Customer Relationship Management (CRM) Systems

MIS 4133
Software Systems
Outline

- CRM and CRM System
- Phases
- Applications
- CRM Software Capabilities
- Aspects of CRM
- Market Segments
- Business Value
- Performance Metrics
- Success Stories
- Challenges
- CRM, ERP, and SCM Systems Integration
CRM

- Used to maximize the benefits of a company’s customer assets.
- Used as a technology and business discipline.
- Seeks to optimize revenue, profitability, customer satisfaction, and customer retention.
CRM System

CRM system – provides integrated approach to all aspects of company-customer interaction

- Marketing
- Sales
- Support / Service
CRM Phases

1. Technology
   - Automate existing processes

2. Integration
   - Cross functional integration to create a customized view of the customer

3. Process
   - Eliminate unnecessary activities, improve outdated processes, and redesign activities

4. Customer-driven
   - Focus on understanding customer first and then move to inward operations
CRM Applications

- Partner relationship management (PRM)
  - Manage relationships with company partners

- Employee relationship management (ERM)
  - Setting objectives, employee performance management, employee training, and performance-based compensation
CRM Software Capabilities

- **Sales force automation (SFA)**
  - Focus on most profitable customers
  - Reduce cost per sale
  - Reduce cost of acquiring new customer and retaining old ones

- **Customer service**
  - Increase efficiency of call centers, help desks, and customer support staff
  - Assign and manage customer service requests

- **Marketing**
  - Capture customer data
  - Provide product/service information
  - Qualify leads for target marketing
  - Schedule and track mailings and email
  - Identify profitable and unprofitable customers
  - Design products/services to satisfy specific consumer needs
  - Identify opportunities for cross-selling, up-selling, and bundling
CRM Software Capabilities Example

Customer Data

Sales
- Account Mgmt
- Lead Mgmt
- Order Mgmt
- Sales Planning
- Field Sales
- Sales Analytics

Marketing
- Campaign Mgmt
- Channel Promotions Mgmt
- Events Mgmt
- Market Planning
- Marketing Operations
- Marketing Analytics

Service
- Service Delivery
- Customer Satisfaction Mgmt
- Returns Mgmt
- Service Planning
- Call Center & Help Desk
- Service Analytics
Aspects of CRM

- **Operational CRM**
  - Includes customer-facing applications (SFA, call center, customer service support, and marketing automation)

- **Analytical CRM**
  - Includes applications that analyze customer data generated by operational CRM applications
# Operational vs. Analytical CRM Examples

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<tr>
<th>Operational CRM</th>
<th>Analytical CRM</th>
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<tr>
<td>Campaign mgmt</td>
<td>Develop customer segmentation strategies</td>
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<td>E-marketing</td>
<td>Develop customer profiles</td>
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<td>Account and contact mgmt</td>
<td>Analyze customer profitability</td>
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<td>Lead mgmt</td>
<td>Analyze product profitability</td>
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<td>Telemarketing</td>
<td>Identify cross-selling/up-selling opportunities</td>
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<tr>
<td>Teleselling</td>
<td>Select the best marketing, service, and sales channels for each customer group</td>
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<td>E-selling</td>
<td>Identify trends in sales cycle length, win rate, and average deal size</td>
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<td>Field sales</td>
<td>Analyze service resolution times, service levels based on communication channel, and service activity by product line and account</td>
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<td>Field service dispatch</td>
<td>Analyze leads generated and conversion rates</td>
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<tr>
<td>Customer care and help desk</td>
<td>Analyze sales representative and customer service representative productivity</td>
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<tr>
<td>Contract mgmt</td>
<td>Identify churn problems</td>
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Analytical CRM Data Warehouse

Customer Data

Channels
• Call center
• Web site
• Wireless
• Field sales
• Direct mail
• E-mail
• Retail store
• Partner

Other sources
• Legacy systems
• Demographic data
• Third-party data
• Marketing campaign data

Customer data warehouse

• Profitable customers
• Market segments
• Customer profiles
• Churn rates

• OLAP
• Data mining
• Other data analysis tools
CRM Market Segments

- Traditional out-of-the-box CRM
- Traditional CRM with templates for specific vertical industries
- Traditional out-of-the-box CRM with application development hooks
- Industry-specific vertical CRM packages
- Custom solutions from vertical systems integrators
CRM Systems Business Value

- Increased customer satisfaction
- Reduced direct marketing costs
- More effective marketing
- Lower costs for customer acquisition and retention
- Increased sales revenue
- Reduced churn rate
CRM Performance Metrics

- Cost per lead
- Cost per sale
- Number of repeat customers
- Reduction of churn
- Sales closing rate
- Customer lifetime value (CLTV)
Cost Cutters and Revenue Enhancers from a CRM System

Cost Cutters
- Decrease cost of sales
- More time to sell; less time on administration
- Decrease cost of service
- Cost per service interaction
- Transition to more self-service

Revenue Enhancers
- Increase sales effectiveness
- Add new customers at a higher rate
- Offer new products/services
- Provide a better customer experience
- Increase revenue per customer
- Sell more of current products/services
- Improve customer retention
CRM Success Stories

- Best Buy
  - Launched a “customer-centricity” effort
  - Trained store-level employees to recognize five types of highly valued customers

- American Cancer Society
  - Used CRM system to better target members in its donor base
CRM System Challenges

- Broad company goals
- Generic strategies
- Software-centric implementations
- Poor communication which can lead to no “buy-in” from sales force
- Inadequate training of sales force
- Competition between sales force leads to political issues
Integrating CRM with ERP and SCM Systems

- CRM’s goal: to find the best customers and concentrate efforts on serving them better

- CRM and ERP integration
  - ERP to CRM – access information such as credit ratings, payment status, sales volumes, and so forth
  - CRM to ERP – better able to prioritize work processes for the best customers, etc.

- CRM and SCM integration
  - SCM to CRM – access information regarding supply status, assembly process, delivery status, product configuration, and so forth
  - CRM to SCM – better able to schedule delivery of raw materials, prioritize work flow, etc.
References


References