

CRM - principles, strategy, solutions, applications, systems, software, and ideas for effective customer relationship management

Customer Relationship Management, or CRM, is an essential part of modern business management. Ellen Gifford, who specializes in helping organizations develop excellence in CRM, provides this CRM article and this contribution is gratefully acknowledged.

What is Customer Relationship Management, or CRM? Customer Relationship Management concerns the relationship between the organization and its customers. Customers are the lifeblood of any organization be it a global corporation with thousands of employees and a multi-billion turnover, or a sole trader with a handful of regular customers. Customer Relationship Management is the same in principle for these two examples - it is the scope of CRM, which can vary drastically.

CRM focuses on the relationship

Successful organizations use three steps to build customer relationships:

- Determine mutually satisfying goals between organization and customers
- Establish and maintain customer rapport
- Produce positive feelings in the organization and the customers

CRM conditions

The organization and the customers both have sets of conditions to consider when building the relationship, such as wants and needs of both parties;

- Organizations need to make a profit to survive and grow
- Customers want good service, a quality product and an acceptable price

Good CRM can influence both sets of conditions.

Why do organizations undertake CRM?

CRM is a new concept to many organizations. If it is new to you, here is why most forward-thinking organizations devote lot of energy and resources to the set up and management of a CRM capability.

How CRM impacts on the organization

CRM can have a major impact on an organization through:

- Shifting the focus from product to customer
- Streamlining the offer to what the customer requires, not what the organization can make
- Highlighting competencies required for an effective CRM process

Why does the organization need CRM?

The ultimate purpose of CRM, like any organizational initiative, is to increase profit. IN THE CASE OF CRM, this is achieved mainly by providing a better service to your customers than your competitors. CRM not only improves the service to customers though; a good CRM capability will also reduce costs, wastage, and complaints (although you may see some increase initially, simply because you hear about things that without CRM would have stayed hidden). Effective CRM also reduces staff stress, because attrition - a major cause of stress - reduces as services and relationships improve. CRM enables instant market research

as well: opening the lines of communications with your customers gives you direct constant market reaction to your products, services and performance, far better than any market survey. Good CRM also helps you grow your business: customers stay with you longer; customer churn rates reduce; referrals to new customers increase from increasing numbers of satisfied customers; demand reduces on fire-fighting and trouble-shooting staff, and overall the organization's service flows and teams work more efficiently and more happily.

Features of good CRM

The old viewpoint in industry was: 'Here's what we can make - who wants to buy our product?'

The new viewpoint in industry is:

- 'What exactly do our customers want and need?' and
- 'What do we need to do to be able to produce and deliver it to our customers?'

This is a significant change of paradigm and a quantum leap in terms of how we look at our business activity.

What do customers want?

Most obviously, and this is the extent of many suppliers' perceptions, customers want cost-effective products or services that deliver required benefits to them. (Benefits are what the products or services do for the customers.) Note that any single product or service can deliver different benefits to different customers. It is important to look at things from the customer's perspective even at this level.

More significantly, however, customers want to have their needs satisfied. Customers' needs are distinctly different to and far broader than a product or service, and the features and benefits encompassed. Customers' needs generally extend to issues far beyond the suppliers' proposition, and will often include **the buying-selling process** (prior to providing anything), **the way that communications are handled**, and **the nature of the customer-supplier relationship**.

Modern CRM theory refers to the idea of 'integrating the customer'. This new way of looking at the business involves integrating the customer (more precisely the customer's relevant people and processes) into all aspects of the supplier's business, and vice versa. This implies a relationship that is deeper and wider than the traditional 'arms-length' supplier-customer relationship.

The traditional approach to customer relationships was based on a simple transaction or trade, and little more. Perhaps there would be only a single point of contact between one person on each side. All communication and dealings would be between these two people, even if the customer's organization contained many staff, departments, and functional requirements (distribution, sales, quality, finance, etc).

The modern approach to customer relationship management is based on satisfying all of the needs - people, systems, processes, etc - across the customer's organization, such as might be affected and benefited by the particular supply.

Generating a customer focused CRM solution

So, what do we need to make this quantum leap of customer integration?

