customer relationship management is and how it relates to CEM. You understand some common CRM practices and the benefits a CRM program can bring to a business. But, how does it relate to *your* business? Let's look at how CRM fits into organizational structure and culture and explore how it relates to other business concepts.

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▲ *When CRM is a critical priority, every department works together to provide a great customer experience!*

CRM & organizational structure

Even though a business has certain goals (hopefully customer-centric ones!), different departments within the business may have different methods of attaining them. These departments may have their own specific departmental goals and procedures as well. Unfortunately, these goals and procedures can sometimes conflict with each other. A customer with a price question might get one answer from a member of the sales team and another answer from someone in the billing department. This isn't good CRM or CEM. A customer's experience with a business should be seamless, no matter what the organizational structure looks like.

When it comes to successful customer relationship management, cooperation between business functions is key. Top management must let all business departments know that CRM is a critical priority. Doing so often requires a change in corporate culture.

CRM & corporate culture

No customer relationship management program will work consistently over time unless it becomes a part of the business's overall corporate culture. **Corporate culture** refers to the values and ideals that an organization encourages among its employees. If a business doesn't teach its employees to value customer relationships, none of the processes or technology involved in CRM will make a lasting impact. A CRM program may look good on paper, but it is a business's *people* who will "make it or break it."

Making changes to an organization's corporate culture can be difficult and time-consuming. A culture that values long-term customer relationships must be communicated consistently, and the communication must come from top management down. One way to reinforce a customer-centric corporate culture is to reward employees (with bonuses, incentives, etc.) based on how well they meet established CRM goals.

Christopher J. Bucholtz explains "3 Ways Corporate Culture Can Crush CRM" in this article: http://www.crmbuyer.com/story/79384.html.

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CRM & business process management

A customer-centric business is constantly striving to align its objectives and activities with customer needs. Doing so is known as **business process management (BPM)**. BPM focuses on this alignment by stressing innovation, flexibility, and most importantly, technology. For example, an online business might use BPM to discover that its customers would be more satisfied if they could view additional photos of a product on the website before purchasing it. The business would then make changes in its technology to align itself with this customer desire. When an organization conducts BPM on a regular basis, it allows itself to respond to customer needs and wants as they change, giving itself a competitive advantage.

Can you see how BPM and CRM go hand in hand? If a company wants to create and maintain long-term relationships with its customers, it must evaluate its various business processes to ensure they're working to keep customers happy. Good BPM, therefore, is essential for good CRM.

▲ *Constantly striving to align objectives and activities with customer needs is known as business process management (BPM).*

CRM & continuous improvement

Like BPM, **continuous improvement** is an important business process that ties into good CRM. It refers to continuously evaluating business processes to make them more efficient and effective. A manufacturer, for instance, may use continuous improvement to discover that two steps in its production process can be combined to save time. By eliminating the unnecessary step, production time becomes faster, and customers' orders can be shipped sooner. This improvement in efficiency can certainly contribute to maintaining positive customer relationships.

In this video, Bob Fernekees, publisher of *CRM Magazine*, interviews CEO Alan Trefler about the latest trends in customer relationship management: http://www.destinationcrm.com/About/AboutdCRMMag.aspx?AboutID=250.

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Summary

Organizational structure can sometimes get in the way of customer relationship management. Business functions must work together to provide seamless experiences for customers. To be successful, CRM must also be an important part of a business's overall corporate culture. CRM also ties in closely with business process management and continuous improvement.

TOTAL RECALL

1. How does organizational structure affect CRM?

2. How does corporate culture affect CRM?

3. How does CRM relate to business process management?

4. How does CRM relate to continuous improvement?

Make It Pay!

Think about your place of employment. If you are not working right now, consider a role you play on the student council, on an athletic team, etc. How do you contribute to the organization's customer relations efforts? What touch points are you involved in? Overall, do you think the organization handles customer relations well? Why or why not?