




# *Customer Relationship Management*

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# Purpose of CRM

- Why we need CRM
- Defining CRM
- Identifying different customer types
- Developing customers i.e. Loyalty programs
- A buzz phrase...with meaning
- Good CRM has a sophisticated database
- Management of customers –  
don't have to be passive recipients of their behavior

## Definitions

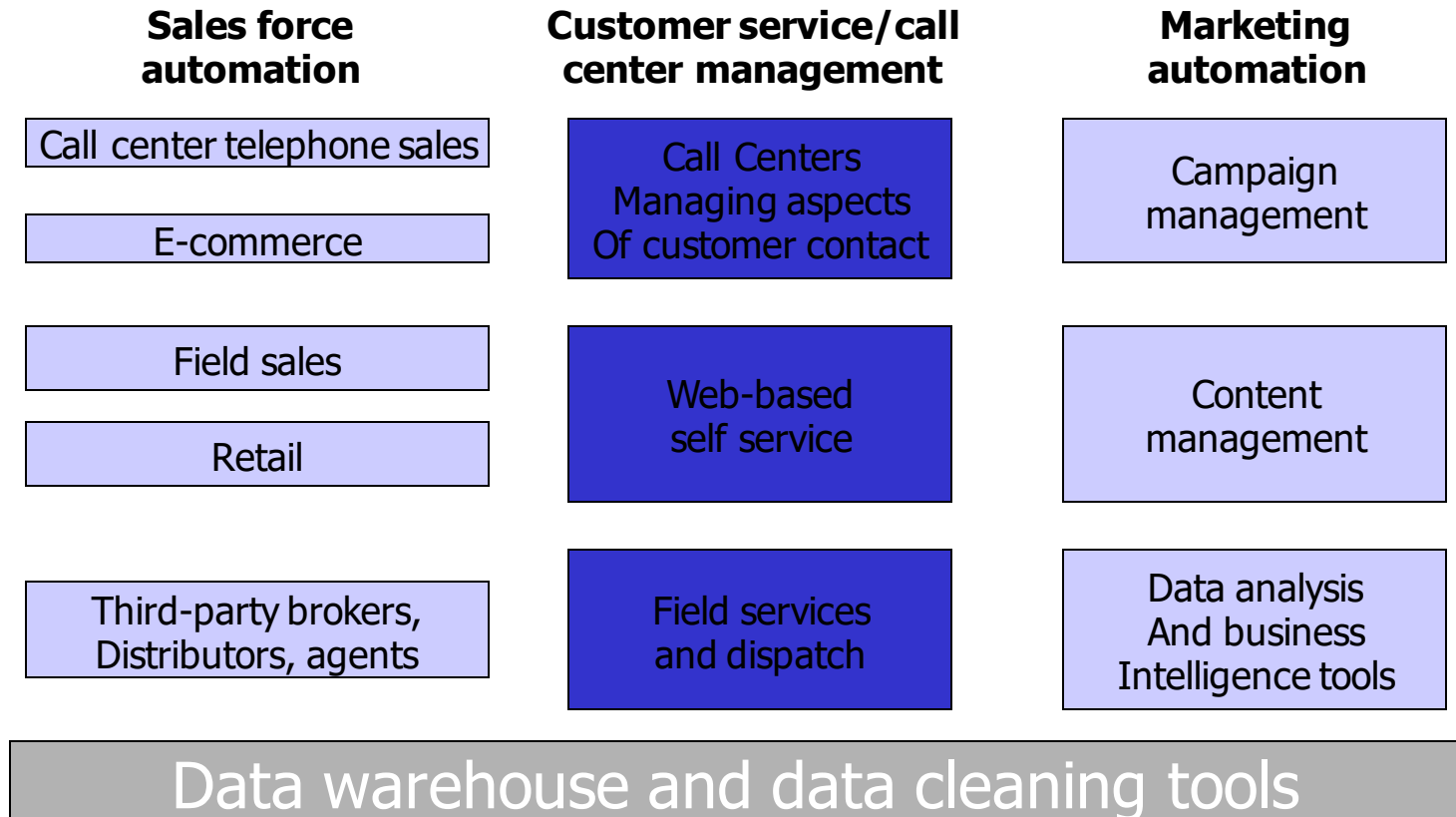
- “is a business strategy with outcomes that optimise profitability, revenue and customer satisfaction
  - by organizing around customer segments,
  - fostering customer-satisfying behaviors and
  - implementing customer-centric processes.”
- “is a strategy
  - used to learn more about customers' needs and behaviors
  - in order to develop stronger relationships with them.”

## Underpinning Theory

- Customers have many points of contact with an organisation
- Retaining customers is far more cost effective than recruiting new ones
- Some customers are more profitable than others
  - The “80/20” rule
  - For most firms, 80 percent of *profit* comes from 20 percent of customers
- Use of Technology

# An example

## The Elements of CRM



## Potential Benefits Of CRM

- Customer retention
- Share of customer or share of wallet
- Cross-selling
- Up-selling

## Potential Costs Of CRM

- IT infrastructure
- Process change

## Benefits Of CRM For Customers

- Continuity
- A contact point
- Personalisation



## Three phases of CRM

- **Acquiring New Relationships**
  - You acquire new customers by promoting your company's product and service leadership.
- **Enhancing Existing Relationships**
  - You enhance the relationship by encouraging excellence in cross-selling and up-selling, thereby deepening and broadening the relationship.
- **Retaining Customer Relationships**
  - Retention focuses on service adaptability – delivering not what the market wants but what customers want.

