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Customer Relationship Management

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Customer Relationship Management

Chapter 1: Introduction to CRM

Definition:

CRM (Customer Relationship Management) is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer. The basic objective of CRM is to increase marketing efficiency and effectiveness. It is co-operative and collaborative processes that help in reducing transaction costs and overall development costs of the company.

Customer Relationship Management is a comprehensive approach for creating, maintaining and expanding customer relationships.

Significance of the words used in the definitions:

(a) Comprehensive: CRM does not belong to just sales or marketing. It is not the sole responsibility of customer service group or an IT team; i.e., CRM must be a way of doing business that touches all the areas.

(b) Approach: An approach is broadly a way of treating or dealing with something. CRM is a way of thinking about and dealing with the customer relationship. We can also use the word strategy because CRM involves a clear plan. In fact, CRM strategy can usually serve as a benchmark for other strategies in your organization, because any strategy sets directions for your organization. We can also consider this from a department or area level just as a larger organization has strategies for shareholder management, marketing, etc. Each strategy must support managing customer relationships. Thus, CRM is strategic.

To realize this, one can make a list of key strategies, to brief your area of responsibility. Then write down organizational approach towards customers. Compare the CRM strategies with other strategies. They should support each other. External customers are those outside the organization who buy goods and the services the organization sales. Internal customers are a way of defining another group in some organization whose work depends upon work of your group. Therefore, they are your customers. It is your responsibility to provide what they need so that they can do their job properly.

(c) Customer relationship: Finally let us see what we mean by customer relationship. In today's world where we do business with individuals or groups with whom we may never meet and hence much less know in person-to-person sense. CRM is about creating the feel of comfort in this high-tech environment.

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CRM is a discipline as well as a set of discrete software and technologies which focuses on automating and improving the business process associated with managing customer relationships in the areas of sales, marketing, customer services and support. CRM software applications facilitate the coordination of multiple business functions (such as sales, marketing, customer services, and support) and also coordinate multiple channels of communication with the customer face to face, call centers and the Web – so that organizations can accommodate their customers' preferred channels of interaction.

- **Customer Relationship Management is an upright concept or strategy to solidify relations with customers and at the same time reducing cost and enhancing productivity and profitability in business.**
- **A CRM system is implemented for small business, as well as large enterprises also as the main goal is to assist the customers efficiently.**
- **The Customer Relationship Management is the procedure that is crucial for every business. As the customer is the most important part of the business.**

A. Parvartiyar and J.N. Sheth defined CRM is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer.

Gartner defined CRM is a business strategy designed to optimize profitability, revenue, and customer satisfaction.

A CRM system is not only used to deal with the existing customers but is also useful in acquiring new customers. The process first starts with identifying a customer and maintaining all the corresponding details into the CRM system which is also called an "Opportunity of Business". The Sales and Field representatives then try getting business out of these customers by sophistically following up with them and converting them into a winning deal.

Customer Relationship Management strategies have given a new outlook to all the suppliers and customers to keep the business going under an estimable relationship by fulfilling mutual needs of buying and selling.

Relationship Management by an organization can be divided into two categories

1. External relationship

2. Internal relationship

External Relationship:

- **Two major external stakeholders of a business are customers and suppliers.**

- Customer relations: customer relations can be defined as the process by which companies promote customer satisfaction and loyalty.
- It involves managing communications with customers, particularly customer's questions and complaints and solving their disputes.
- The ultimate goal of customer relations program is to build long term relationships.
- Building a strong reputation for the brand and company.
- Supplier relations: All companies try to build a strong relationship with their suppliers.
- Supplier relationships are different from simple purchasing transactions in several ways.
- There can be a sense of commitment to the supplier.
- E.g.: vendor (seller) sells certain items to the buyer for several times then he thinks that he will come for a next time purchase.

Internal Relationship:

- It is an integrative process with in a system for fostering positive working relationship in a developmental way in a climate cooperation and achievement.
- Internal relationship is an ongoing process that occurs strictly within a company or organization.
- Internal relationship helps to motivate and empower employees at all levels of management and its consistently deliver a satisfying customer experience.

Features of internal relationship management:

- Customer commitment is earned in a social contract
- There is an open idea for mutual gain.
- Close partnership between suppliers and customers.
- Customers are viewed as individual people and so are value providers.
- Continuous interaction and dialogue between suppliers and customers.
- Focuses on discovering, creating and responding to customer needs.
- Relationships are viewed as enterprise assets.
- There is a systematic collection and dissemination of customer information (detailing and negotiating requirements, expectations, needs, attitudes and satisfaction)

History and Evolution of Customer Relationship Management:

Customer Relationship Management is a concept that became very popular during the 1990s. It offered long-term changes and benefits to businesses that chose to use it. The reason for this is because it allowed companies to interact with their customers on a whole new level. While CRM is excellent in the long-term, those who are looking for short term results may not see much progress. One of the reasons for

this is because it was difficult to effectively track customers and their purchases. It is also important to realize that large companies were responsible for processing tremendous amounts of data. This data needed to be updated on a consistent basis.

In the last few years, a number of changes have been made to customer relationship management that has allowed it to advance. These capabilities have allowed CRM to become the system that was once envisioned by those who created it. However, the biggest problem with these newer systems is the price. A number of personalized Internet tools have been introduced to the market, and this has driven down the cost of competition. While this may be a bane for vendors who are selling expensive systems, it is a bonanza for small companies that would otherwise not be able to afford CRM programs. The foundation for CRM was laid during the 1980s.

The 1990s saw the introduction of a number of advances in this system. It was during this time that term Customer relationship management was introduced. Unlike previous customer relationship systems, CRM was a dual system. Instead of merely gathering information for the purpose of using for their own benefit, companies started giving back to the customers they deserved. Many companies would begin giving their customers gifts in the form of discounts, perks, or even money. The companies believed that doing this would allow them to build a sense of loyalty in those who bought their products.

Customer relationship management is the system that is responsible for introducing things such as frequent flyer gifts and credit card points. Before CRM, this was rarely done. Customers would simply buy from the company, and little was done to maintain their relationship. Before the introduction of CRM, many companies, especially those that were in the Fortune 500 category, didn't feel the need to cater to the company. In the minds of the executives, they have tremendous resources and could replace customers whenever it became necessary. While this may have worked prior to the 1980s, the introduction of the Information Age allowed people to make better decisions about which companies they would buy from, and global competition made it easier for them to switch if they were not happy with the service they were getting.

Today, CRM is being used to achieve the best of both worlds. Companies want to maintain strong relationships with their clients while simultaneously increasing their profits. The CRM systems of today could be called "true" CRM systems. They have become the systems that were originally envisioned by the pioneers of this paradigm. Software companies have continued to release advanced software programs that can be customized to suit the needs of companies that compete in a variety of different industries. Instead of being static, the information processed within modern CRM systems is dynamic. This is important, because we live in a world that is constantly changing, and an organization that wants to succeed must constantly be ready to adapt to these changes.

Landmarks in the History of CRM: 1960-2010

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- **1960: Mass Production/Mass Product**
- **1970: Mass Market**
- **1980: Total Quality Management**
- **1990: Customer Relationship Management (CRM)**
- **2000: Customer Relationship Management (CRM)**
- **2010s e-Customer Relationship Management (e-CRM)**

Transactional Vs Relationship Approach:

As marketing has entered the 21st Century, a significant change is taking place in the way companies interact with customers. The traditional view of marketing as a simple exchange process—a concept that might be termed transaction-based marketing—is being replaced by a different, longer-term approach. Transactional marketing strategies focused on attracting consumers. The goal was to identify prospects, convert them to customers, and complete sales transactions. But today 's marketers realize that, although it remains important, attracting new customers is truly an intermediate step in the marketing process. Marketing efforts must focus on establishing and maintaining mutually beneficial relationships with existing customers. These efforts must expand to include suppliers and employees, as well.

