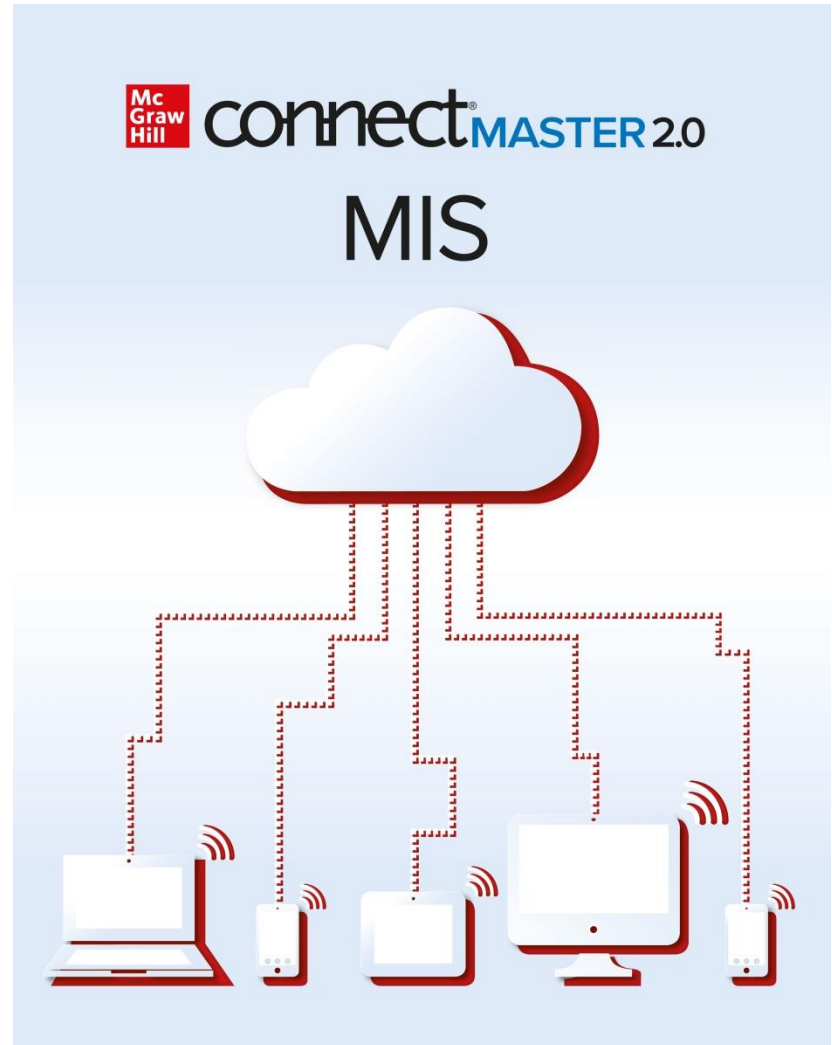




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MIS

Customer Relationship
Management



Overview

No matter how wonderful a product is, regardless of whether a business can beat the competition's price, or how loyal and efficient is the company's workforce, without customers a business simply cannot survive.

This is true no matter what the "customer" is called. Physicians have clients, restaurants have patrons, bars have regulars, but they are all customers and they are all the lifeblood of a business.

It is no surprise, then, that acquiring and keeping customers is such an important part of running a successful business. Customer relationship management systems have been developed to assist businesses in all aspects of dealing with customers.



The Importance of Customer Relationship Management Systems to Businesses

Organizations use **customer relationship management (CRM)** systems to assist in the management of the critical relationships they have developed with their customers.

These systems assist organizations to synchronize business operating units relating to customer interaction.

Customer interaction includes the marketing, sales, and service areas of the organization.



How Business Uses CRM systems to Acquire New Customers

Customer acquisition consists of the processes and strategies an organization uses to obtain new customers.

Customers can be acquired using a number of approaches including social media, search, affiliate, referral, and email marketing.

Organizations often track customer acquisition using a lead generation or acquisition funnel.



How Business Uses CRM systems to Acquire New Customers (cont-1.)

- A **lead generation funnel** starts with gaining customer interest. Marketing activities driven by CRM can help to stimulate interest
- next, the organization attempts to gain interest about a product or service. After interest comes desire
- CRM software and the analytics it provides are used to create the need, want, or desire to purchase a product or service
- the last phase of the funnel is action, which is also known as purchase. In this phase the customer pays for the product or service

CRM software is used to track purchases and record purchase information.

CRM software systems track prospective and current customers through the various stages of the funnel.

