

# MODULE 1: INTRODUCTION

## Module Overview

This module introduces the basic concepts of Customer Relationship Management (CRM) and explores what CRM means to a business and what goes into defining a CRM strategy. Additionally, this module outlines how technology can be leveraged to support the CRM strategy for a business. It is important to note that software cannot fix all issues an organization faces with customer relationship management. An organization must take the time to define important concepts such as brand, customer engagement, employee engagement, what business results they aspire to achieve, and how to achieve them. Software is merely a tool to help fulfill these strategies.

### Objectives

The objectives are:

- Gain a conceptual understanding what Customer Relationship Management (CRM) is.
- Compare and contrast CRM as a strategy and the tools that support it.
- Discuss and define different types of Customer models.
- Understand the role of the core areas of a business that a CRM strategy needs to consider.

### What is CRM?

This lesson explores the background of Customer Relationship Management (CRM) and seeks to understand what comprises CRM as a strategy. As CRM is itself not a new concept, this first lesson will discuss the building blocks of what a customer is, what it means to have a relationship with customers, and what is involved in managing it. This lesson also discuss what CRM is not: it is not software. Over the years there have been many tools and methodologies for managing and developing customer relationships. Some of these tools are software based and others are not. This lesson will discuss the proper place for these tools in the CRM conversation.

### Customer Relationship Management

When many people think of Customer Relationship Management (CRM), it is often equivalent to a process of selling products or services to customers. Is that all there is to CRM? Some would argue yes, while most would argue no. What people generally agree upon is that it is about more than just hanging an "Open" sign and waiting for the sales to materialize. Customer Relationship Management starts with "Customer Relationships". It is a relationship that a consumer that has with a brand. Why does one person always go to one coffee shop to get a daily cup of coffee while the next has no particular loyalty to one brand or coffee chain? For the latter, the consuming of a cup of coffee perhaps nothing to do with how they feel holding that cup of coffee donned with a particular logo and nothing to do with any other emotive attribute. For them it may simply be a means to an end. The act of consuming a cup of coffee is simply part of the rhythm of the day. For the former, getting their cup of coffee at a particular coffee shop or consuming a particular brand is a foregone conclusion. This concept doesn't just apply to coffee, it applies to any organization, any product, and any service.

This alignment with a brand may be deemed as merely brand recognition. Having a recognized brand doesn't equate into loyalty or sales. Some brands are well known, but not for their positive attributes but rather their infamy. Developing customer relationships leads to brand loyalty. Brand loyalty leads to customers coming back over and over again. It leads to customers considering a business first before all others relative to the service provided. Developing brand loyalty starts with creating relationships between the customers and the organization. This is accomplished through multiple mechanisms. Some of these include:

- Clear and well-articulated business goals and strategies.
- A focus on the customer relationships that are created and maintained at every customer touch point.
- Having the right people and right tools to support the Customer Relationship Management strategy.

This relationship building is not accidental, it is purposeful. Relationships are not

accomplished by one person, one policy, one store, or one software system. It is multi-faceted and requires constant attention.

### **CRM as a Strategy**

To explore what Customer Relationship Management is, begin with a simple example. If one thinks back to conversations with grandparents or parents, television programs or movies that depicted life or small business of the early 20<sup>th</sup> century or before, images of the dutiful shop keeper who knew everyone that walked through the door, what they liked, what they didn't like, what new products they might enjoy or use may quickly come to mind. This is how business was done. People knew you and you knew people. What was sold, how it was sold, when it was sold was all based upon an understanding of what customers needed and wanted. When people were hired to help run the business, the right people with the right skills (or perhaps potential of developing them) were hired. Businesses ensured that when a customer came to the store front, they became accustomed to a particular experience of doing business. As such, organizations would provide the right equipment and tools to help employees maintain that image and ensure a great customer experience.

This example, while simplistic and narrow, illustrates a number of points. First, the core of CRM is a focus on the "Customer." What is a "Customer?" That topic will be covered soon. However, the first core concept to grasp is that all CRM strategies, philosophies, or tools orbit what is defined as a company or organization's "Customer." CRM is a customer-centric strategy.

Second, beyond just giving customers what they want, CRM is being in tune with those needs and being purposeful about understanding those needs. Imagine a business that sells laptop computers. The kind of laptop a student may need revolves around the need for a computer that allows for easy collaboration with other students and instructors and allows homework to be done and submitted easily. After graduating, expectations of that same computer store may change. This former student may now be looking for a laptop that meets the need of a young person entering the job market. Consumer's needs at various points in life are up to that business and its employees to understand.