The concept, called relationship marketing, refers to the development, growth, and maintenance of long-term, cost-effective exchange relationships with individual customers, suppliers, employees, and other partners for mutual benefits. It broaches the scope of external marketing relationships to include suppliers, customers, and referral sources. In relationship marketing, the term customer takes on a new meaning. Employees serve customers within an organization as well as outside it; individual employees and their departments are customers of and suppliers to one another.

They must apply the same high standards of customer satisfaction to inter-departmental relationships as they do to external customer relationships. Relationship marketing recognizes the critical importance of internal marketing to the success of external marketing plans. Programs that improve customer service inside a company also raise productivity and staff morale, resulting in better customer relationships outside the firm.

Relationship marketing gives a company new opportunity to gain a competitive edge by moving customers up a loyalty hierarchy from new customers to regular purchasers, then to loyal supporters of the company and its goods and services, and finally to advocates who not only buy the company's products but recommend them to others. by converting indifferent customers into loyal ones, companies generate repeat sales.

The cost of maintaining existing customers is far below the cost of finding new ones, and these loyal customers are profitable ones. Effective relationship marketing

relies heavily on information technologies such as computer databases that record customers 'tastes, price preferences, and lifestyles along with the increase of electronic communications. This technology helps companies become one-to-one marketers that gather customer-specific information and provide individually customized goods and services.

The firms target their marketing programs to appropriate groups, rather than relying on mass-marketing campaigns. Companies who study their customers 'preferences and react accordingly gain distinct competitive advantages.

Important Points:

- **Transactional marketing, which was developed in the late 1950's and 1960's.**
- **Transactional marketing main concept which centers on the four P'S, was developed by Borden in 1964.**
- **The marketing mix has since been described as an —infallible guide for the effective planning and implementation of marketing strategy.**
- **The focus on transactional marketing is shifting to focus on relationship marketing.**
- **The firms make the market fall by providing consumer packaged goods at one extreme and the services at the other.**
- **In this situation all the firms are forced to adopt from transactional to relationship approach.**
- **Transactional marketing approach is on individual transaction and does not concern continuous relationship with customers.**
- **Transactional marketing does not contain a strategic long-term perspective.**
- **The relationship marketing focuses on continuous multiple transactions rather than isolated individual transactions.**
- **It also considers customer as insiders to the business and aims to build a long term and never-ending relationship with them.**

Major Areas of CRM:

- **Generation and servicing more loyal customers.**
- **Expansion of customer base**
- **Reduction of advertising costs**
- **Increase in profitable customers**
- **Ease in introduction of new products**
- **Personal Information Gathering and Processing, Self-Service.**
- **CRM is the marketing management practice of identifying, attracting and retaining the most valuable customer to sustain profitable growth**
- **CRM is the process of making and keeping customers and maximizing their profitability, behaviors and satisfaction.**
- **Today customer demand opens equal access, real time specialized information, convenient access, portability, process and logistics**

transparency, pricing transparency, global pricing, ability to set prices, choices of distribution channels and control over their information.

- First time customer can become a repeat customer, thereafter a client, then an advocate and finally one's partner in progress.
- Loyal customers always create a profit and also reduced operating cost, increased purchases and give plenty of referrals.
- The realistic observation on customers that it costs ten times more to sell to new customers than to sell to an existing one.
- Existing customer deliver most of the revenues.
- It's very important part of CRM is to identify the Most Valuable Customers (MVC) for the success of the business.
- A small net upward migration of customers (5-10%) can deliver a dramatic improvement in business performance.
- Marketing and sales are charged with influencing customer behavior.
- Customer success always equal to business success.

Important Question Answers:

Q1. What is CRM?

Ans: A. Parvartiyar and J.N. Sheth defined CRM is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer.

Q2. What is meant by relationship management?

Ans: Relationship management is the technique of providing information about the customers and collecting information about prospects of customers, that allows us to help them evaluate and purchase products that deliver the best possible value to them.

Q3. Who is called as a customer?

Ans: A customer (also known as a client, buyer, or purchaser) is the recipient of good, service, product, or idea, obtained from a seller, vendor, or supplier for a monetary or other valuable consideration.

Q4. Difference between consumer and customer?

Ans: A consumer refers to individuals who buy for themselves or their family (hence the term 'consumerism' in economics and politics), whereas a customer can also mean the retailer or person who buys from the manufacturer, etc.

Q5. What is the meant by transactional approach?

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Ans: Transactional approach is on individual transaction and does not concern continuous relationship with customers. The framework of transactional marketing does not contain a strategic long-term perspective. It centers on tentative adjustment process as regards performing marketing functions. Customers are viewed as outsiders to the business.

Under transactional approach customer's expectations, satisfaction, multiple influences on their decision – making process etc., are not given due significance. Very little attention is paid to customer services and customer commitments. The thrust of transactional marketing is on gaining more and more new customers rather than retaining existing customers.

Q6. What is meant by relationship approach?

Ans: Relationship marketing approach has gradually taken the shape of Customer Relationship Management. Relationship marketing has a narrow focus on the customers and only on the marketing functions of the organization concerned. On the other hand, Customer Relationship Management focuses more widely on customers and on the entire functions connected with value creation and delivery chain of the organization concerned.

Q7. How organizations lose their customers?

Ans: Organizations lose their customers due to following reasons

- **Price related reasons**
- **Product related reasons**
- **Service-related reasons**
- **Benefit –related reasons**
- **Competitor reasons &**
- **Personal reasons**

Q8. What do you mean by direct marketing?

Ans: Direct marketing is just what it sounds like - directly reaching a market (customers and potential customers) on a personal (phone calls, private mailings) basis, or mass-media basis (infomercials, magazine ads, etc.).

Direct marketing is often distinguished by aggressive tactics that attempt to reach new customers usually by means of unsolicited direct communications. But it can also reach out to existing or past customers. A key factor in direct marketing is a "call to action." That is, direct marketing campaigns should offer an incentive or enticing message to get consumers to respond (act).

Q9. What are the benefits of CRM?

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Ans: A Customer Relationship Management system may be chosen because it is thought to provide the following advantages:

- **Quality and efficiency**
- **Decrease in overall costs**
- **Increase Profitability**

Q10. What are the traditional marketing techniques used in CRM?

Ans: Traditional marketing techniques that have been used effectively by them, such as:

- **Direct Marketing**
- **Telemarketing**
- **Web Personalization**
- **E-mail Marketing**
- **E-commerce**
- **Sales force Automation**

Q11. What is meant by relationship marketing?

Ans: Relationship marketing refers to the development, growth, and maintenance of long term, cost-effective exchange relationships with individual customers, suppliers, employees, and other partners for mutual benefits. It broaches the scope of external marketing relationships to include suppliers, customers, and referral sources.

Q12. State the areas of CRM focused?

Ans: Here are the following areas of CRM focused:

- **Generation and servicing more loyal customers.**
- **Expansion of customer base**
- **Reduction of advertising costs**
- **Increase in profitable customers**
- **Ease in introduction of new products**
- **Personal Information Gathering and Processing,**
- **Self-Service.**

Q13. What is called as customer relations?

