

Customer Relationship Management

Kayee Tam

Defining Customer Relationship Management

One could say that customer relationship management holds much truth to the old adages that “the customer is always right” or “the customer always comes first.” Customer relationship management (CRM) is defined as “an enterprise approach to understanding and influencing customer behavior through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty and customer profitability.”¹

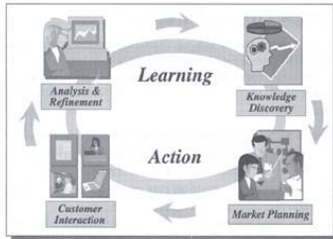


Figure 1. The CRM Process Cycle¹

The Process of CRM¹

CRM is a process cycle that revolves around turning customer information and knowledge to customer interactions and then to customer relationships. The process is composed of several important elements:

- Customer Insight
- Customer Value
- Market Planning
- Customer Interaction
- Analysis and Refinement

In order to maximize customer satisfaction, revenue and profitability, customer insight must be gained through gathering and analyzing customer information. The continuous learning also includes obtaining information on products, channels, markets and competitors. Through this knowledge discovery, market opportunities and strategies can be identified and developed.²

Customer value involves identifying the most profitable and loyal customers and tailoring products and services to suit them.³ Loyal customers will offer higher returns on investments over time. (See Table 1)

Market planning involves putting the knowledge gained into effect. Strategic communication plans are developed in this element. It defines customer offers, channels, campaign types, schedules and more.

Customer interaction is the key action phase that executes the plans created from the customer insight and market planning. The main goal is to maximize all contact points with customers consistently across all channels. Customer interaction involves implementing and managing customer communication using a variety of channels and applications such as customer care and contact applications, interactive applications and sales applications.

During the phase of analysis and refinement, it is still a process of learning though gathering and analyzing information from the customer interactions.

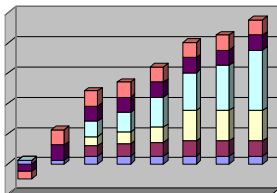


Table 1. CRM Returns on Investment Over Time¹

- Price Premium
- Referrals
- Cost Savings
- Revenue Growth
- Base Profit
- Acquisition

From the analysis, more customer insight will be gained and can be applied to refine communications, prices, approaches and all other aspects of strategic planning.



Source: Businessweek Online

Targeting, Acquiring and Retaining⁴

Through the use of CRM technology, companies can target, acquire and retain customers. Targeting e-customers can include sponsoring, advertising, search engine optimization, e-mail and Web site partnerships. Acquiring customers involves sales force automation (SFA) software and methods. SFA focuses on contact, pipeline and opportunity management. This involves turning a prospect into a customer or a question into an order. Web stores should personalize and customize to e-customers so they are treated as a "market of one." It should also have an easy navigation layout and a strong search engine. Customer retention relies heavily on the ability to service customers' ongoing needs. This may include call or service centers, e-mail, fax and online chat with a service representative.

The Rise of CRM

According to a Jupiter Media Metrix study, Jupiter reported that companies' CRM spending will increase from \$9.7 billion in 2001 to \$16.5 billion in 2006.⁵ The surge of CRM is a result of businesses' pursuit of customer satisfaction and the growing competition for customers.⁶ Customers now have an abundance of choices in the marketplace. This means that customer expectations are higher and they are demanding more personalization and customization. As they become more particular about products and services, their buying habits are also changing because of increasing options in e-business. The rise of CRM in infrastructure technology will continue in this customer-oriented market because of its benefits of customer retention, customer acquisition and customer profitability.

More information on CRM:

www.crmdaily.com
www.crm magazine.com
www.crmguru.com

Principles of Internet Marketing (MGRS 324) Fall 2002 University of Nevada, Reno

¹ Swift, R.S. (2001). *Accelerating Customer Relationships: Using CRM and Relationship Technologies*.

² Kudyba, S. and Romesh D. (2002). *Information Technology, Corporate Productivity, and the New Economy*.

³ Charles, A.N. "Institutional CRM Delivers Value in Hard Times." December 10, 2001. *Wall Street & Technology*.

⁴ McKie, S. (2001). *E-Business Best Practices: Leveraging Technology for Business Advantage*.

⁵ DiPasquale, C.B. "Study CRM Spending to Increase: Jupiter Reports Will Invest Heavily in Infrastructure." February 25, 2002. www.adage.com/news.cms?newsId=34100

⁶ McEachern, C. "Beyond Contact Management, A Look at the CRM Big Picture." July 12, 2001. *Wall Street & Technology Online*.