## Steps to improve CRM

1. Build a database
2. Analyse, define types, profitability
3. Customer selection
4. Activities to delight selected customers
  - discourage others
5. Analyse again to see how we're doing

## What should be in the database

- Demographics
  - How do you get people to provide this?
- History of contacts
- Transaction history or summary
- Response to marketing communications
  - How did you hear about us (this offer?)

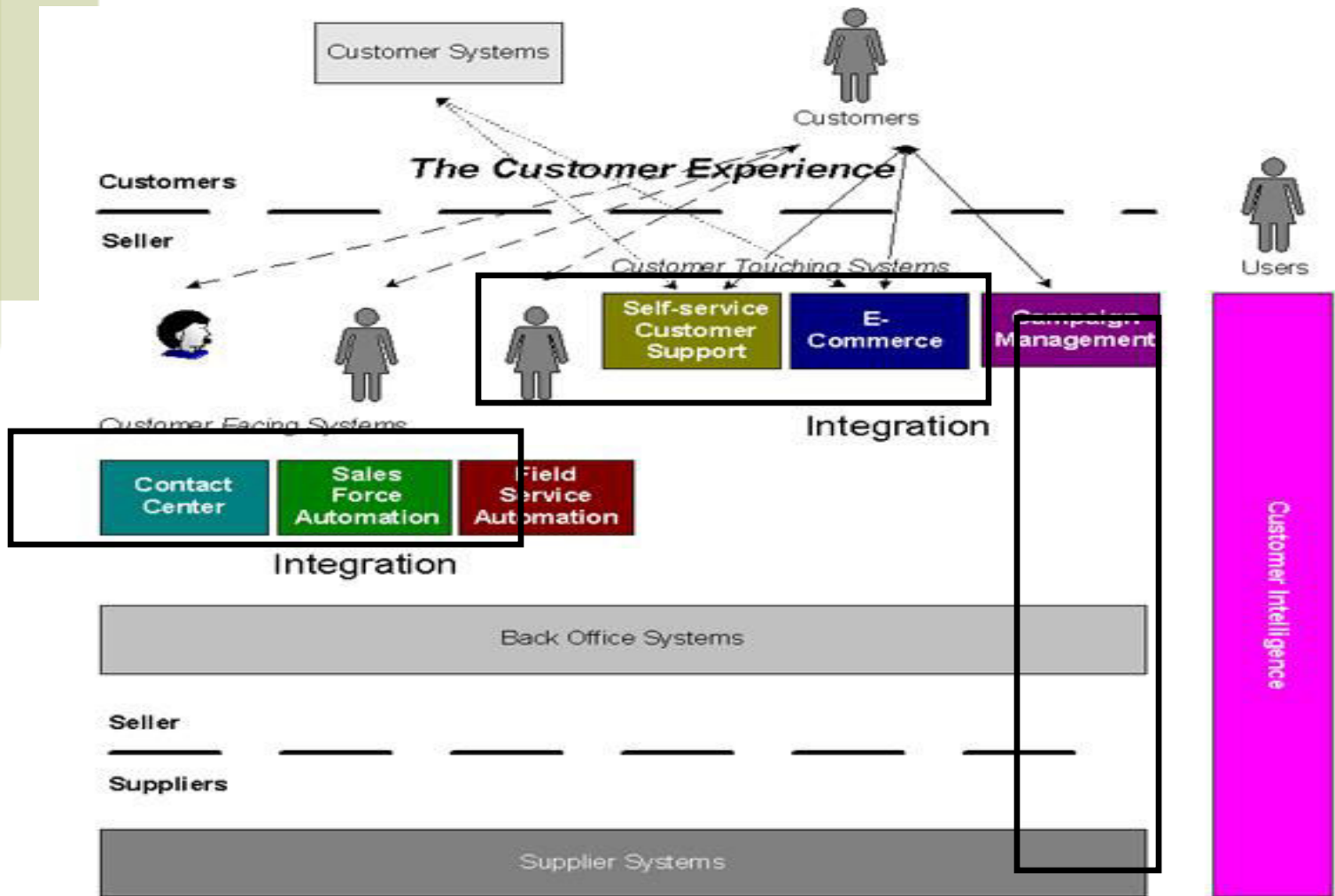
## Behavioral Patterns

- Behavioral patterns
- Consumption channel
- Benefit segments
- Degree of loyalty
- Permission

## Analytically Derived Segments

- Analytically derived
- On-line analytical processing (OLAP)
- Customer lifetime value
- Intangible benefits

# CRM Applications



## Customer Types

- *Platinum* Heavy, reliable users, not price-sensitive, try new products, loyal
- *Gold* Large users who push for price breaks, shop around and not so loyal
- *Iron* Low volume or intermittent users; cost to serve them is quite high
- *Lead* Demanding, want special attention but don't buy much and show no loyalty

## Advantages of CRM

- While company is quickly growing, customers are more satisfied as well
- Service provided in a better way, and a quicker way
- Sales force automated
- Integrated customer information
- Certain processes eliminated
- Operation cost cut, and time efficient
- Brand names more quickly established
- A central database so that everyone in your company can keep track of customer contacts
- Sales and marketing teams can benefit from having all this inside knowledge about customers
- Lets you set up rules for distributing work throughout your company
- Lets you pick and choose the functionality that you want





➤ Disadvantages:

- ❖ Organizational wise change of priority to customers.
  - ❖ Significant investment of time and money
  - ❖ Threatens management's control/power struggle
  - ❖ Heightens people's resistance to change
  - ❖ Inappropriate integration leads to disaster
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