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# Customer Relationship Management – CRM

SEMINAR EVENT

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## INTRODUCTION

With the process of globalization, customer orientation has become a hotly debated topic over recent years. Unfortunately, this does not necessarily mean that the situation for customers has changed fundamentally.

A number of things have changed if we think of the privatization of large publicly owned companies or the liberalization of trading and business hours as well as service offers unheard of just a few years ago.

These developments as well as the extra business generated for employers of service providers, particularly concerning the retail sector, should not go overlooked. Still, is there anyone who would be unable to name a number of negative buying experiences or service / support cases?

Customer needs are not actively received, callbacks are promised but not transacted. If someone asks for customized products or particular problem solutions, they will be treated skeptically and once you have finally purchased a product, it is your own business to make sure that the product serves the purposes that you intended it for.

The establishment of call centers has been considered a godsend by many companies. However, they have not always contributed to improving the individual customer's situation.

Centralized services numbers with anonymous employees have made it even more difficult to speak to someone with some responsibility. If at least part of a problem has been solved with a particular agent, you can bet on it that they certainly will not be available at a large call center the following day.

If, additionally, these support numbers are continuously busy during the day, and if you are regularly kicked out of the loop after waiting for ten minutes, then all promises of a company concerning customer orientation are not only rendered lip service, but broken promises.

**Customer Relationship Management (CRM)** is intended to improve all this finally and sustainably. All business processes exclusively revolve around the customer: The sales department recognizes the customer's wishes before they have articulated them. E-commerce orders are routed on to the production department without delay so that special requests can be implemented immediately. The product will be delivered to the customer in a timely manner and with an all-around service, a lifetime guarantee, and completely installed and assembled.

In the unlikely event that a problem should arise, the company has a number of possibilities for emergencies, from a stand-by service technician to a working online help desk.

After the purchase, manufacturers permanently take care of their customer, e.g. with information concerning new products, upgrades, or sensible accessories. Your customer could not be more satisfied!

A dream – or reality? It is a fact that many customers would be prepared to spend more money if such a service was guaranteed to them.

This rather complex challenge poses a big task for most manufacturers and companies. If you think of being able to kill such a big bird with a technically sophisticated CRM solution, you are barking up the wrong tree because:

CRM does not only mean a fundamental change in the heads of your employees in connection with a complete restructuring and reorganization of your business processes – in most cases, it also means employing, exchanging, or expanding new IT solutions and structures in your company.

This is why CRM projects constitute a major overhaul for each company, something that needs to be pondered upon very carefully with a permanent double-checking of each individual step during implementation.

If you understand that **Customer Relationship Management** is not restricted to selecting CRM software, you also know that in the last consequence, it is the way your employees behave themselves that is responsible for success or failure of CRM measures.

Properly designing these approaches and then implementing them by using appropriate technological tools is the simplest definition of CRM – whereas one cannot work without the other.

With this seminar topic in mind, a simple approach of customer relation management using CRM was chosen in order to provide an introduction to CRM along with treating the most important fundamental principles of customer orientation.

By the same token, this seminar will not give software- or company specific particulars with regard to actually introducing and implementing CRM. This decision can only be made depending on the actual company situation and the specifics from case to case.

Introducing a new distribution software should not be mistaken for a CRM project: Properly understood, CRM concerns all business units and company processes from communications to marketing and sales, customer service and support, up to data warehousing, product classification, and the customer-oriented structure of an Internet site.

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## WHAT IS CRM?

The three main components of CRM are

- humans,
- processes, and
- technologies

that are supplemented with data contents. It is the first and foremost goal of CRM to actively establish and maintain long-term beneficial customer relations that are to be achieved through a constant contact with the customer.

CRM is not a new philosophy, nor a new customer or employee orientation or new organizational approach. On the contrary, it is the holistic attempt to **profitably shape** customer relations by taking into account personal and social aspects as well as implementing all technology and business processes that are at one's disposal.

If all these components can be united, CRM may be introduced successfully. Single-sided approaches are usually bound to fail. A single-sided IT approach in the past did not yield the desired success for many companies. This emphasizes that CRM must not be a means to its own end or a new sales strategy but rather a completely new approach which focuses on **active interaction** with the customer.

CRM illustrates managing all relations between the customer and the company. The relations with the customer are marked by a constant exchange. The main problem of this exchange process is the fact that information gathered about the customer is not always available. They are spread out all over the company – not where they are needed. At this point already, the exchange with the customer is stalled.

Two steps are necessary: All customer information must be collected and made available where it is needed in the company. The information is to influence customer relations actively and positively.

Constituents of CRM

CRM as a completely new approach



Consequently, CRM constitutes a new organizational unit in the enterprise which is responsible for the entire exchange process in customer relations – from planning to controlling to surveillance.

This constitutes the actual revolutionary fact about CRM: the creation of a new organizational unit which also assumes responsibility for this field. On the one hand, it assumes the respective management tasks; on the other hand, it oversees their implementation with the help of the IT tools that are at its disposal.

New organizational  
unit

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## What is new about CRM?

By primarily orienting itself toward the product, classic marketing cannot satisfy customer demands any longer: It constitutes a form of mass marketing that does not conform to the individual customer any more.

Mass marketing can be noted from overflowing mailboxes: with contents that are not interesting to 99 % of the persons that are addressed; with purchase offers that are useless to the consumer; or with inconvenient, sometimes annoying side effects: When calling a company, you may have to talk to three different representatives and repeat yourself constantly, or you may have to give your personal information upon every visit to the car garage.

These contributions are counter-productive with regard to customer satisfaction. The customer might long for the days of a business relationship with the old corner store – whose owner precisely knows his or her wishes.

So what is actually new about CRM?

Contrary to the old classic marketing approach (“How can I find as many customers as possible, as quickly as possible?”), the question in CRM is as follows: “How can I accompany my customer for as long as possible in order to create a value-added and mutually beneficial relationship between him or her and my company?”

CRM creates a product and service offer that is oriented toward the customer without compromises – leave the mass market product behind in favor of the **individual and customized** solution.

A company usually makes 80 % of its profits with 20 % of its products or services. Thus, the company has customers that generate low revenue as well as customers that generate high revenue. CRM selects the customers according to their valuation, and differentiates customer treatment according to the revenue they generate for the company.

As opposed to mass marketing and short-term selling, CRM is a long-term effort of lifetime value. In CRM, investments for customer acquisition are to be made only once if possible, in order to be able to offer suitable products to the customer at later stages as well. This is a much greater return on your initial investment with regard to customer acquisition.

Individual and customized solutions

Lifetime value