Customer Relationship Management (CRM)

An introduction

By

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Customer Relationship Management (CRM)

- CRM History ?
  - Customer satisfaction
  - Customer Retention
  - Customer Loyalty

Customer Orientation

(circa 1950) - (General Electric, Marketing Concept)

Marketing Concept principals:

1- Having a customer orientation,

2- Establishing a chief marketing executive with high corporate status,

3- Establishing marketing staff function (e.g., marketing research, product management, new product planning),

4- Integrating all marketing functions (e.g., advertising, personal selling, sales promotion),

5- Emphasizing profits rather than volume of sales.

Disadvantages of Customer Orientation:

- More focus on the *marketing department* or *function* rather than on the *customer!*
- Concentrated more on acquiring *new* customers than on retaining and satisfying *existing* customer!
- Didn’t include any requirements for *systematic*, *continuous*, and *objective tracking* that would monitor the customer satisfaction!

What is CRM?

- The values and strategies of relationship marketing- with particular emphasis on customer relationships- turned into practical application.
- A collection of business approaches and technologies that help companies develop more profitable customer relationships.

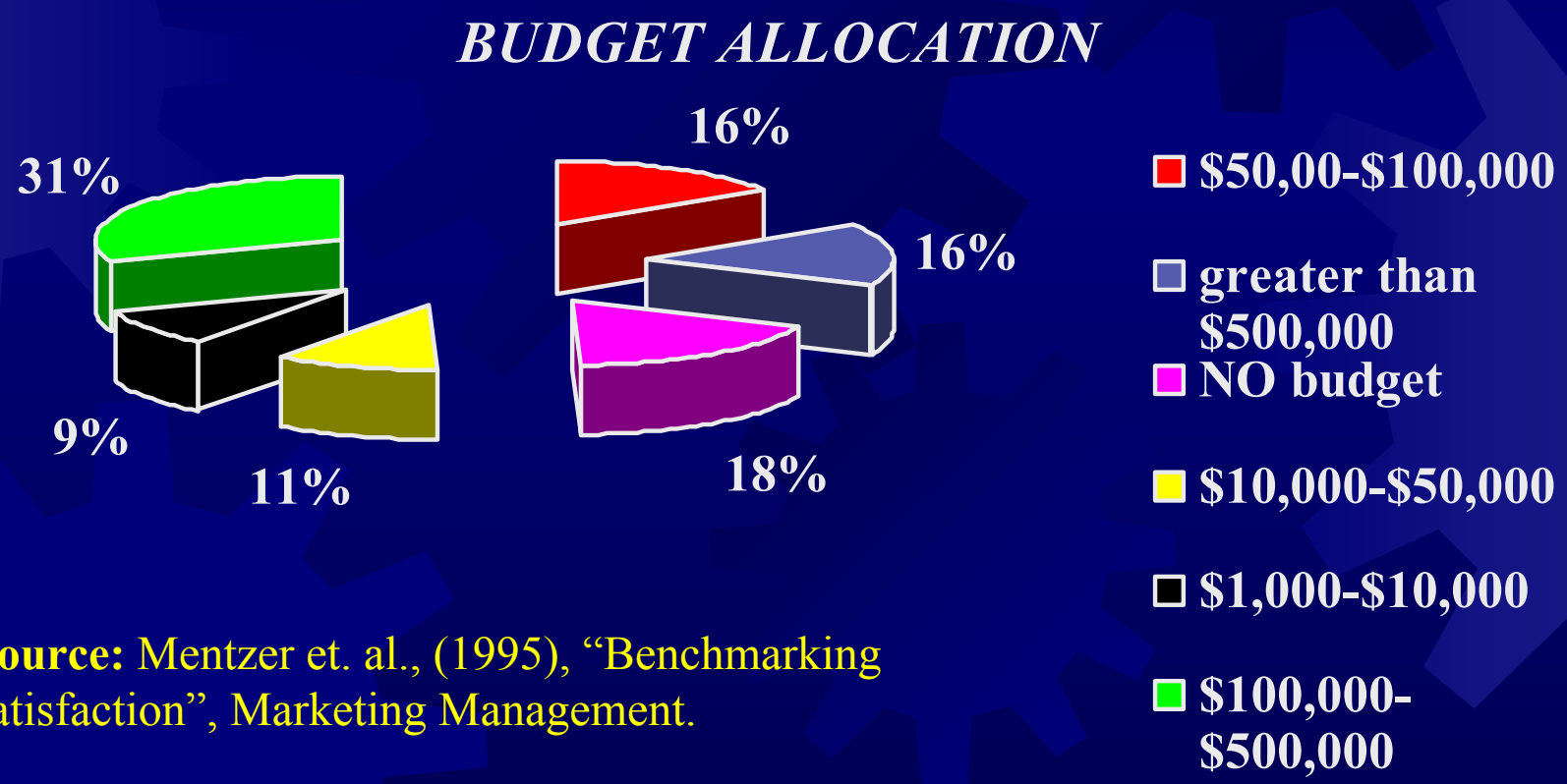
Customer Satisfaction

- Began circa 1990 because of:

-An economic recession

-Hyper competition from both domestic and foreign firms

-Shrinkage in many global markets



Source: Mentzer et. al., (1995), "Benchmarking satisfaction", Marketing Management.

Customer Retention

- Sustaining the existing profit stream from current customers
- Case study

Retention Strategy: "PORSCHE CAYENNE"

Boxster

Cayman

911

Cayenne

Customer Retention → Incremental profits regardless of achieving loyalty

Customer Loyalty

- The customer behaviour of a sustained profit stream without the need for incremental marketing investment.
- The most important and natural desired outcome of satisfaction (Exception: Utilities, Banks).
- Loyalty Measures: customers' *intent* to *repurchase* the product when they need a *replacement* and to *recommend* the product to friends and family (word-of-mouth).

Customer loyalty → Long term retention

Benefits

- Reduction in costs of finding new customers
- Repeat purchases
- Increased selling
- The price premium that Loyal customers often pay
- Positive effect on market share
- Positive effect on a company's net operating cash flow and profit
- Deliver an acceptable return on investment
- Longer-lived customers are more likely to recommend their friends and relatives

Customer Satisfaction Measurement

Main Issues:

- What is the purpose(s) of the customer satisfaction Program?
- Who will be surveyed?
- What tools are needed for measurement?
- Where do attributes come from?
- What type of measurement scale should be used?
- Should a customer satisfaction Index be constructed?

Customer Satisfaction Measurement

CSM Program:

- A Structured *Questionnaire*
- *Time Management (at periodic intervals- secure evaluations)*
- *Company's customers, competitor's customers, former customers*

Customer Satisfaction Measurement Program

- Objectives
  - More retention
  - Improve internal operation
  - Track changes over time
  - Comparison with competitors
  - Compensate employees
- Who will be surveyed
  - Customers
  - Competitor's customers
  - Former customers
  - Noncustomers
  - Employees (especially in *Service Industry*)

- Measurement tools
  - Performance attributes (Example)
  - Measurement scales
  - Summary/overall evaluation
- Data mining
  - Previous company research
  - Customers
  - knowledgeable company personnel
- Measurement scale type
  - Simple performance rating
  - Simple satisfaction scale
  - Single performance/expectations scale
  - Dual performance/expectations scale

Satisfaction Rating Scales

- Simple Performance Rating Scales

A. Numerical scales

1 — 10

very poor — very good

B. Verbal scales

Strongly disagree — Disagree — Agree — Strongly agree

TUTORIALS

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Finally

- Have a good course
- Learn something useful
- Have a good time
- Do a good job
- Good luck!