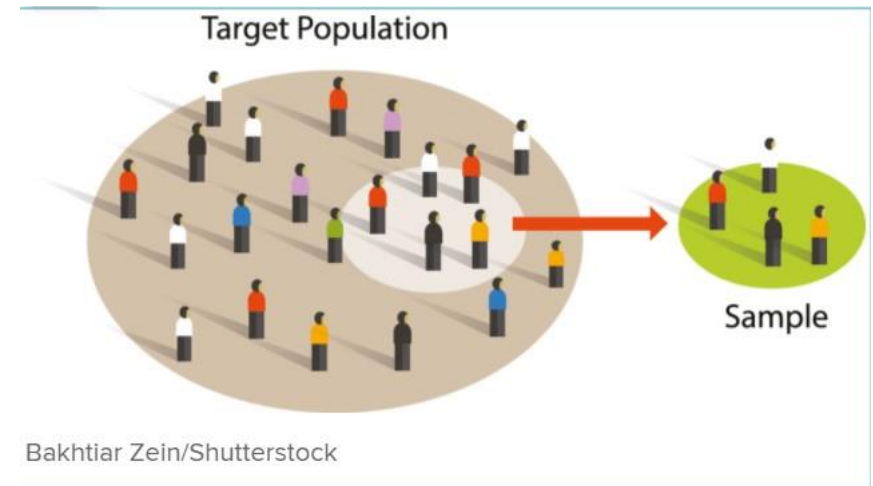
How Business Uses CRM systems to Acquire New Customers (cont-2.)

- Software assists organizations in identifying **marketing qualified leads (MQLs)** and **sales qualified leads (SQLs)**.
- A MQL is a lead (i.e., a prospective customer) who has an identified interest in a brand or product/service offering.
- MQLs have intentionally engaged with a product or service by performing actions such as downloading content from a site, repeated visits to a website, and adding materials to an online shopping cart.
- A SQL is a lead that has been qualified and is ready to make a purchase. MQLs are curious while SQLs are ready to take action.
- CRM software supports businesses in identifying which leads are MQL and which are SQL so that organizations can properly engage both groups.

How CRM systems Assist Businesses in Segmenting a Market

Market segmentation is the process of dividing a market of both potential and existing customers into groups (i.e., segments) based on a variety of characteristics including both demographic and psychographic types of data.

- segmented groups share common traits, interest, needs, wants, and geographic location



How CRM systems Assist Businesses in Segmenting a Market (cont.)

CRM marketers use information collected in databases to create promotions that are best targeted to customers' needs and wants.

Promotions created by CRM include customer loyalty programs and product/service customization.

According to Salesforce.com, segmented marketing campaigns have been shown to generate an average of a 760% increase in revenue.

When selecting a customer segmentation tool Salesforce.com has identified the following four factors to consider:

1. Integration – Customer segmentation software should be able to efficiently link data from a variety of sources.
2. Data collection and analytical tools – Data access, ease of use, and ease of data interpretations are important considerations.
3. Flexibility and scalability – The solution should work well in the current environment, but also be scalable should growth occur.
4. Cost – The overall cost of the tool should be considered. It is important to use a tool that provides enough information without spending more money than is needed to accomplish desired results.

How CRM Systems Assist in Targeting a Market Segment

A **target market** is the group of existing and potential customers that an organization believes they can sell their products or services to.

An organization's target market shares common characteristics including geographic location, demographic and psychographic backgrounds, and income level.

Organizations must precisely identify their target markets so they best utilize resources when marketing to potential and existing customers.

CRM software is often used to identify an organization's target market and to provide critical insights into the profiles of these customers.



How CRM Systems Assist in Targeting a Market Segment (cont.)

CRM systems provide a variety of analytical tools, including those used to identify and understand the target market.

- these tools can be used to recognize the precise market for a specific product or service and how best to reach that market.
- a variety of both online and traditional media strategies are used
- these systems collect data from customer transactions which can then be analyzed using analytical tools provided in the platform to identify trends as well as demographic and geographic information
- analysis of customer characteristics is also an important part of the process

CRM software can identify where customers are located, what they buy, how often they buy, and even the purpose of the purchase.

Often this data is used to create an ideal customer profile which identifies the highest revenue customers.

Review: CRM Systems, Customers, and Market Segmentation

What is customer acquisition?

- customer acquisition consists of the processes and strategies an organization uses to obtain new customers

What are the four factors to be considered when selecting a customer segmentation tool?

- integration, data collection and analytical tools, flexibility and scalability, cost

What is the difference between a MQL and a SQL?

