

# Customer Relationship Management is not an option

This article is about how organisations manage their customers and shows that effective customer management is vitally important to the financial health of a business. This means:

- Acquiring the right customers (those with an acceptable current and future net value).
- Retaining them longer.
- Selling more to them.
- Doing this as efficiently as possible.

In reality very few companies in Cyprus and abroad manage customers well. This shows that these companies have little understanding of their performance in customer management.

Good management of both internal (employees) and external customers is more an art than a science, since there is no secret formula to follow and get things correctly done. Things are more difficult, especially nowadays, where the so-called typical customer no longer exists, and companies have been learning this lesson the hard way.

That is why more and more organizations are now recognizing that customers are their most valuable asset, since they realize that their business success and future growth depend on profitable customer relationships.

## What's driving the CRM trend?

The factors driving the CRM trend are:

- **Deregulation** increased **competition** even further as it drove prices and profitability down. As Nordstrom stated is **good news if you are a customer** and time for prayer if you are an executive.
- Widespread **Internet** access provides valuable information to everyone, anywhere and at anytime. And as it is widely said, that is why customer expectations have been sharply raised. This justifies also why nowadays competition is just a mouse-click away.
- It's a **buyer's market** and customers know it. Consumers today have **more choices** than ever before in all aspects of their needs whether this is banking, grocery shopping or vacationing. Customers are now deciding **how and when** they will **interact** with **companies** and communication choices have never been greater. Companies are forced to invent new methods of interacting with customers to reduce costs and gain market share e.g. Automated teller machines (ATMs) and interactive voice response systems (IVR).
- Move from mass production to **mass customization**. This requires organizations to understand the individual needs and preferences of their customers.

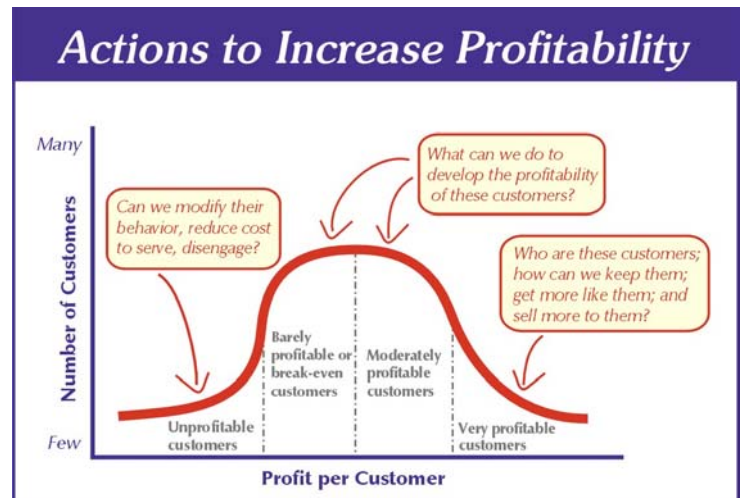
Combined with the oft-quoted factoid that it costs a company five to twenty times more to sell a product to a new customer than it does to sell to an existing one has motivated businesses to try to maximize existing customer relationships. And the main way to squeeze every drop of value from existing customers is to know who the best customers are and motivate them to stay that way. CRM, therefore, is more than a standalone project; it's a business philosophy that affects the company-at-large.

## Opening the Doors to Customer Loyalty

Research by Frederick Reichhold and Earl Sasser of the Harvard Business School shows, most customers are only profitable in the second year that they do business with a company. That's right. Initially, new customers cost money – money spent on advertising and marketing and money spent learning what they want and teaching them how best to do business with us.

CRM promises to help companies to get to know their customers well enough to understand which ones to keep and which ones they should be willing to lose – and why – and how to overspend in the meantime (Diagram 1). CRM also means automating many of the business processes saving precious time in the bargain and money.

Diagram 1



Thus, it is very important to keep those customers that by growing the depth of their relationship with us bring more profitable repeated business. In the past, close relationships have only been possible on a small scale. Today, advances in information technology and computer telephony are making relationship management feasible on a larger scale.

*Customer Relationship Management is a whole new approach to Marketing*

## Customer Relationship Management Defined

*Customer relationship management (CRM) is a business strategy to select and manage the most valuable customer relationships. CRM requires a customer-centric business philosophy and culture to support effective marketing, sales and service processes. CRM applications can enable effective customer relationship management, provided that an enterprise has the right leadership, strategy and culture.*

Source: CRMguru.com

## Radically re-appraise the ways in which your company deals with its customers

As companies strive to retain profitable customers and attract new ones, they must be ready to market, sell and provide service to customers in new and innovative ways. Implementing new channels (Call Center, ATM, Internet, etc.), adopting new technologies and using customer information strategically offer new opportunities to customer profitability.

### *Recognize and treat each customer as an individual*

As a result, through CRM a company will be able to turn every contact with a customer into an opportunity to build loyalty, uncover profitable "hidden" needs, up sell, cross-sell and re-sell.

Nothing else has the potential to link disparate processes and data across multiple customer access channels the way CRM can. And, the beauty of CRM is that it has the potential to ensure that the most valued customers get the best treatment. CRM has the power to provide the strategic intelligence to significantly enhance the total customer experience by empowering everyone in the contact with the customer.

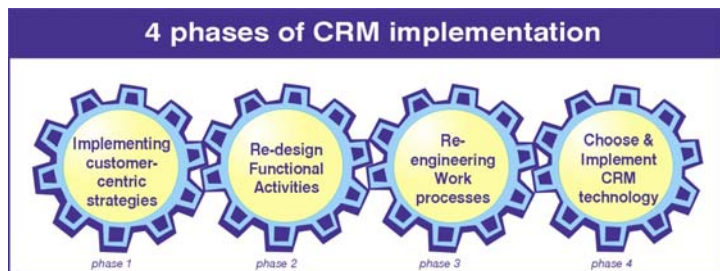
## CRM is not technology

CRM, however is more than an IT based software solution. It is rather a **business philosophy** that enables an enterprise to acquire, retain and better serve its customers. While technology can act as an important enabler in acquiring greater customer knowledge, it is only one of four key elements that will make or break a CRM project as it will be shown below.

## Logical steps for a successful CRM project

A wide acceptable approach towards CRM stems from the interaction of 4 key elements: Strategy, People (Structure), Process, and Technology. These 4 elements combine in a "Cogwheel process" that drives the organization.

Diagram 2



CRM stems from the interaction of 4 key elements: Strategy, People, Process, and Technology.

Diagram 2 shows that successful CRM initiatives start with a business philosophy that aligns company activities around customer needs. The aim is to develop a CRM strategy that is aligned with the organization's people, processes and information technology.

CRM, as before mentioned, does not belong just to sales and marketing or is the sole responsibility of the customer service group. CRM must be a way of doing business that touches all areas. The aim is to bring **far-reaching change** within organizations by aligning people, processes and technology with strategy (Diagram 3). A successful CRM can only be achieved if companies enable their people, processes, policies, suppliers and customer-facing technologies to manage all customer interactions proactively during each stage of the customer life cycle in a way that enhances each customer's experience of dealing with the company. Only an optimal sale and service experience at every point of interaction with the organisation will differentiate the company from its competitors.

Diagram 3



CRM helps companies maximize their business performance by aligning people processes and technology with the strategy.

## CRM is here to stay

In the 21<sup>st</sup> century, Customer Relationship Management will undoubtedly be a core competency of many organizations. Those that fail to implement CRM will find themselves at a competitive disadvantage, operate less effective marketing programs and lose their profitable customers.

CRM is the strongest weapon you have to create, maintain, and expand customer relationships and it's here to stay.

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