Ans: Customer relations is the process by which companies promote customer satisfaction and, moreover, loyalty. At its most basic, it involves managing communications with customers, particularly customer questions and complaints, and resolving disputes amicably. The ultimate goal of most customer relations

programs is to build long-term relationships those in which the customer keeps buying the product or service and recommending it to other customers.

Q14. What is the importance of CRM?

Ans: Importance of CRM are:

- **Provides Updated Information**
- **Anticipates Problems.**
- **Prompt Follow-Up.**
- **Problem Resolving Mechanism**
- **Assesses Customer Interests**

Q15. What are the various limitations of CRM?

Ans: Here are some limitations on CRM:

- **Require Top-Management Support.**
- **Not Functionally Organized.**
- **Customer Dissatisfaction**
- **Not Customer Centric.**

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Chapter 2: Customer Value

Introduction:

Customer value is defined in the marketplace not in the factory or an agency. A small but growing number of companies in the markets draw on their knowledge of what customers value or they value to gain marketplace advantages over their less knowledgeable competitors. There is a market for offering as two elemental characteristics: its value and its practice.

Companies have to look at the changing basis for competition in today's environment and for the future. This paper argues for being more customer-focused, not as a nicer, more socially acceptable way of life but because customer value is becoming a commercial imperative. We live in a world which is more dynamic than ever. Businesses have always had to face competition, but at least in the past companies knew who their competitors were; they knew the competitors' products and their strengths and weaknesses. All of the competition lay within established market sectors, and they were mostly, if not entirely, domestic. Indeed, it isn't so far back when most were regional. Today, companies faced that has changed.

Competitors cross sector boundaries with increasing ease. For example, the distinction between banks, insurance companies, fast food companies become increasingly blurred, as does the distinction between such organizations and anyone else who has a large customer base and a strong financial position. In today's world, music stars start airlines, or launch fast-food businesses or soft-drinks companies.

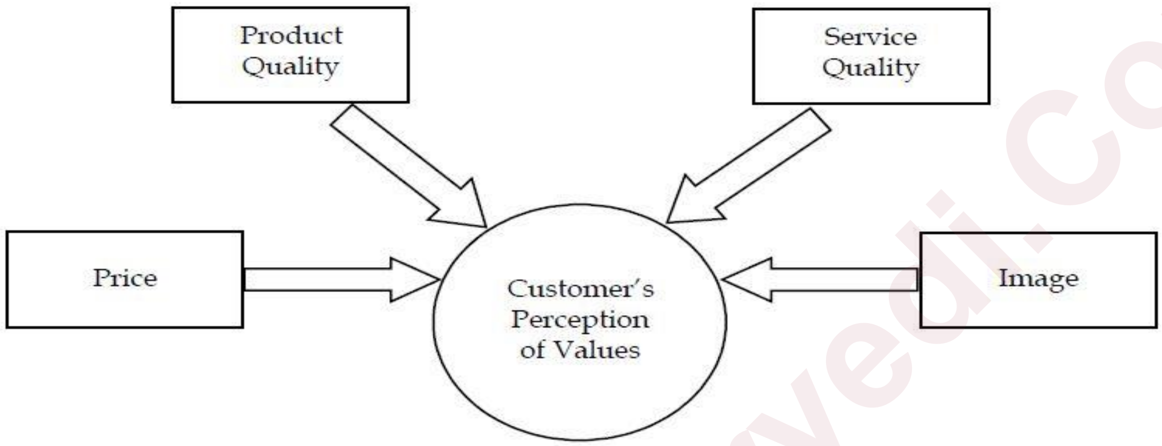
The products, competitors and markets are becoming increasingly globalized. However, basis for the competition is changing. It looks like an iceberg, on the surface; the features on which we compete are the same as ever: products, quality, price, service, and customer base and market access. But if you look beneath the surface, you see that these features are now dependent on other issues – they are the product of culture, processes and systems, and the structure of our business. Products/services are obviously at the heart of competition. The problem is that they keep changing: our competitors will not stand still.

For example, product innovation is much more rapid than in the past. Product cycles are getting shorter, and products, even when delivered by global corporations, are getting more customized. New production and distribution even decision support systems make this possible, but systems development is closely aligned to what the market needs.

Components of Customer Value:

The components of customer value are deceptively simple. Product quality, service quality, price, and image shape a customer's perception of value. A firm's strategy

and performance in these areas are integrated by customers into a perception of the value proposition. This is particularly important for first time customers. In this highly competitive business environment, the customer will compare the perceived value of competitive offerings. The ultimate "winner" in the battle for the customer's pocket book is the firm that delivers the "best value" from the customer's perspective.



Once a customer has made a purchase decision, a fifth component of value emerges. That component is the relationship between the customer and the vendor. Over time the relationship component can develop into an extremely important element. Unfortunately, firms often have explicit strategies to develop the other four components of value but simply expect the relationship to happen naturally and spontaneously. Such an expectation can be unrealistic.

Each of these components can and should be broken down into much more detail to be managerially useful. Let's use a full line department store as an example, since most of us have experience with such purchases. Product quality refers to the tangible features that a customer evaluates. For a department store, product quality can be partitioned into two dimensions. One-dimension deals with the characteristics of the store itself. These characteristics would probably include location, accessibility, convenient parking, store design and layout, lighting, signs, fixtures, and furnishings. The other product dimension would include characteristics of the products themselves. These would probably include characteristics such as variety and assortment of products in each area.

Other product mix characteristics might include the quality of the products, specific brands, and merchandise displays. In total, it may be possible for customers to identify thirty, forty, or even fifty different characteristics of the store and products that shape perceptions of value.

In addition to the product characteristics, service factors also shape value perceptions. These might include the availability, knowledge, and helpfulness of cashiers and clerks or the ease of making returns and exchanges. Service factors

would also include the customer service issues of call centers, complaint handling, and information availability. Since products are often fairly homogeneous across competitors, these service factors have become increasingly important to customers in differentiating between competitors.

In fact, many managers feel that service factors are the only area to create a real competitive difference. Price factors would include everyday prices, sales prices, acceptance of credit cards, and promotional financing. Price might also include life cycle costs that the customer would incur such as maintenance, repair, and operating costs. Customers balance the product and service performance of a firm against these price considerations in some way to form perceptions of value.

Concept of Value in Business Markets:

A number of aspects need to be considered in defining the concept of value in business markets. Christopher (1982) considers value in terms of the price a customer is willing to pay for a product offering, and points out that willingness to pay needs to be understood in terms of the set of perceived benefits that the product offering provides to a customer firm. He relates this aspect of value to the notion of a customer surplus, which he expresses as the amount by which the monetary equivalent of the set of perceived benefits exceeds the price paid for it. Reuter (1986) introduces the notion of "usage value" which represents the value associated with the performance of the product in a given customer application. As Reuter (1986, p. 79) writes, "Especially in industrial products, the value analyst is primarily concerned with use value—the performance and reliability of the product — rather than its existing value (based on prestige or aesthetics, cost value, or exchange value)." Usage value appears to be closely related to the concept of a product offering's value-in-use (Wind 1990). Forbis and Mehta (1981) emphasize the aspect of competition in considering value. They introduce the concept of "economic value to the customer (EVC)," which refers to the maximum amount a customer firm would be willing to pay, given comprehensive knowledge of a focal product offering and the other, available competitive product offerings. This suggests that customer firms consider the value of a product offering relative to alternative offerings.