Third, an organization must define what the overall business objectives are. What kind of a business do they want to be? What kinds of customers do they want? How will they find these kinds of customers? How will those customers find them? These questions, along with many others, are defined through a well-defined business strategy. While there are many schools of thought pertaining to business strategies and how they are developed, most solid business strategies are approached by evaluating the strategies and its merits from the perspective of three angles:

- Customer Well-being
- Employee Involvement
- Business Outcomes

## Academic Alliance: Customer Relationship Management

---

As a strategy is evaluated for its merits, it should be evaluated by looking at each of these perspectives and asking, "Is this being achieved?" If the answer is, "No", as a business, a core foundational element is missing. While this is a simplistic metaphor to illustrate core business strategy considerations, it relates very directly to the development of a CRM strategy.

Imagine an example of an Automotive Repair shop. If there was a new business strategy that allowed customers to bring in any kind of motor no matter what it was and the business agreed to repair it, would that be a good strategy?

**Does it promote the well-being of customers?** It will certainly reach out to a broader audience. So, in that sense, the strategy is potentially making more customers happy by being that one place can go for any motor they need fixed.

**Does it promote involved employees?** It depends. Are the employees trained on how to fix or diagnose different kinds of motorized components? Do the employees have the tools to do it? Will there be adequate staffing to meet these needs?

**Does it deliver positive business outcomes?** If a business starts to market these new services, how much does it cost to get the word out to existing and new customers? How much will it cost to train current staff on how to diagnose and repair different kinds of engines? Will the business need to hire new staff to fulfill the knowledge gap between what current staff can do and what has been promised to customers? Will there be enough demand to pay for these increased costs? Will focusing on too many things cause the business to do a poorer job on the motors they do know how to fix?

These are the core considerations for a business strategy and *a business strategy is a key aspect of Customer Relationship Management*. In order to define a CRM strategy, a business or organization must first define the business strategy.

The fourth point of CRM that the example of the small business from the early 20<sup>th</sup> century illustrates is the importance of people and processes. A sole proprietor is the sales, marketing, and customer service department. As a business evolves from a one or two person business to a ten person, thirty person to a two hundred and thirty person or larger business, duties and responsibilities become dispersed and delegated. Maintaining cohesiveness as a company starts to become more difficult. What is the experience of the "Customer?" If a customer goes to an office in London or an office in New York, is the experience (aside from the likely different cultural aspects) the same? Is it realistic for it to be the same? Does the organization want it to be the same? While these are only a few of the many questions that can, and likely should come to mind, where the answers to these questions become reality is with the people that "Customers" come in contact with. The person or people who founded a company or an organization must rely on others to fulfill the mission and achieve the goals of the organization.

The core concepts of CRM include:

- A Customer-centric focus
- An understanding of the Customer and their current and change needs
- A focus on a well-balanced business strategy that considers customer engagement, employee engagement and business results
- A focus on employees, tools and processes

While the Customer is at the center, all of these are equally important and require a necessary focus.

## What is a customer?

Thus far, a great deal has been discussed on the importance of the customer as the central focus of a solid CRM strategy. However, what is a Customer? Is a Customer a person who walks into a store and pays for something? For clothing stores, a barber, or a restaurant, that may define what a Customer is. On the other hand, what if an organization sells software? Is the Customer a person or a company? It depends. For organizations that sell well-rounded Enterprise Resource Planning software, a customer will likely be a company or some sort of organization. For a company that sells personal finance software, the customer may be a person. What about organizations which offer training classes or other services? Is the customer a person or a company? Students are people, however, often the 'students' work for a company which may send the student to a training class. So, in that case is the customer a person or a company?

What if an organization doesn't "sell" anything? Does it have customers? Consider a not-for-profit organization that offers some kind of social service, they do not sell anything. Do they need to have a customer relationship management strategy? Consider the following:

- They offer a service.
- They have consumers of those services.
- They need to understand these consumers, their needs, and be able to deliver these products/services to these consumers.
- They need to let people know about what services they provide.
- If someone comes to them needing services, they want to provide a consistent, reliable, and accurate set of services for the specific needs of these consumers.
- They may even have donors or sponsors who also have a 'customer like' relationship with the organization.