- MQLs (marketing qualified leads) are curious while SQLs (sales qualified leads) are ready to take action

What is market segmentation?

- market segmentation is the process of dividing a market of both potential and existing customers into groups (i.e., segments) based on a variety of characteristics

How CRM Systems Assist in Prospecting New Customers

Prospecting is the method of searching and finding potential customers for a product or service.

- prospecting involves identifying potential customers, designing effective marketing strategies to reach them, and then converting them from prospect to customer
- according to HubSpot, in a recent survey 42% of sales professionals rated **sales prospecting** as the most difficult stage of the sales process
- in order to make the prospecting process easier, many firms turn to external prospect software that integrates with their CRM to assist them with prospecting

How CRM Systems Assist in Qualifying Potential Customers

Qualifying potential customers is an important part of the sales process.

- Qualifying a potential customer occurs when an organization determines whether or not an individual or business makes sense to pursue as a potential customer.
- Research shows that qualified sales leads result in better close rates and a higher **return on investment (ROI)** than non-qualified leads.
- This process can be difficult to execute without the assistance of CRM software.



How CRM Systems Assist in Qualifying Potential Customers (cont.)

Many CRM software programs offer the opportunity to create customized sales funnels based on specific organizational needs and sales characteristics.

Additionally, they give the user the ability to make distinctions between prospects and realistic sales opportunities.

Pursuing unqualified leads can be costly to a company because spending marketing dollars to pursue them often does not succeed.

How Businesses Use CRM Systems to Identify Current Customers

A well-developed CRM strategy can assist organizations to identify the needs, wants, preferences, and expectations of current customers.

In order to identify these elements accurately, many firms turn to CRM software for help.

Many experts recommend executing the following activities within a CRM system to help uncover customer needs, wants, preferences, and expectations.



How Businesses Use CRM Systems to Identify Current Customers (cont.)

- Customer surveys – Surveys should be utilized to collect feedback from customers.
- CRM systems can be used to design, share, and collect data from a variety of social media channels
- Social media – Organizations can leverage various social media platforms and integrate them within a CRM platform.
- Monitor procurement methods – Anticipating preferred shopping methods, customer motivation, purchase frequency, and spending habits allows businesses to be more profitable.
- Analytics – The analytics provided by the CRM platform can be used to uncover trends in the data that is collected about customers.

How Businesses Use CRM Systems to Understand How Customers Interact

A company must effectively manage their interactions with customers.

Customer interaction encompasses all the communication that takes place between a customer and an organization.

This includes social media, email, traditional mail, direct marketing, and many other methods of communication.

CRM systems are used to make more meaningful and effective interactions with customers.



How Businesses Use CRM Systems to Understand How Customers Interact (cont.)

The design of a CRM strategy should include the following regarding customer interaction:

- Monitor customer interactions – using CRM to identify what methods of communication are most engaging for customers is important
- Customers as individuals – CRM is used to ensure each customer receives an individual contact record every time the customer enters a company's database
- Automation – CRM is used to generate automatic responses to customer interactions, scheduling of tasks related to customers, and customer communications
- Customized communication – CRM can ensure that messages are properly matched to the customer

Review: Potential and Current Customers

What is sales prospecting?

- sales prospecting is the method of searching and finding potential customers for a product or service

What activities are recommended to uncover customer needs, wants, preferences, and expectations?

- customer surveys, social media, monitor procurement methods, and analytics

What is meant by qualifying a potential customer?

- qualifying a potential customer occurs when an organization determines whether or not an individual or business makes sense to pursue as a potential customer

What does customer interaction include?

- customer interaction encompasses all the communication that takes place between a customer and an organization including social media, email, traditional mail, direct marketing, and more

How Businesses Use CRM Systems to Acquire Customer Information

CRM systems provides service to many members of an organization including sales, recruiting, marketing, and business development.

- it offers the interface and methodology needed to manage interactions with customers, create and maintain relationships, and collect information about customers

CRM software stores information about prospective, current, and past customers including contact information, purchase history, and even brand preferences.

- this allows members of an organization to better identify sales targets, document any product or service issues, and create and manage marketing campaigns



How Businesses Use CRM Systems to Acquire Customer Information (cont.)