A new way of thinking:

- Change in paradigm
- Change in the messages sent and received
- Change in the overall culture

And a new way of doing things:

- Processes that are capable and effective
- Structures and systems that support a business centered on its customers
- Connectivity (end-to-end processes) both internally and externally (eg. with suppliers)

Customers' expectations

If an organization cannot at least meet its customers' expectations, it will struggle.

Ideally, a business organization should **exceed** its customers' expectations, thereby maximizing the satisfaction of its customers, and the credibility of its goods and services in the eyes of its customers.

Customers normally become delighted when a supplier under-promises and over-delivers. To over-promise and under-deliver is a recipe for customers to become very dissatisfied.

Rule No one - You cannot assume that you know what a customer's expectations are ... You must ask.

Rule No two - Customer expectations will constantly change so they must be determined on an on-going basis.

The expectations of different customers for the same product or service will vary according to:

- Social and demographic factors
- Economic situation
- Educational standards
- Competitor products
- Experience

Therefore, given all these variable factors, it is no surprise that one size certainly does not fit all.

Ask your customers what is important to them. Find out why your customers do business with you. There is a wide variety of relationship drivers. For example:

- Quality
- Price
- Product
- Location
- Customer service

When you ask you might discover some factors that you had perhaps never even considered, for example:

- Health and safety support
- Systems compatibility
- Contract structure
- Distribution flexibility
- Technical support

- Troubleshooting and problem-solving, to name just a few

What service features will keep your customers loyal to you? Find out.

CRM as a process

CRM can be regarded as a process, which has:

- Identifiable inputs
- Identifiable components
- Identifiable characteristics, which define CRM for your organization and customer base
- Capacity for improvement and evolution over time

Managing customers

Why manage customers? Customers are the usual source of income for an organization. (If not then they will certainly leverage your income, as in the case of readers of a free publication, which is funded by advertising. As such, there are two types of customers: the readers and the advertisers).

Customers are also an exceptional source of information - information which is vital to enable a business to succeed; ie. giving customers what they want.

Managing customers entails:

- Knowing what customers want and need - which enables you to focus your production and service efforts
- Knowing which products or customers have most growth potential - which enables you to focus on developing highest potential
- Knowing which products or customers are most or least profitable - which enables you to focus on maximizing profit
- Knowing which customers will be advocates and supporters - which enables you to provide references, case studies, and to safely test new products and services

Achieving good CRM

Achieving effective Customer Relationship Management requires many organizations to adopt a new perspective. Consider the following:

- Traditional **customer service** is something you '**do to**' the customer
- Modern **Customer Relationship Management** is '**done with**' the customer

The second statement emphasizes the big differences between conventional traditional customer service, and the modern progressive CRM approach.

Your relationships with customers should be ongoing, cooperative, and built for the long term.

Organizations who have many transitory relationships with customers consequently have to spend a lot of money on finding new customers.

The cost of keeping existing customers is a tiny fraction of the cost of acquiring new customers.

Pareto's Law ('The Pareto Principle')

Pareto's Law is commonly known as the 80:20 rule. Typically in any organization:

- 20% of customers account for 80% of your turnover
- 20% of customers account for 80% of your profits
- 20% of customers account for 80% of your service and supply problems

It is important to know in which customers fit into which category and then to manage them accordingly.

Highly satisfied customers who perceive a high value in your products and services commonly make excellent advocates for your organization - nurture these customers and give the special treatment.

Dissatisfied customers who perceive a low value in your products and services are potential saboteurs. These customers could have little or no loyalty and may actively 'engage' against your organization. Therefore, you should seek to rebuild relationships and trust, and a new basis for a future relationship, or manage the separation with dignity, professionalism and integrity.