In sum, the concept of value in business markets: is perceptual in nature and should be expressed in monetary terms; needs to be viewed with respect to the set of benefits that the customer receives from usage of the product offering; and is inherently framed against a competitive backdrop.

Thus, we define value in business markets as the perceived worth in monetary units of the set of economic, technical, service and social benefits received by a customer firm in exchange for the price paid for a product offering, taking into consideration the available alternative suppliers' offerings and prices.'

Customer Information:

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The most often used information in a CRM database is the customer information. This can include personal information, such as contact addresses and phone numbers, as well as family size, location, and other demographic information. Many companies also use their CRM database to record purchase information, service calls, customer support needs, and even warranty information. Anything relative to customer interaction can be placed in a CRM database.

- **Customer information database includes personal information, such as contact addresses, phone numbers etc.**
- **It also includes family size, location and other demographic information and geographical location.**
- **CRM database to record purchase information, service calls, customer support needs, and even warranty information.**
- **Customer related databases might be maintained in a number functional area; e.g., sales, marketing, logistics and accounts.**
- **Customer Information Database**
- **Databases might require quite different operational purposes**
- **E.g.: Opportunities, campaigns, enquiries, deliveries and billing.**
- **Customer related data can have a current, past and future perspectives, focusing upon current opportunities, historic sales or potential opportunities etc.**

Information to be included in Customer Database:

- **Contact names**
- **Job title and job definitions**
- **Demographic or psychographic information**
- **Name of the company**
- **Address**
- **Methods of contact**
- **Buying history**
- **Sources of lead**
- **Sources of sale**
- **Special needs of customers**

Benefits of a Customer Database:

By using a customer database to keep in touch with, and market to, your customers, you can:

- **Increase awareness of your brand**
- **Enhance marketing opportunities**
- **Build and strengthen relationships between you and your customers**
- **Build trust in your products and services**
- **Increase your profits**

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Customer Behaviour:

Customer or consumer behavior is the study of how individuals make decisions to spend their valuable resources (Time, money, effort) on consumption-related items. It includes what they buy it, why they buy it, where they buy it, how often they buy it, and how often they use it. According to belch and belch "consumer behavior is the process and activities people engage in when searching for, selecting, purchasing, using, evaluating and disposing of products and services so as to satisfy their needs and desires."

Customer Behaviour in Relationship Perspective:

- **Understanding customer is the central part of the marketing process to know why a customer or buyer makes a purchase.**
- **Without such an understanding, business will find it hard to respond to the customer's needs and wants.**
- **Some business still produces the product without knowing the importance of the customer.**
- **Organization clearly understands the benefits wanted by customers, reasons for purchase, repurchase etc.**
- **Importance of customer behavior**
- **Production policies**
- **Price policies**
- **Decision regarding channel of distribution**
- **Decision regarding sales promotion**
- **Exploiting market opportunities**
- **Customers do not always act or react predictably.**
- **Consumer's preferences are changing and becoming highly diversified.**
- **Rapid introduction of new products**
- **Implementing the —marketing concept**

Factors Influencing Customer Behaviour:

Psychological Factors:

- **Motivation**
- **Perception**
- **Learning**
- **Beliefs and attitude**

Personal Factors:

- **Age and Life cycle stage**
- **Occupation**
- **Life style**

- Personality and self-concept

Cultural Factors:

- Culture
- Sub culture
- Social class

Social Factors

- Reference groups
- Family
- Roles and status

Important Question Answers:

Q1. What is Customer information database?

Ans: It includes personal information such as contact addresses and phone numbers, as well as family size, location and other demographic information. many companies also use their CRM database to record purchase information, service calls, customer support needs, and even warranty information's.

Q2. What is customer profile analysis?

Ans: The marketer builds up a customer profile that gives an indication of who might typically use their outlet. Customer profile is affected by the macro business environment.

Q3. What do you mean by customer database?

Ans: A customer database is most often used by businesses to gather customer contact details (with permission) and buying history, so information about products and services can then be sent to customers, or segments of customers.

Q4. What is meant by group customers?

Ans: Group customer are referred as industrial market which consists of all the individuals or organizations who acquire goods and services that enter into the production of other products or services that are sold, rented or supplied to others.

Q5. What do you mean by customer lifetime value?

Ans: Customer lifetime value (CLV), lifetime customer value (LCV), or lifetime value (LTV) is the net present value of the cash flows attributed to the relationship with a

customer. The use of customer lifetime value as a marketing metric tends to place greater emphasis on customer service and long-term customer satisfaction, rather than on maximizing short-term sales.

Q6. What is customer perception?

Ans: A marketing concept that encompasses a customer's impression, awareness and/or consciousness about a company or its offerings. Customer perception is typically affected by advertising, reviews, public relations, social media, personal experiences and other channels.

Q7. Why do we use customer analysis?

Ans: Customer analysis is the process of determining customer segmentation, value, purchasing behavior and motivation in order to better target marketing and increase sales.

Q8. What is CRM database?

Ans: A CRM database is a program of stored information that is relevant and useful to the success of your business. CRM database programs can be used as standalone software, incorporated with existing databases, such as Outlook or Excel, or a combination of the two. What a CRM database may hold can vary greatly due to the type of business, the focus of marketing, and the direction in which the business is going. A CRM database can be used for customer information, employee tasks, marketing plans, and a variety of other daily business functions.

Q9. List out the benefits of customer database?

Ans: Benefits of a customer database:

- Increase awareness of your brand
- Enhance marketing opportunities
- Build and strengthen relationships between you and your customers
- Build trust in your products and services
- Increase your profits

Q10. What are the factors influencing the customer behavior?

Ans: Consumers buying behavior is influenced by

- Psychological Factors
- Social Factors
- Cultural Factors
- Personal Factors

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Q11. Define consumer behavior?

Ans: According to belch and belch, "consumer behavior is the process and activities people engage in when searching for selecting, purchasing, using, evaluating and disposing of products and services so as to satisfy their needs and desires." A customer is usually used to refer to a current or potential buyer or user of the products of an individual or organization, called the supplier, seller or vendor. This is typically through purchasing or renting goods or services.

Q12. What is customer segmentation?

Ans: Customer segmentation is the practice of dividing a customer base into groups of individuals that are similar in specific ways relevant to marketing, such as age, gender, interests, spending habits, and so on. Using segmentation allows companies to target groups effectively, and allocate marketing resources to best effect.

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Chapter 3: Customer Profitability

Introduction:

Organizations use customer profitability analysis to identify the most valuable customers or customer segments to prioritize marketing, sales and service investments. By studying profitability metrics such as lifetime value, repeat purchase rate, and churn rate, analysts can identify profitable segments, uncover defining characteristics of those segments and target similar populations for acquisition.

Similarly, retention programs may be created for particularly profitable customers. Business intelligence provides the statistical and data mining capabilities to calculate lifetime value, identify product affinities for cross-sell campaigns, and perform predictive analysis of profits resulting from additional marketing investment. Customer segments or individual customers may be further investigated through ad hoc analysis, lists of customer segments may be automatically generated, or alerting rules may be applied to customer segments to automatically notify relationship managers when profitable customers have executed a transaction.

Within any given customer base, there will be differences in the revenue's customers generate for the firm and in the costs the firm has to incur to secure those revenues. While most firms will know the customer revenues, many firms are unaware of all costs associated with customer relationships. In general, product costs will be known for each customer, but sales and marketing, service, and support costs are mostly treated as overhead. Customer profitability analysis (CPA) refers to the allocation of revenues and costs to customer segments or individual customers, such that the profitability of those segments and/or individual customers can be calculated.