Each time an interaction occurs, whether it is communication or a purchase, CRM software records this information. Common types of customer data collected in a CRM system includes:

- **Identity data** - this is also known as **demographic data** and includes the customer's name, address, gender, date of birth, phone number, and email address
- **Quantitative data** - this refers to how the customer interacts with the business and includes transaction history, online activity, customer service history, and inbound or outbound communications
- **Qualitative data** - this refers to a customer's feelings and reasoning about a product or service. It includes attitudes (ratings and perceived value), opinions, and motivation (reasons for a purchase)
- **Descriptive data** - this is additional demographic data about a customer and includes family status, lifestyle, education, and the customer's career

How Businesses Use CRM Systems to Analyze Customer Information

Customer relationship management (CRM) analytics provides insights into customer behavior that can be used to make informed business decisions.

CRM analytics are often considered a form of **online analytical processing (OLAP)**.

OLAP is the technology behind many Business Intelligence (BI) applications and is used for data discovery and analysis including predictive what-if analysis, report generation, and forecasting.



How Businesses Use CRM Systems to Analyze Customer Information (cont.)

Often CRM systems use data mining to extract information from a customer database. Businesses use CRM analytics in the following ways:

- **Customer segmentation** is where customers are grouped into homogenous segments so behavior can be more easily analyzed
- **Customer value** and profitability includes the identification of which customers create the highest revenue
- **Personalization** allows for customized marketing based on individual customer behavior
- **Predictive modeling** uses prior information to assist in the determination of the success or failure of future endeavors

How Businesses Use CRM Systems to Develop Relationships With Customers

By 2021 customer relationship management systems, as predicted by the Gartner IT Services company, will be the single largest revenue area of spending in enterprise software.

CRM systems provide organizations with a clear overview of their customers.

- these systems allow an organization to see all data collected from a firm's customers in one place
- this information can then be used efficiently and intelligently to make informed business decisions and to develop relationships with the customers



Review: Analyzing Customer Information

What is OLAP and what does it stand for?

- OLAP is the technology behind many Business Intelligence (BI) applications and is used for data discovery and analysis including predictive what-if analysis, report generation, and forecasting. It stands for online analytical processing

What are the four types of customer data collected by a CRM system?

- identity data, quantitative data, qualitative data, and descriptive data

How do businesses use CRM analytics to extract information from a customer database?

- customer segmentation, customer value and profitability, personalization, and predictive modeling

How can CRM systems improve customer service?

- customer service is improved with CRM because information about the customers' purchases and interactions are stored and easily accessed for use when needing to troubleshoot any issues

Share of Customer

Share of customer, also known as **share of wallet**, focuses on getting as much business as possible from fewer customers.

- the idea is that it costs less money to retain existing customers than it does to acquire new ones
- a high share of wallet means that the existing customers are spending more to purchase products or services from one organization than they are from direct and indirect competitors
- businesses should try to capture more business from their existing customers which often leads to higher gross margins and more profit.



Customer Equity

One of the benefits of using a CRM system is that data can be analyzed and provided to assist in measuring **customer equity (CE)**.

- CE is the value that the future lifetime revenue an organization's customers will generate minus customer acquisition costs and customer retention costs
- this can be either an individual or collective measure, depending on how the data is structured
- an organization with a high customer equity value often has higher revenues and is valued higher than a company with a low customer equity value



Customer Profitability

Customer profitability (CP) is the amount of profit an organization makes from selling products or services to a customer or group of customers over a specified time period.

CP is calculated by subtracting the costs associated with sales and engagement from the revenue earned from the sales of products or services.

CRM systems are used to measure customer profitability.



Customer Lifetime Value

Customer lifetime value (CLV) is one of the key metrics used to determine the profitability of an organization's customers.

While CLV can be manually calculated, many organizations use customer relationship management (CRM) systems to calculate this important metric.



CLV is the total amount an existing customer will spend on an organization's products or services over that customer's lifetime. Organizations use this metric to determine how much they should spend to acquire new customers versus how much they should spend to retain existing customers.

Understanding CLV assists organizations to develop business strategies designed to get new customers and keep existing customers, while maintaining acceptable profit margins.

Review: Customer Equity, Profitability, and Lifetime Value

What is meant by share of customer?

- share of customer is also known as share of wallet and it focuses on getting as much business as possible from fewer customers

What is meant by customer profitability?

- customer profitability, or CP, is the amount of profit an organization makes from selling products or services to a customer or group of customers over a specified time period

What is meant by customer lifetime value?

- customer lifetime value, or CLV, is the total amount an existing customer will spend on an organization's products or services over that customer's lifetime

Risks Associated With Storing Customer Data

According to research by Risk Based Security, there were 2037 publicly reported data breaches in the first half of 2020.

These data breaches exposed over 27 billion records of information.

- the reason these data breaches occurred was due to misconfigured databases and services
- data breaches remain one of the biggest threats to storing customer information

CRM systems store large volumes of information from customers and employees and are often the target of cybercriminals.



