

## Quadrant II – Notes

Programme: Bachelor of Commerce.

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Paper Title: Customer Relationship Management (GE 2)

Unit: I – Introduction to CRM

Module Name: CRM – Meaning, overview of CRM process

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### CRM – MEANING

CRM methodology enables the organization to understand the customer's needs and behaviour better. It introduces reliable processes and procedures for interacting with customers and develops stronger relationship with them. CRM is based on the philosophy that retailers can increase their profitability by building relationship with their customers. The goal is to develop a base of loyal customers.

A simple installation and integration of the software package does not ensure success. Employees have to be convinced about its positive attributes, then they need to be trained.

### OBJECTIVES OF CRM

CRM, the technology, along with human resources of the company, enables the company to analyze the behavior of customers and their value. The main areas of focus are as the name suggests: **customer**, **relationship**, and the **management of relationship**.

The main objectives to implement CRM in the business strategy are:

To simplify marketing and sales process.

To make call centers more efficient.

To provide better customer service.

To discover new customers and increase customer revenue.

To cross sell products more effectively

# OVERVIEW OF THE CRM PROCESS

CRM is an interactive process that turns customer data into customer loyalty through four activities. The process begins with the collection and analysis of data about the customers and the identification of target customers.



## 1. Collecting customer data

The first step in the CRM process is constructing a customer database. This database is referred to as a customer data warehouse. It contains all the data the firm has collected about its customers and is the foundation for subsequent CRM Activities.

Ideally, the database should contain the following information:

**Transactions:** a complete history of the purchases made by the customer, including the purchase date, the price paid and whether or not the merchandise was purchased in response to a special promotion or marketing activity.

**Customer Contacts:** a record of the interactions that the customer has had with the retailer, including visits to the retailer's website and telephone calls made to the retailer's call centre etc.

**Customer Preferences:** what the customer likes, such as favourite colours, brands, fabrics and size etc.

**Descriptive Information:** demographic and psychographic data describing the customer can be used in developing market segmentation.

**Responses to marketing activities:** The analysis of the transaction and contact data provides information about the customer's responsiveness to marketing activities.

## **2. Analyzing customer data and identifying target customers**

The next step in the CRM process is analyzing the customer database and converting the data into information that will help retailers develop programs for building customer loyalty. Data mining is one approach commonly used to identify patterns in developing this information.

Traditionally, customer data analysis has focused on identifying market segments.

## **3. Developing CRM Programs**

The next step in the CRM process is to develop programs for the different customer segments. Using the available information about customers, retailers can develop programs that build loyalty.

## **4. Implementing CRM Programs**

Increasing sales and profits from the CRM programs is a challenge. The effective implementation of CRM programs requires the close coordination of activities by different functions in a retailer's organization. The MIS department needs to collect, analyze and make the relevant information readily accessible for employees implementing the programs.