The impetus for the increasing attention for CPA is twofold. Firstly, the rise of activity-based costing (ABC) in the 1990s led to an increased understanding of the varying extent to which the manufacturing of different products used a firm's resources (Cooper & Kaplan, 1991; Foster & Gupta, 1994). When using ABC, firms first identify cost pools: categories of activities performed within the organization (e.g., procurement).

For all cost pools, cost drivers are identified: units in which the resource consumption of the cost pool can be expressed (e.g., number of purchase orders). Costs are then allocated to cost objects (e.g., products) based on the extent to which these objects require certain activities (measured in cost driver units). Once it became accepted that not every product requires the same types and same levels of activities, it was a small step to see that customers, too, differ in their consumption of resources.

The size and number of orders, the number of sales visits, the use of helpdesks, and various other services can be very different for each customer. Consequently, some customers incur more relationship costs than others, leading to different levels of customer profitability. Although this has long been recognized, it fits better in the logic of ABC than in the traditional costing systems. Secondly, information technology makes it possible to record and analyze more customer data—both in type and in amount.

As data such as number of orders, number of sales visits, number of service calls, etc. is stored at the level of the individual customer; it becomes possible to actually calculate customer profitability. It is considered good industrial marketing practice to build and nurture profitable relationships with customers. To be able to do this, a firm should know how current customer relationships differ in profitability, as well as what customer segments offer higher potential for future profitable customer relationships.

CPA can deliver such knowledge. While many publications extol the virtues of knowing which customers are profitable and which are not (Cooper & Kaplan, 1991; Jacobs, Johnston, & Kotchetova, 2001; Shapiro, Rangan, Moriarty, & Ross, 1987; Storbacka, 1997), most publications provide no more than a cursory description of the actual implementation process of CPA. One notable exception is the case description by Noone and Griffin (1999) set in the hotel market. Firms operating in industrial markets face specific implementation issues however.

These issues are related to characteristics such as the use of account management and personal selling, indirect selling via distributors, maintenance and repair services, demonstrations of equipment at customer sites, and extensive discounting and bonus structures for customers and distribution partners. The objectives of this article are to develop a general approach for the implementation of CPA in industrial firms and to share what was learned from the actual implementation of such a process in one national subsidiary of a multinational industrial firm.

Customer Profitability Management (CPM):

Managing profitability requires not only a customer-centric focus but also a thorough understanding and effective management of customer profitability. Customer profitability management is a strategy-linked approach to identifying the relative profitability of different customers or customer segments in order to devise strategies that add value to most profitable customers, make less-profitable customers more profitable, stop or reduce the erosion of profit by unprofitable customers, or otherwise focus on long-term customer profitability.

Managers are often surprised to find out that a small percentage of customers generate substantially more than 100% of profits, and the remaining customers are either breakeven or unprofitable. Using a customer profitability management system replaces intuitive impressions of customer profitability with fact-based information and supporting analysis.

The backbone of a CPM system is a costing system that is focused on tracing and causally assigning costs to each customer or customer segment without arbitrary broadly averaged cost allocations. Assigning revenues to customers or customer segments can present a few issues, but the major challenge in implementing a CPM system is the selection and implementation of an accurate and informative costing system. A costing system should not only accurately assign product costs and gross margin to customers or customer segments, but it should also assign the costs to serve.

Cost accuracy and visibility are important in CPM. Using Time-driven Activity-based Costing (TDABC) provides costs that identify resource consumption by customers or customer segments.

The signals provided by the CPM system, based on full costing of traceable costs to customers and making visible business-sustaining costs, will lead management to consider strategies to increase profits. The signals do not provide answers in themselves, but they could lead to generating alternative courses of action. Decisions related to customer profitability strategies require tailor-made analysis.

There are system issues that must be considered in the design and implementation of a CPM system. Awareness of the commitment of time, financial, and personnel resources required by a CPM system is critical to its success.

Investments in customers should be considered in view of an estimate of customer life value. That is, in addition to current customer profits, the potential of generating future profits from a customer should also be considered. Managing customer life value is a means to enhancing long-term profitability.

Essential to the success of CPM is the buy-in by employees and managers who will be affected by its implementation. Resistance to change is a phenomenon that applies equally to CPM as it does any other organizational change. To develop the CPM system and then seek the support of employees and managers is not likely to result in developing a sense of ownership, nor will it guarantee an effective CPM system. To get employees and managers to buy in at the outset, they should be involved in its development and their ideas must be sought. Only with a sense of ownership will the organization be able to navigate the troubled waters of change.

Customer Profitability Management focuses upon an organisation's most profitable customers and products with the aim of improving "bottom line" performance. According to Marko Seppanen and Jouni Lyly-Yrjanainen (2002) of the Cost Management Centre at the Tampere University of Technology, over the past decade the focus of management accounting has shifted from product-based costing towards customer profitability management. The authors cite a Connolly and Ashworth

(1994) statement that profitability analysis in its development has moved through three distinct phases i.e.:

- **Product or brand profitability analysis**
- **Market sector, or customer account, profitability analysis**
- **Customer profitability analysis**

Measure and Evaluate Customer Profitability Management:

The following provides an indication of how Customer Profitability Management processes may be assessed:

- **Customer Lifetime Value (CLV), e.g., customer lifetime revenue potential - lifetime costs = customer lifetime value. CLV is a measure of customer profitability over the lifetime of the organization/customer relationship.**
- **Customer Loyalty, seeks to measure overall customer loyalty. This may be presented as an index and used in conjunction with other leading measures such as customer satisfaction to predict market trends and assess current organizational performance. Customer loyalty can be quantified using an aggregation of loyalty measures such as repeat purchases, no. of different products purchased, relationship duration, and loyal customers.**
- **Customers – Loyal, e.g. (a) number of current customers not purchasing, or intending not to purchase, new competitor products as a % of total current customers, or (b) % of customers of particular duration or longer. This measure provides an indication of customer retention/loyalty. The first formula could be used where repeat purchases are not measurable due to the nature of the product or service offered. Typically, this can be measured by survey.**
- **Customer Relationship – Duration, is the average duration of relationships of an organization with its customers or, the duration of relationships with key/individual customers**
- **Customer – Projected Retention, is commonly measured via surveys and is expressed as the 'number of customers over the past year who intend to repurchase as a % of total number of customers. This measure provides an indication of projected customer retention/loyalty and may be effective in the measurement of current customer satisfaction as opposed to measurements relating to customers already lost.**
- **Customers – Value of Key Customers, e.g. (a) value of total sales or contracts to key customers as a % of total value of gross sales or contracts, per period, or, (b) value of sales or contracts gained through referrals from key customer as a % of total sales or contracts. This is a measure of the performance of identified key customers, allowing the effectiveness of special relationship strategies to be assessed and refocused as necessary.**
- **Customer – Repeat Purchasers, e.g. (a) number of repeat purchase customers over the past year as a % of total number of customers or, (b) Value of repeat**

sales as a % of total sales or, (c) % of purchases by current customers. This measure provides an indication of customer retention/loyalty.

