

Unit-4 Customer Relationship Management

CRM Concept, Importance and Advantages of CRM, Strategic CRM tools and measures, Customer Relationship Management & Customer Retention ship Management in Retailing CRM to CRM.

CUSTOMER RELATIONSHIP MANAGEMENT

Meaning: Customer Relationship Management (CRM) is a technology for managing all your company's relationships and interactions with customers and potential customers. The goal is simple: Improve business relationships. A CRM system helps companies stay connected to customers, streamline processes, and improve profitability. When people talk about CRM, they are usually referring to a CRM system, a tool that helps with contact management, sales management, productivity, and more.

IMPORTANCE OF CRM

- A CRM system consists of a historical view and analysis of all the acquired or to be acquired customers. This helps in reduced searching and correlating customers and to foresee customer needs effectively and increase business.
- CRM contains each and every bit of details of a customer, hence it is very easy for track a customer accordingly and can be used to determine which customer can be profitable and which not.
- In CRM system, customers are grouped according to different aspects according to the type of business they do or according to physical location and are allocated to different customer managers often called as account managers. This helps in focusing and concentrating on each and every customer separately.
- The strongest aspect of Customer Relationship Management is that it is very cost-effective. The advantage of decently implemented CRM system is

that there is very less need of paper and manual work which requires lesser staff to manage and lesser resources to deal with.

- All the details in CRM system is kept centralized which is available anytime on fingertips. This reduces the process time and increases productivity.
- Efficiently dealing with all the customers and providing them what they actually need increases the customer satisfaction. This increases the chance of getting more business which ultimately enhances turnover and profit.
- If the customer is satisfied they will always be loyal to you and will remain in business forever resulting in increasing customer base and ultimately enhancing net growth of business.

Advantages of CRM

- **Better Knowledge of Customers:** Customer Relationship Management is a customer-centric technique. The main focus of CRM technique is on the customers of Business. It helps businesses to acquire all required information of customers. This information is then stored and used for understanding customer behavior.
- **Retain More Customers:** It not only focuses on understanding and serving the existing customers of businesses. CRM aims at acquiring more and more customers for businesses. It targets to increase the customer base & retain them for the long term. Through CRM, a communication channel is developed between customers and business which acquires all information regarding customers.
- **Better Segmentation:** CRM enables businesses in the proper segmentation of market audiences in a systematic way. It collects and supplies all required information regarding potential customers which helps in classifying them according to their interests and criteria. CRM helps in creating groups of audience according to categories and thereby planning specific customer marketing campaigns.
- **Minimizes Cost:** Cost-effective is one of the major advantages of CRM to business. It helps in reducing cost associated with several processes in many ways. Firstly it reduces all the paperwork involved in different processes. All data is stored digitally on the database. Also, it reduces the

manual work to be done in businesses. This leads to a decrease in staff requirements for manual work.

- **Enhance Corporate Image:** A good image in market is a dream for every business. Business having a good reputation enjoys several benefits in market. Customers get easily attracted to these brands. A good image of company also helps it in acquiring funds from the market. The image of a business is created by its customers. Customers when treated well & satisfied properly, they will definitely spread the good word about the business.
- **Increase Business Growth:** CRM has an effective role in increasing the profits & turnover of business. Through it, businesses increase their return on investment. CRM helps in creating more and more loyal customers for the long term. These all loyal customers do repeat purchases and increase the revenue of the business. Large revenues collected helps businesses in increasing their size.
- **Controls Customer Defection Rate:** Retaining customers is one of the major challenges for every business. In today's competition customers are more frequently shifting from one product to another. CRM helps businesses in retaining and maintaining long term relationships with its customers. CRM provides all information about the market to business. A complete idea about customers' needs and expectations is acquired which helps in serving them in a better way.

Strategic CRM tools and measures

CRM METRICS

Every goods or service producer carries out activities with the intent to meet one need of his customer or the other. Due to changes in business structures over the years, it became necessary to find a better way to attend to customers. CRM is the systematic building of organization-customer relationship with the use of technology in order to increase customer satisfaction, loyalty and revenue for the company.

It is designed to help companies better manage customer contact by creating a collection of data acquired by various salespersons on the same customer. The

performance of CRM should be measurable so that organizations can gain insight into what aspects to improve on. A number of criteria for measurement have been offered by many in form of Balanced Score Card, CRM Success Metrics, Customer Satisfaction, and Six Sigma. Most of these metrics will be expounded here.