The point of this dialogue is that it is different for each organization, although certain types of businesses will commonly have the same sort of definition of a Customer. When establishing a CRM strategy, identifying what a Customer is, is central to the conversation. This lesson discusses the definition of different types of customer models (B2B, B2C, and Hybrid) and how they can be identified.

### **Business-to-Business (B2B)**

A Business-to-Business type of business is one whose customers are other businesses. For example, consider a business that sells and implements telecommunication equipment to hotels. In this example, customers are other businesses. While it is true that they end up working with people to sell, support, and develop those relationships, each of these individuals work for the hotel. In fact, these individuals may leave the company, but the relationship to be maintained on a long term basis is with the hotel.

### **Business-to-Customer (B2C)**

In a Business-to-Customer (B2C) customer model, the customer with whom the relationship is developed and maintained is an individual. People likely come in contact with these types of businesses every day. Such activities as purchasing groceries, getting a haircut, or stopping at a favorite coffee shop include customers engaging with a B2C organization. Other examples might include:

- Hospitals
- Dentists
- Taxi Companies
- Restaurants

As particular industries or markets become more competitive, more and more businesses become a blend of a B2B and a B2C. These are referred to as Hybrids.

### **Hybrid**

A Hybrid model is one whose customers can sometimes be other businesses or individuals. Consider the following example. An automotive repair shop will certainly have customers who are individuals. Customers go there to get oil changed, tires rotated, engines overhauled, and so on. What if that automotive business has their mechanics outsourced to organizations with fleets of trucks, buses or automobiles as well? In this example, they service both organizations as well as people. Other examples might include:

- Software Vendors
- Event Centers
- Insurance Companies

Depending upon the overall business goals, long-term or short-term strategies, and even the competitive nature or shifts in the respective industry may necessitate a business to expand focus to serve a broader audience and even redefine the brand. This redefinition and shift can force a business to change the definition of what a Customer is to them.

# What are the aspects of Customer Relationship Management?

In the previous lesson, CRM was defined and its key, conceptual components were explored. This lesson will begin to look at some of the areas of a business that factor into the overall CRM strategy for a business: Sales, Marketing, and Customer Service.

## Sales

Every business has a core audience they seek to serve. While the components of this audience may differ from business to business, every business or organization seeks to leverage skills, products, or services to meet specific needs of certain people. A key aspect of the economic engine of a business is to find those people who want to pay for or use these goods or services, get them to commit to doing it, and getting paid by the consumer. This is the Sales aspect of a business.

Sales can be fulfilled by a single person or even a group of people focusing on the following:

- Identifying new customers and figuring out which ones are viable potential customers and which ones are not.
- Working with viable customers to find the products and/ or services needed and when they are needed.
- Ensuring that the process the customer goes through to purchase a product or a service is as consistent as possible.
- Answering questions about products or services during the sales process.
- Closing the sale by getting commitment to purchase (for example, via a contract) or through the collection of payment.
- Analyze sales results, identify trends, and make adjustments to the sales process and customer engagement as necessary.

The sales person is often the first person with whom the customer or potential customer engages with. As such, sales people are core to the foundations of fulfilling a CRM strategy. A sales person needs to not only be customer focused, but also cognizant of ensuring business results as well as enabling fellow employees to also deliver upon the business' CRM and business strategies through thorough tracking and documenting of relative customer data, product pricing, and promises made. This also includes tracking relevant conversations and reporting changes as they occur.

Unfortunately, some companies' CRM strategies begin and end with Sales. They sometimes can ignore or forget about generating new interest in products or

# Academic Alliance: Customer Relationship Management

---

services for their existing customers as well as finding new customers. This is where Marketing comes in.

## Marketing

In a business, marketing has many focuses. From business to business or industry to industry, these focuses may be different; however, there are some key components that are common. These marketing focuses include the following:

- Provide up-to-date information on new and existing products.
- Purposefully and systematically communicate to new and existing customers about events, new products or product enhancements.
- Plan events and campaigns that target customers based upon past sales, products of interest, past sales or customer service interactions.
- Develop brand recognition and the brand of the organization or company in all aspects.
- Analyze sales results, customer satisfaction data, and campaign effectiveness and adjust their marketing strategy as necessary.