- Customer Account Profitability, e.g., profit from customer account/sales turnover of customer account. This is a measure of the value of specific customer accounts.
- Customer Acquisition Cost, e.g., average cost of attracting new customers. This is a measure of the cost involved in attracting or retaining customers.
- Return on Investment (ROI), e.g., net profit before taxes/total assets. This measure provides an indication of how well profits are being generated from use of the organization's resources. A measure commonly used to compare performance between organizations; ROI is useful for assessing an organization's competitive advantage. In this context it can be used to track the success of a CPM initiative.
- Market Share Projection, e.g., projected % total market sales accounted for by company's products. This is a measure of projected market share, commonly used in setting goals or targets in new product promotions or when penetrating new markets with existing products.

Customer Life Time Value:

- Customer lifetime value (CLV), lifetime customer value (LCV), or lifetime value (LTV) is the net present value of the cash flows attributed to the relationship with a customer.
- The use of customer lifetime value as a marketing metric tends to place greater emphasis on customer service and long-term customer satisfaction, rather than on maximizing short-term sales.
- Building Profitable Customer-Centric Strategies: Maximizing Profit Potential
- Our high-impact processes for becoming more customer-centric and creating innovative strategies will be valuable only if we can effectively deliver on these profitably.

Selection of Profitable Customer Profitability:

- We first understand the key factors that will drive profitability for customer insight initiatives.
- During the innovation stage, the objective was to creatively generate new sources for capturing intelligence from customers and creating insight that could enhance the way we communicate and sell to customers.
- As you learn more from customers about their needs and preferences, you have the opportunity to better target your marketing messages, offers and channels, which ultimately leads to reduced marketing expenses and increased conversion rates.
- Customer life time value

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The key factors that will drive the profitability of customer insight initiatives include these:

- **Reaching high-value customers and prospects**
- **Capturing intelligence on a critical mass of customers to justify the fixed costs of setting up and managing the program**
- **Generating incremental profits from increased sales to new customers, higher customer retention, selling more to existing customers or winning back lost customers**
- **Reducing costs of delivering solutions and servicing customers**
- **Capturing intelligence cost-effectively**
- **Building the ability to influence customer profitability over time**

Customer Profitability Analysis:

Typically, traditional cost accounting is not able to identify product and service costs or distribution and delivery costs for individual customers. ABC can help identify customer activities and track those costs that are allocated to specific customers. This can provide management with unique information about customers and customer segments. The benefits include:

- **protecting existing highly profitable customers;**
- **repricing expensive services, based on cost to serve;**
- **discounting to gain business with low cost to serve customers;**
- **negotiating win-win relationships that lower service costs to co-operative customers;**
- **conceding permanent loss customers to competitors; and**
- **attempting to capture high-profit customers from competitors.**

Medical science teaches us the "life is in the blood". When blood stops flowing, life stops very quickly. It is the same with our businesses; customers are the life blood of our business. When we stop having a "flow" of customers, our business will die very soon. So, it is very important to acquire and keep customers. Our business is not about ourselves; it is about our customers. The focus of your business shouldn't be on yourself; rather it should focus on your customers. They are not really interested in how long you have been in business or how much education you have. Customers are interested in what your business can do or provide for them. We call these "customer benefits".

The dynamics of the business ecosystem have changed the way in which companies do business both in relationship management and the streamlining of their operations. Relationship marketing is emerging as the core marketing activity for businesses operating in fiercely competitive environments. On an average, businesses spend six times more to acquire new customers than to keep them. Therefore, many firms are now paying more attention to their relationships with

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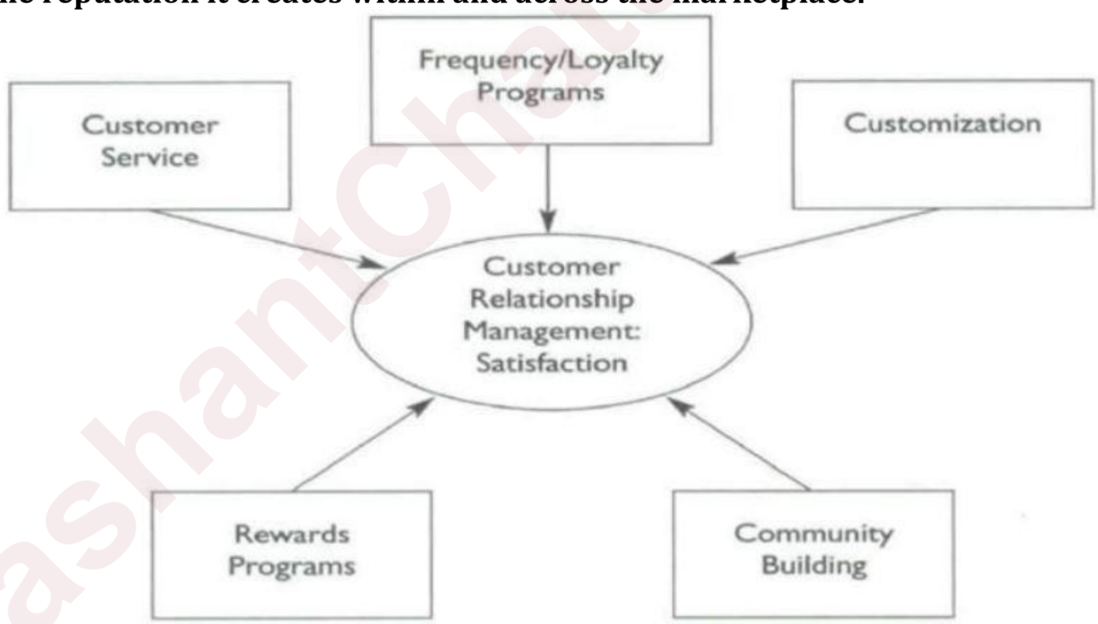
existing customers to retain them and increase their share of customer's purchases. The practice of relationship marketing also has the potential to improve marketing productivity through improved marketing efficiencies and effectiveness.

Customer retention is the key to any organization's effectiveness. Customer centric approach to marketing programme helps retain customers and win back lost customers. An organization needs to study the needs of the various market segments and design the marketing programmes tailor made to suit the segments. Customer anticipates several things from the company in addition to the product; which the firm has to study well to bridge the gaps between customer expectations and firm's delivery.

Customer Retention:

Customer retention is the activity that a selling organization undertakes in order to reduce customer defections. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship.

A company's ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace.



STRATEGIES FOR CUSTOMER RETENTIONS:

- **PEOPLE**
- **PRODUCT**
- **PROCESS**
- **ORGANISATION**

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- SETTING SATISFACTORY SERVICE STANDARDS
- CONCENTRATION ON COMPETITORS
- CUSTOMER ANALYSIS
- COST ANALYSIS
- CONCENTRATION ON THE PAYING ABILITY OF CUSTOMERS
- KNOWLEDGE ON PURCHASE BEHAVIOUR PATTERN
- DIFFERENCIATION IN PRICES AND QUALITY STANDARDS
- FOCUS ON REDUCING DISSATISFACTION
- ATTENTION ON CHANGING REQUIREMENT OF CUSTOMERS
- CONCENTRATION ON PERFORMANCE
- TRAINING TO SUPPLY CHAIN EMPLOYEES
- EMPOWERMENT TO SERVICE PROVIDERS
- INCENTIVIZING SERVICE PROVIDERS
- AUGMENTING INTANGIBLE BENEFITS
- VISIT TO THE POINT OF USAGE OF THE PRODUCT
- DEVELOP PARTNERSHIP WITH CUSTOMERS
- ORGANIZING CUSTOMER CLUBS
- RELATIONSHIP BASED PRICING SCHEMES
- EFFECTIVE CUSTOMER COMMUNICATION SYSTEM
- CUSTOMER COMPLIANT MONITORING CELL
- DEVELOPING CUSTOMER SATISFACTION INDEX
- FOCUS ON PREVENTIVE ACTIONS
- CONCENTRATION ON CUSTOMER SATISFACTION RESEARCH
- FOCUS ON FOCUS GROUP
- BUILDING SWITCHING BARRIERS

Customer Defection:

Customer defection is the rate at which customers defect or stop the usage of products of a company. business with high defection rate, would be losing their existing customers.

