Know When to Hold ’Em

Nature of Customer Relationship Management

Built to last

Keep ’em coming back

Everybody wins
CRM: More than just technology

“Customer relationship management”—conduct an Internet search on this phrase, and, most likely, you will come up with thousands of web sites for companies trying to sell various software programs. For many people and businesses, this term refers solely to technology. But customer relationship management (CRM) is much more than that. It involves technology, but it also involves strategies, processes, and most importantly, people. It combines these elements for the purpose of building, maintaining, and maximizing the long-term value of customer relationships.

Examples of CRM initiatives a business might undertake include:

- Implementing a “frequent shopper” program that provides discounts and special offers to valued customers
- Creating a “customer dialogue” section on its web site, where customers can go to give feedback and offer suggestions
- Ensuring that customers can always reach a “live” operator when calling the business’s help center
- Installing software that allows employees to quickly access customer information when needed, enabling them to provide more individualized service and attention
- Using technology to identify its most valuable customers so it can give them special attention and capitalize on their long-term value to the company

Another common myth about customer relationship management is that it is the same as customer service. Not so! Customer service is very important, but it’s just one part of a customer’s overall relationship experience with a business.
Know When to Hold 'Em

Identifying a business's most valuable customers is a traditional use of customer relationship management. Some customers contribute more than others to a business's long-term profitability—this is known as a customer's "lifetime value." Of course, businesses want to identify these customers and make every effort to keep them satisfied and loyal.

Some people, however, think that businesses giving certain customers special treatment over others is unfair. For instance, a "VIP" customer may be more likely to talk to a real person when s/he calls the business, whereas a "regular" customer may be greeted by an automated answering service. These practices aren't illegal, but are they unethical? What do you think?

As you can see, the goals of CEM and CRM are relatively similar. The main difference between CEM and traditional CRM, then, is in perspective. CRM tends to look inward—it's focus is on the business itself—it's goals, its strategies, its internal processes, etc. CEM asks, "How can we create the best possible experience for customers when they interact with our business?" CEM, on the other hand, looks outward. Its focus is on customer needs and wants (also known as a customer-centric focus), asking, "How can we create the best possible experience for customers when they interact with our business?" At each touch point, an interaction takes place. CRM uses touch points to learn something valuable about the customer; CEM uses touch points to allow the customer to learn something valuable about the company.

Common CRM practices

First things first. Before adopting any new customer relationship management practices or purchasing CRM software, managers should assess the business and create clear strategies and goals for CRM. What are the main objectives the business wants to achieve through CRM? Organizing customer information for use by the sales team? Identifying the company's most valuable customers? Getting feedback on customer experiences? Knowing the answers to these questions prevents the business from wasting time and money on unnecessary procedures or irrelevant technology. Having a clear strategy also helps managers to integrate the CRM program throughout the entire organization more easily.

Some common customer relationship management practices include:

- **Training employees in CRM.** This includes both new-employee training and continuing professional development for current employees at all levels. Employees need to learn how to execute CRM procedures (what to do in case of a complaint, for example), how to operate CRM software, and how to "go the extra mile" to develop and maintain good relationships with customers.

- **Empowering employees to make CRM decisions.** Employees need the authority to create and maintain customer relationships. A salesperson, for example, should be able to offer a valuable customer a discount if it helps to make the sale and increase that customer's loyalty to the business. Having to get managerial permission each time could slow down the process and hamper the establishment of a positive customer relationship.

- **Allowing customers to provide their own information.** Every CRM program is based on customer information. Businesses can gather information without asking customers for it—they can keep track of what products are purchased, how much money is spent, etc. However, it is the information customers volunteer that can take CRM to the next level. Customers can provide feedback about their experiences with the company, offer suggestions for new goods or services, and give specific information about what benefits or "perks" they prefer. Businesses must keep in mind that customers will volunteer information only if they feel they can trust the business. This applies to providing feedback and suggestions as well as to providing personal information, such as addresses and telephone numbers. Customers should always feel that they are in control of their own information, and that a business will use it only to provide them with a better customer experience.

- **Managing marketing campaigns.** The marketing department uses information from CRM to target customers, promote the business's product(s) to those customers, and track their responses.

- **Managing sales leads.** The sales department uses information from CRM to qualify and prioritize sales leads. This makes more efficient use of their time and effort in the selling process.

The Gray Zone

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Can you see how BPM and CRM go hand in hand? If a company wants to create and maintain long-term relationships with its customers, it must evaluate its various business processes to ensure they’re working to keep customers happy. Good business process management, therefore, is essential for good customer relationship management.

**CRM & continuous improvement**

Like BPM, **continuous improvement** is an important business process that ties into good customer relationship management. It refers to continuously evaluating business processes to make them more efficient and effective. A manufacturer, for instance, may use continuous improvement to discover that two steps in its production process can be combined to save time. By eliminating the unnecessary step, production time becomes faster, and customers’ orders can be shipped sooner. This improvement in efficiency can certainly contribute to maintaining positive customer relationships.

**Summary**

Organizational structure can sometimes get in the way of customer relationship management. Business functions must work together to provide seamless experiences for customers. To be successful, CRM must also be an important part of a business’s overall corporate culture. CRM also ties in closely with business process management and continuous improvement.

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**TOTAL RECALL**

1. How does organizational structure affect CRM?
2. How does corporate culture affect CRM?
3. How does CRM relate to business process management?
4. How does CRM relate to continuous improvement?