How this is done differs from business to business and industry to industry. The tools used may differ because of technological shifts in the marketplace or even in buying trends of customers. As such, while the mode of the marketing strategy is important, the focus is grounded on the customer and their needs, communicating to and understanding the needs of the customer, and informing other employees of these initiatives. Beyond the customer-centric focus, the Marketing aspect of a CRM strategy is focused on developing and maintaining the brand of a company or organization both internally and externally.

It is worth noting that branding is not merely a marketing function. The brand of a company is the responsibility of every employee. The brand of a company or organization goes beyond logos, clever advertisements even product attributes, and is realized in every customer interaction. This includes what happens when the phone is answered, how and when emails are responded to, the results of the services, the consistency of the experience, and above all how the customer felt about that particular interaction. As such, the CRM strategy of an organization is something that is reflected in how business is done and how that customer experiences is supported by all parts of a business.

## Customer Service

Another aspect of the CRM strategy for any company is determining how to respond when a customer has questions or if issues arise. No organization is immune from something going wrong in the customer relationship lifecycle. What is important is what is done about it. When things go poorly (or potentially poorly) with the consumption of the product or service, a company has an opportunity to make things right and maintain that brand relationship.



For example, consider the customer who purchases a laptop from a well-known hardware vendor. The customer may have found the acquisition of the laptop simple because of the online experience. They might have found it affordable. They might have even found it easy to get set up and running. But what happens to the development of the brand relationship if when something quits working on the computer and the customer is caught in an endless array of phone calls, getting transferred from one person to the next, and then after spending time on numerous calls with numerous people, the problem is not resolved and they are no further ahead than they were when the issue began? Depending upon the person, they may never buy another computer from this company. They may decide to give the company another chance. They may find themselves reconciled to the notion that this is typical of any hardware vendor and they shouldn't expect otherwise. Getting a customer to consume or use a product once is great. Getting a customer to use or purchase it over and over again is even better. The CRM process and the related strategy is part of every aspect of a business regardless of where the customer is at in the lifecycle.

# Module Review

### ***Module Review and Takeaways***

Above all else, CRM is a strategy that involves a focus on the customer experience and developing a brand relationship between the organization, its services/products, and the consumer of those services and products. As discussed, a company's positive customer relationships (if they are to be a good relationship) do not happen accidentally. Companies that excel and have strong brand relationships with their customers or consumers are those that have an awareness of customer relationships at all points in the customer lifecycle. It involves key aspects of a company: sales, marketing, customer service, operations, product development and so on.

CRM is also about the right tools to support the strategy. While a solid business strategy is certainly the preceding step to this, equipping employees with the correct technologies that are reliable and accurate is of equal importance. Additionally, if these tools are reliable and provide accurate results, it enables employees to do their jobs better and subsequently improve not only customer well-being but employee involvement and positive business outcomes as well. While this module was largely focused on strategy as it relates to customer relationships, the remaining modules of this course focus on how technology supports an overall CRM strategy. For the purpose of this exploration Microsoft Dynamics CRM will be utilized.

### **Real-world Issues and Scenarios**

National Bank is a small bank that offers many services to customers. Historically, National Bank has been known for friendly staff who knew their customers by name and have served multiple generations of entire families' financial needs. In recent years, because of the closing of other local banks and the mergers of others, the bank has experienced significant growth. One local competitor was acquired by a much larger bank from out of town. This larger bank is a very progressive bank that leverages the newest technologies for their customers, is strongly focused on growth, and plans on saturating the market with more branch offices in town as well as surrounding communities. In an effort to try and compete with this new competitor, National Bank has decided to change their image with a redesign of online tools, remodel of bank lobbies, change of their logo, and are considering a name change.

When one considers the following perspectives, are these changes a good strategy? If so, why? If not, why not? Explain your answers.

- Customer well-being
- Employee involvement and well-being
- Positive business outcomes

### **Real-world Issues and Scenarios**

Understanding who the Customer is for a particular business is key to developing a customer relationship management strategy. A business needs to determine if they are going to focus on being a B2B, and B2C, or a Hybrid organization. For each of the following types of businesses:

- A Bank
  - A Restaurant
  - A University
  - A Gas Station
1. Decide what kind of business they are (B2B, B2C, or Hybrid).
  2. Explain your answer.
  3. Discuss with the class or in a small group why you answered the way you did.
  4. If the business were to shift from one kind of organization to another (for example: from a B2B to a B2C) in what ways would they need to change how they did business? What kinds of products or services would they need to offer or change?