In order to overcome this, they use another term of customer retention, in simple words it's to retain or prevent the existing customers to defect the product.

Types of Defection:

- Price Defectors
- Product Defectors
- Service Defectors
- Market Defectors
- Technological Defectors
- Organizational Defectors

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Strategies for Prevention of Defection:

Every customer that you keep represents at least three that you don't have to attract. Numerous research studies indicate that the cost of acquiring a new customer usually runs from two to four times the annual cost of keeping an existing customer. Obviously, an effective customer retention strategy translates into profits.

It has been estimated that most companies spend about 98 percent of their time reacting to problems and less than 2 percent preventing them. The first, most important, way to prevent customer defections is to identify and define each problem from the customer's vantage point.

Superior service and database management provide your best defense against customer defections. Service provides the opportunity to solve customer problems and build partnerships; the database serves as a vehicle to personalize customer communication and enhance your relationships.

Important Questions Answers:

Q1. What is meant by customer profitability?

Ans: Customer profitability can also provide an estimate of firm value, thus providing a link between marketing investment and shareholder return. The premise of customer-based valuation is simple. If the customers are the key profit generators of a firm and we can estimate the lifetime value of each customer, the current and future customer base of a company should provide a good proxy for its market value.

Q2. What is meant by customer acquisition?

Ans: Customer acquisition management is a term used to describe the methodologies and systems to manage customer prospects and inquiries, generally generated by a variety of marketing techniques. It can be considered the connectivity between advertising and customer relationship management. This critical connectivity facilitates the acquisition of targeted customers in an effective fashion.

Q3. What is meant by customer defection?

Ans: Customers often take their business to competitors when they feel that their needs or wants are not met or if they encounter breakdown in customer service or poor-quality products.

Q4. What is meant by sales force automation?

Ans: The company's sales department is constantly looking for sales opportunities with existing and new customers. The sales force automation functionality of CRM

software allows the sales teams to record each contact with customers, the details of the contact and if follow up is required. This can provide a sales force with greater efficiencies as there is little chance for duplication of

effort.

Q5. What is meant by campaign management?

Ans: The approach taken by the sales team is often focused in a campaign, where a group of specific customers are targeted based on a set of criteria. These customers will receive targeted marketing materials and often special pricing or terms are offered as an inducement. CRM software is used to record the campaign details, customer responses and analysis performed as part of the campaign.

Q6. What is meant by CRM formulation process?

Ans: The formation process of CRM refers to the decisions regarding initiation of relational activities for a firm with respect to a specific group of customers or to an individual customer with whom the company wishes to engage in a cooperative or collaborative relationship. Hence, it is important that a company be able to identify and differentiate individual customers.

Q7. Write a note on Customer Retention?

Ans: Customer retention is the activity that a selling organization undertakes in order to reduce customer defections. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship. A company's ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace.

Q8. What is customer defection rate?

Ans: Customer defection is the rate at which customers defect or stop the usage of products of a company. Business with high defection rate would be losing their existing customers. in order to overcome this, they use another term of customer retention, in simple words it's to retain or prevent the existing customers to defect the product.

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Chapter 4: Closed Loop Marketing

Introduction:

The significance of CRM solution lies in its ability to store and retrieve data. The processes that are followed, the systems that are designed and the methods and equipment used all have to be synchronized to deliver the best output to the executives of CRM for realizing the fruits of effective e-CRM. Data mining and knowledge discovery are receiving increasing attention in the business and technological press, among industry analysis and among corporate management.

Along with the study of closed loop marketing, the study of other marketing techniques acquires the status of 360-degree marketing.

Most companies already collect and refine massive quantities of data. Data mining techniques can be implemented rapidly on existing software and hardware platforms to enhance the value of existing information resources, and can be integrated with new products and systems as they are brought online.

360 Degree Marketing:

The concept of 360 Degree Marketing implies developing holistic marketing campaigns that reach all points of contact that surround potential customers. It's the next step in the evolution of cross-channel marketing, dealing mostly with client-centered media strategy and media integration. A full 360 Degree Marketing strategy must include a heavy component of online marketing initiatives, encompassing all aspects of internet marketing, such as SEM and SEO, social media optimization and mobile web applications and technologies, but it also needs to rely on traditional offline marketing strategies, including television, radio, print advertising, promotional events and other offline media.

Eric Grenier says, "The 360-degree marketing concept looks holistically at all of the touch points surrounding the consumer, wherever they are. You can think of it as the next evolution of "cross-channel" marketing, as it's less about media integration and more about a consumer centric media strategy. It not only includes a heavy online component, but also television, radio, print, events and other offline media."

Concept:

Markets are all around us. The idea that, as marketers, we simply need to focus on our external customers and prospects is mistaken, because in this connected world of ours, markets go way beyond this limited view. Think of the whole market and look around you all 360 degrees. It might help to think of it in terms of an old-fashioned ship's compass (or a high tech one if you prefer). When you do that, you can plot markets at each point of the compass rose and this is what, for me, that compass looks like in figure.

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There are, then, four distinct points that we need to consider in 360 Degree Marketing and they consist of:

1. External markets (our traditional market focus)
2. Internal markets (our own organization)
3. Suppliers (their support and continued faith in our organization is key)
4. Stakeholders (the many organizations that influence the wellbeing of our business)

In a connected world they are all inter-related and networked up. So, what we say to one part of this 360 Degree market has impact and implications on many or all of the others. Yet for most marketers their focus is almost exclusively the traditional external markets. The other points of my 360-degree compass barely register. So, it may pay to review each of these in turn.

The External Market:

This involves the marketing that all marketers know and love. As you'll know, the overall approach to make marketing work for you involves understanding your customers and prospective customers (their needs and wants, their aspirations and goals, and their challenges and 'pain') and working out what you can make and supply in response to this at a price that they would be willing to pay. Then it is simply about making sure that they know you supply this stuff and persuading them to buy it. I say 'simply' and, put in those terms, it sounds simple enough, but of course there's a life's work involved in learning how to do that well, getting it right, and making it happen. This is why the universities and business schools make so much money teaching the topic and why there are endless books, articles and blogs on how to do it and make it work for you. Incidentally, if you want fresh marketing communications ideas and especially (but not exclusively) on new media, then you could do a lot worse than subscribe to Marketing Profs (you'll find their home page by clicking here).

The Internal Market:

This is solely about marketing to your own organization. It took me a long while to get this, but internal marketing is vitally important. In fact, in sales and service dominated companies it is probably more important than external marketing. However, in my experience, it is something that most marketers completely neglect or do very poorly. For some reason or another, when it comes to marketing within our own organization, we just don't do it. We don't use our marketing skills and marketing smarts to persuade. Oh, sure we tell people about our campaigns, and we may even flag to sales and other departments what is coming up in our marketing communications schedules.

