



05 Customer Relationship Management

Customer Relationship Management (CRM) is a growth industry. Software packages abound and large corporations may spend six-figure sums or more on implementing a CRM programme. Small to medium-sized enterprises probably don't have that sort of money lying around, but that doesn't mean they have to be excluded from the benefits of CRM principles.

CRM is about gathering and analysing information about customers in order to be able to market products to them that they are more likely to buy. The intrinsic benefit is to spend less on the acquisition of sales and thereby enhance profitability. There are two factors to take into account when considering whether CRM is appropriate for your business, and they work in combination:

- Who your customers are
- What your line of business is

CRM in its most sophisticated form works best when there are high volumes of customers, usually consumers, and the product is low ticket, perhaps renewable, and part of an associated product range. As well as enabling more effective sales to existing customers, it can point the way to where to find new customers. For some businesses it can go further and reduce customer attrition, for example in the world of mobile phone contracts where customer turnover is relatively high.

If your customers are other businesses, clearly there may be limits as to how much benefit CRM can provide. For example, a clothing supplier who has a contract from a major high street store may well only have them as a customer, being effectively an outsourced production facility for them. However, CRM thinking can be helpful in enabling your business to have the edge over competition even when there are relatively few companies that you sell to.

The outcome of CRM can take various forms:

- The provision of better customer service.
- More efficient call centres.
- More effective cross-selling of products.
- Sales staff closing deals faster.
- Marketing and sales processes simplified.
- New customers discovered.
- Customer revenues increased.

Additionally, important information emerges:

- The total value of the relationship with individual customers.
- The potential lifetime value of individual customers.
- The profitability of each relationship.
- The insights they can provide you about your business.

At the heart of CRM is the message 'Know your customer'. By this, we don't mean knowing their name but knowing other facts about them that are significant to your product. Such facts may include, depending on what you are selling:

- Age - life stage may indicate other products that they may well be interested in.
- Family circumstances - with or without children, for example.
- Postcode - postal areas are characterised by what is known about people living in them, which enables companies to find other areas having the same characteristics (and therefore an assumed propensity to be interested in the same products).
- Socio-economic classification - do more A1's (professional) buy from you than C2's (blue-collar)?
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Transforming Business Performance

- Products purchased and their value in turnover and profit terms.

For business customers, a different set of data would be required which might include:

- Quality tolerances.
- Delivery times.
- Overrun acceptances (for example for printed items there may be an excess production by a small percentage that the customer may be willing to accept).
- The Purchasing Manager's favourite tippie!!
- Purchasing Manager's secretary's name.
- Usual order lead time - are they last minute panickers or well-planned in time?

Most if not all of this information can be captured inexpensively on your database system, and using the database's own search and sort facilities some useful customer segmentation can be achieved for pro-active marketing.

The importance of staff

Analysis in the back office is one thing, but dealing one to one with customers is quite another. The real relationships are between people, and the way your sales staff interact with customers can continue to reinforce your good relationships - or destroy them. When the company's culture is customer-focused, all staff will be trained in the behavioural standards demanded by the culture. Staff should be:

- Always courteous.
- Always patient.
- Ready to go the extra mile.
- Committed to doing what they say they will do - keeping their promises.
- Empowered to take significant decisions.

Any staff incentive programme you run should reinforce the correct attitudes, and the quality of supervision is of paramount importance to their motivation.

When a customer or prospective customer rings your business, what impression are they given? How long does the phone ring before it's answered? How well does the person answering the phone know the customer, the product range, the organisation and the culture standards? How many hand-offs are necessary before the customer is speaking to the right person? It would be a pity if a well-thought-out marketing campaign stimulated interest only to be let down at the point of contact.

Customer Relationship Management, if at all appropriate to your business, should be included in the business Strategy from the outset.

In Summary

CRM is a technique suited to large companies with high customer volumes, but its principles can be applied in smaller enterprises.

Data collection lies at the heart of CRM, so that buying patterns can be analysed for individual customers as well as groups of customers.

CRM can lead to more effective selling, greater customer loyalty and higher profitability.

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