Focus on building relationships

The essential CRM focus of any organization should be on developing core competencies, and an overall strategy of building customer relationships. In this way, all efforts in the organization can be aligned to:

- Customers and the culture of exceeding of customer expectation
- Understanding and managing the people impact on the culture of the organization
- Customers being recognized and treated as partners
- The value of relationship -building being valued
- Service being seen as a value -adding activity
- Reward and recognition being based on customer focus ie. 'going the extra mile'
- Evidence of corporate support for service activity

Characteristics of excellent CRM

The following characteristics are associated with delivery of excellent CRM:

- Reliability
- Responsiveness
- Accessibility
- Safety
- Courtesy
- Consideration
- Communication
- Recognizing the customer
- Competence

'Moments of truth'

'Moments of truth' are encounters with customers, which cause them to form a view of the organization based on how they are engaged, particularly compared to their expectations.

Expectations can be met, exceeded or disappointed. Moments of truth can therefore be positive, in the case of meeting and exceeding expectations, or negative, in the case of disappointment. Monitoring the 'decisive moments' allows the company to focus on improving areas responsible for negative customer experiences.

Remedial action to prevent repetition is crucial. A single mistake is forgivable. A repeat rarely is.

If you put things right your customers will see that they are important to you. Put things right and you will be seen as a supplier who knows how to manage quality.

Organizations that fail to put right things that go wrong, might as well say to the customer, "You are not important to us". Failing to put things right and to prevent reoccurrence says of the organization "We are not capable of managing quality service."

Bear in mind also that research has proven repeatedly that when a supplier satisfactorily resolves an issue of poor service to a customer, the customer increases their loyalty to the supplier to a higher level than existed before the problem.

An approach to managing 'decisive moments' involves 'continuous improvement'. This entails processes that continually monitor, check and resolve negative moments of truth by ensuring alterations happen to the customer process, and integrating these changes into 'business as usual'. Here are the elements of such an approach:

- Define the cycle of service
- Identify negative moments of truth
- Define the reasons (ie. root causes - not symptoms)
- Develop solution/s
- Test solution(s)/review/amend
- Implement
- Monitor impact on the cycle of service

This is similar to the EPACA model - the helix of continuous improvement.

Negative decisive moments carry a lot of weight with the customer and will adversely affect the relationship.

To maximize positive decisive moments - **set standards** in your processes.

Standards using SMART criteria Standards (which may also be objectives) can be established using the SMART framework.

- Specific
- Measurable
- Agreed
- Realistic
- Time-bound

CRM and communications

Communication is central to any successful relationship. In terms of Customer Relationship Management, communication needs to be consistent and high quality; as determined by:

- On time

- Focused
- Relevant
- Reliable
- Coherent

Importantly also, **for effective communications it's the message and meaning that is received that counts**, irrespective of what the communicator thinks they've said, or written. Communications must be judged most vitally by the reaction of the receiver. If the reaction is not good then the communication is poor.

The information contained in a CRM system allows communication to be directed at the correct audience, in the correct way. The communication system must also encourage and facilitate honest and actionable feedback.

Feedback from customers - especially complaints - is essential for good organizational performance and ongoing development. Most organizations avoid, discourage and hide from complaints. Do not. Complaints are free guidance for improving your quality, and free opportunities to increase customer loyalty.

People and CRM

As with any other business process your people have a huge impact on the success of the CRM process. Successful and effective Customer Relationship Management people tend to display the following key characteristics:

- Positive attitude
- People orientation
- Organizational skills
- Analytical skills
- Customer focus (natural empathy)
- Understanding of the link between CRM and profitability

On the subject of empathy: Empathy is about **understanding**, not necessarily **agreeing**. Effective customer focus enables the organization and its staff to see both sides, and to work with the customer to arrive at a mutually satisfactory and sustainable solution. Agreement alone amounts to capitulation, which is neither practicable nor sustainable.

Benefits of effective CRM

There are significant business benefits, which accrue from an effective, integrated Customer Relationship Management approach. These include:

- Reduced costs, because the right things are being done (ie. effective and efficient operation)
- Increased customer satisfaction, because they are getting exactly what they want (ie. exceeding expectations)
- Ensuring that the focus of the organization is external
- Growth in numbers of customers
- Maximization of opportunities (eg. increased services, referrals, etc.)
- Increased access to a source of market and competitor information
- Highlighting poor operational processes
- Long term profitability and sustainability

Forward thinking organizations understand the vital need to maintain a strategic focus on CRM and to resource and manage it appropriately.