Increased Customer Retention: It is one thing to acquire new customers; it is another thing to get them to stay with you. Relationships are key and it is often more cost effective to retain an existing relationship than building one with a new customer. The amount of customers that do not defect from your company can be used to check the performance of CRM.

Increase in visits and orders made per customer: a well performing CRM should be able to bring in more traffic to your business. The number of people who visit or order from you higher than what of used to be. In a case where there is no positive change in the in traffic and orders, CRM may not be considered to be performing well.

Increased Sales: Making profit is the lifeblood of a company and profit cannot be made without sales. An increase in what customer spends on average for every order they make should increase with the help of CRM.

Increased Cross Sale: making cross sales helps create a balance in sales as a lack of cross sale might result in company not making profit on certain products. Cross sale means that customers are purchasing products from different categories. A well performing CRM should increase cross sales.

Increased Up Sale: even within the same company, products may not go for the same price. It is necessary that a company sells the more expensive products as much as the less expensive ones. CRM should be able to facilitate the increase in the sales of higher priced items.

Increased Win-back: it is not uncommon to find customers ceasing to patronize a company for one reason or the other. It is the job of the company

and also in their best interest to find a way of winning back such customers. With the help of a well performing CRM, this should be possible.

Increased Referrals: if you have ever heard the saying 'one tree, a forest', you would realize that one tree births others which birth more. This is the same with customers and referrals. One customer could influence others to buy from you who can also make some other set of people buy from you. The rate at which referrals increase as a result of CRM is an indicator of how well it is performing.

Customer Relationship Management & Customer Retention Management in Retailing

Customer Relationship Management in Retailing

A sound and well-rounded customer relationship management system is an important element in maintaining your retail business. Not only is customer relationship management in retail a business strategy, but it is also a powerful tool to connect retailers with their consumers. Developing this bond is essential in driving your business to the next levels of success.

Contrary to misconception, CRM for the retail industry is more than just building good customer relationships. It should:

- Reach shoppers at the right time, in the right channel with a personalized offer. Ensure the best use of communications channels, such as email, SMS, and social.
- Support a seamless Omni channel retail strategy.
- Measure the value of different market segments and their lifetime value to the business.
- Manage loyalty programs that drive long-term retention and share of wallet.
- Support customers after they purchase products and gather feedback for continual improvement.

- Track the effectiveness of marketing campaigns to increase foot traffic and sales.
- Analyze performance to aid planning.

Customer Retention ship Management in Retailing

1. Have a customer loyalty program

One way to drive customer retention is to get to know your shoppers and provide relevant value through a customer loyalty program. These programs provide deeper insights into your customers and also help you stay top of mind.

2. Be proactive with customer support

Your retail employees are an integral part of your customer retention initiatives. They're the human extension of your brand and a pillar of the relationship you have with your customers. As we know, strong relationships mean more repeat purchases. Brands that are proactive with customer support thrive, even during times of diversity.

3. Take a stand

It's becoming more common for brands to take stands on issues. There are a number of benefits to this approach, one major one being customer retention. When brands are truly committed to those causes, they can build meaningful relationships with customers that turn into lifelong sales.

4. Create a community

Retailer can build a community using their retail store. Community builds and nurtures authentic relationships and drives customer loyalty. Creating a community around your brand or store helps customer retention in a couple of ways:

- Gives customers a reason to return to your store. Hosting in-store community events encourages repeat visits and, eventually, transactions. The more a customer visits your store, the more likely they are to make purchases.

- Builds trust. Consumer trust leads to sales. Creating a community, a safe space, establishes trust and a lasting relationship with your customers.

5. Implement personalization (tech helps, but this doesn't have to be fancy!)

Today's technology, both online and in person, is making personalization more accessible to retailers of all kinds. Many POS systems will track customers' purchase history and sync with a loyalty program, so you can identify trends or feed the data to a tool that will identify trends for you.

6. Nurture relationships through post-purchase communications

Treating your customers as humans rather than sales numbers is extremely important for customer retention. A recurring theme in this article, strong brand-customer relationships drives loyalty and repeat purchases. One way to build on those relationships is through post-purchase communications. Rather than taking a customer's money and setting your sights on the next sale, use post-purchase communications to keep the conversation going, provide value, and demonstrate appreciation for their loyalty. This will make customers want to return to your store rather than a competitor's.

7. Tailor your messaging to each shopper's journey

As you already know, staying top of mind is essential for improving your customer retention. You need to be in your customers' radar, and in order to that, regular communication is key.

That said, regularly communicating with shoppers doesn't mean blasting your entire list with the same message. In order for your customer communication efforts to be effective, you need to refine and personalize your messages.