Risks Associated With Storing Customer Data (cont.)

According to cybersecurity experts, there are a number of steps that can be taken to prevent CRM data breaches.

- Server security – if data is stored on physical on-site servers, it is important to take security measures to protect data and can be accomplished by ensuring firewalls and routers are secured and that all software is up to date
- Proper CRM administration – CRM systems can be compromised due to a lack of proper CRM administration and It is important to make sure staff who interact with the CRM system are properly trained and that managed access and access-levels are in place
- Consistent updates to CRM software – CRM systems and software constantly are updated to help prevent data breaches as software that is not consistently updated is potentially at risk for data breaches

Laws and Regulations Associated With Storing Customer Data



There are a number of privacy laws in the United States and abroad that are designed to protect consumer data and to ensure data privacy.

In the United States, organizations are required by law to notify authorities within 72 hours if a data breach has occurred.

Additionally, governance on data subjects (i.e., individuals whose data has been collected and processed by an organization) is in place.

Laws and Regulations Associated With Storing Customer Data (cont.)

Here are some of the current privacy laws:

- The Federal Trade Commission Section 5: according to the FTC, the government has the authority to prevent unfair or deceptive trade practices
- The Gramm Leach Bliley Act: this is a US law that governs personal information collected by financial institutions
- Fair Credit Reporting Act: this act regulates the gathering and use of credit reporting information
- California Consumer Privacy Act (CCPA): California law that mandates disclosure about data collection policies and gives individuals the ability to access, correct, and delete personal information
- Europe's General Data Protection Regulation (GDPR): this governs data protection and privacy in the European Union and European Economic Area. Additionally, it governs the transfer of personal data outside the EU

Ethical Considerations of Selling Customer Data to Third Parties



Organizations legitimately collect data from individuals for a variety of purposes including for CRM.

While this information is legitimately collected, many organizations go on to sell this data to **third parties** who often use it for marketing and demographic analysis.

However, data privacy and security are very difficult to control on the individual level.

It is up to the organization to determine what types of data they will collect, how they will use this data, and to properly communicate these policies and procedures with the public.

How CRM Market Analytics Improve the Quality of Customer Data Collection

CRM relies heavily on data that is collected from a variety of sources including point of sale, e-commerce, social media, and email marketing.

The quality of this data impacts the overall effectiveness of a CRM system.

The analytics that are provided by a CRM system are used to help improve business processes and efficiency.

Analytics can also be used to help improve data collection and processing.



How CRM Market Analytics Improve the Quality of Customer Data Collection (cont.)

The following strategies can help to enable better data collection.

- End-user needs – CRM data collection can be streamlined by using analytics to determine end-user needs
- Standardized data collection processes – CRM analytics can provide information about where data erosion occurs and how processes can be improved to minimize it
- Demonstrate the value of CRM – CRM analytics can provide insight into how customers and members of the organization interact with the CRM system
- this information can be used to design data collection strategies that encourage interaction and use

How CRM Market Analytics Are Used to Develop New Products

CRM systems are able to collect a plethora of information about the behaviors, interactions, and usage of their customers.

This information can be used to help guide product development.

According to Harvard Business School professor Clayton Christensen, there are over 30,000 new products introduced every year, and 95% of these products fail.

So how can CRM analytics be used to help reduce the likelihood of product failure?

How CRM Market Analytics Are Used to Develop New Products (cont.)

The following provides an overview of the various ways CRM analytics can help to guide new product and service development.

- Viability – CRM analytics can be used to test the viability of products or services
- Product and/or service measurements – CRM systems can be designed to capture information about what features of a product or service are working and what features are causing problems
- User experience – CRM systems can be designed to capture data about why users are buying a product or service and how they are using it
- Product development – CRM analytics often give insights that foster innovation

Review: Risks, Rules, Ethics, and Analytics

In the US, how long do organizations have to notify authorities is a data breach occurs?

- 72 hours

How can CRM analytics help guide new product or service development?

- testing the viability of products and services
- capture information about what features of a product or service are working and which cause problems
- get information about user experiences
- use information from both quantitative and qualitative analyses

Review: Risks, Rules, Ethics, and Analytics (cont.)

What important information may be included in the fine print agreement you must accept before downloading an app?

- you may be agreeing to various ways the company can use your data, including (possibly) selling it to a third party

What steps can be taken to prevent CRM data breaches?

- server security should be maintained with firewalls,
- secure routers, and up-to-date software, should be administered properly with training and
- managed access-levels, and CRM software should be consistently updated



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