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The Suppliers:

They're our suppliers for goodness's sake. They should be grateful for whatever orders we give them. It's them that should be marketing to us not us to them. We control their success. It's them that should be worried about our issues and challenges not us about theirs." Well not necessarily. You'll know from your own point of view that when your customers deal considerately with you, you tend to work harder for them. If they are loyal to you, you tend to be more loyal to them, more involved with and interested in them. So, it will be the same for your suppliers.

If you want them to work with and support you, to offer you the best deals on their products and services, to see you as a key customer that they admire and like and want to go the extra mile for, then you need to convince them of your worth (and that means much more than simply the order value). You need to tell them about your successes and to sell them the idea of seeing you as one of their key customers.

The Stakeholders:

You may well recognize this term. It simply refers to all of those who have a stake in your organization. At first sight you may be thinking that this merely means your shareholders, but in fact your stakeholder group is almost certainly wider than this. In fact, the term 'stakeholders' classically refers to:

- **Staff**
- **Suppliers**
- **Shareholders (and the analysts that advise them)**
- **Other investors and backers (banks and bondholders)**
- **The local communities in which you operate**
- **Unions**
- **Any government organisations and agencies with an interest in your field**
- **Any professional or industry body you belong to or who has an impact on your business**

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Chapter 5: Analytical CRM

Strategic CRM Planning Process:

- Defining the business objectives.
- Understanding CRM Three dimensions (people, process, IT)
- Using a structured approach to manage CRM
- Identifying both corporate and customer needs
- Using customer needs to re-engineer business processes
- Selecting technology based on business needs and functionality
- Ensuring systems development is business led
- Ensuring actionable measures of customer performance
- Actively managing culture and change, win buy in
- Using a phased implementation strategy

CRM Implementation:

- Develop the CRM Strategy
- Build CRM Project foundations
- Need specifications and partner selection
- Project implementation
- Performance evaluation

CRM Tools:

- Strategic CRM
- Technology and Implementation
- Mobile Business for the Enterprise
- Sales and Marketing
- Business Intelligence
- Customer Contact Center

1. STRATEGIC CRM:

- BUSINESS CASE
- CUSTOMER KNOWLEDGE
- CUSTOMER LOYALTY
- CUSTOMER RETENTION
- CUSTOMER SATISFACTION
- DIRECTION
- LEADERSHIP
- MASTER PLAN
- METRICES OR MEASUREMENT
- PEOPLE &PROCESS
- ROI

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- **STRATEGY & SUCCESS**
- **TECHNOLOGY**
- **TOP MANAGEMENT**
- **TRENDS**
- **VISION**

2. TECHNOLOGY & IMPLEMENTATION:

- **ENTERPRISE ARCHITECTURE AND APPLICATION**
- **CRM –INDUCED CULTURE CHANGE**
- **MIGRATIONMANAGEMENT**
- **KNOWLEDGE BASED UTILIZATION**
- **APPLICATION SERVERS**
- **SYSTEM INTEGERATERS**
- **PLANNING AND INVESTICATING**
- **IMPLEMENTATION AND DEPLOYMENT**
- **CHANGE MANAGEMENT**
- **MAINTAINING AND UPGRADING**

3. MOBILE BUSINESS FOR THE ENTERPRISE:

- **DELIVERY TECHNOLOGY**
- **DISPLAY TECHNOLOGY**
- **FIELD FORCE AUTOMATION**
- **INPUT TECHNOLOGY AND DEVICES**
- **MOBILE COMMERCE**
- **MOBILE ENTERPRISE**
- **MOBILE OPERATING SYSTEM**
- **WIDE AREA NETWORK**
- **WIRELESS APPLICATION SERVICE PROVIDER**
- **WIRELESS DEVICES**

4. SALES AND MARKETING:

- **ENTERPRISE RELATIONSHIP MANAGEMENT(ERM)**
- **E-SALES**
- **LEAD QUALIFICATION**
- **OPERATIONAL CRM**
- **PARTNER RELATIONSHIP MANAGEMENT**
- **REPEAT BUSINESS**
- **SALES FORCE AUTOMATION**
- **ANALYTICAL CRM**
- **CUSTOMER PROFILEING AND SEGEMENTATION**
- **E-MARKETING AUTOMATION**

- **LEAD QUALIFICATION in sales**
- **PERSONALISATION**

5. BUSINESS INTELIGENCE:

- **ANALYTICAL PROCESS**
- **CUSTOMER INTELLIGENCE SYSTEM**
- **CUSTOMER SCORING**
- **DATA CLEANING**
- **DATA MINING**
- **DATA WAREHOUSE**
- **FILTERING AND HOUSE HOLDING**
- **INFORMATION DATABASE**
- **LEGAMART**
- **METAMART**
- **OPERATIONAL SYSTEM OR DATABASE**

6. CUSTOMER CONTACT CENTER:

- **CALL CENTER AND HELP DESK**
- **CUSTOMER INTERACTIVE CENTER**
- **CUSTOMER RETENTION**
- **CUSTOMER SUPPORT**
- **E-SERVICE SYSTEM**
- **LIVE SUPPORT AND SERVICE**
- **ON-LINE SUPPORT AND SERVICE**

What is Analytical CRM?

Analytical CRM may be defined as a decision support system that is targeted to helping senior executives, marketing, sales and customer support personnel to better understand and capitalize upon their customer needs, the company's interaction with the customer and the customer buying cycle.

Analytical CRM consist of applications that enable business to analyze relevant data in order to achieve a more meaningful and profitable interaction with the customer.

It uses customer data for analysis, modeling and evaluation to create a mutual relationship between company and its customers.

It helps to better understanding of customer behavior.

The analytical CRM solution enable the effective management of a customer relationship.

Analysis of customer data can a company begin to understand behaviors, identify buying patterns and trends and discover causal relationship.

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Key features of Analytical CRM

• It integrates and inheriting all this data into a central repository knowledge base with an overall organization view.

• It combines and interacts the value of customers with strategic business management of organization and value of stakeholders.

• It determines, develops and analyze inclusive set of rules and analytical methods to scale and optimize relationship with customers by analyzing and resolving of all questions.

Need of Analytical CRM:

- Customer Acquisition
- Customer Attrition
- Time Unit Attrition
- Revenue Dollar Model
- Customer Upgrade

Purpose of Analytical CRM:

- Design and execution of targeted marketing campaigns to optimize marketing effectiveness.
- Design and execution of specific customer campaigns, including customer acquisition, cross selling, up- selling, retention.
- Analysis of customer behavior to aid product and service decision making.
- Management decisions
- Prediction of the probability of customer defection
- Analytical CRM generally makes heavy use of data mining.

Importance of analytical CRM:

- Make more profitable customer by providing high value services.
- Retaining profitable customer through sophisticated analysis.
- Addressing individual customer needs and efficiently improving the relationship with new and existing customer.
- Improves customer satisfaction and loyalty.
- Find and explore useful knowledge in large customer database.
- It helps in classifying customers, predicting customer behavior.

Benefits of Analytical CRM:

Analytical CRM can make a considerable contribution toward providing the answers to numerous questions and thereby support a whole range of business decisions. The analytical capabilities allow a firm to identify new trends in the markets and then to

channel the investments in these markets. They also help you gain further insights into customer needs and preferences by identifying patterns to:

- **Acquire new profitable customers.**
- **Improve the firm's relationships with existing customers by addressing their individual needs.**
- **Optimize cross-selling and up-selling opportunities.**
- **Improve customer loyalty and reduce customers' propensity to churn.**

With Analytical CRM, a firm can increase profits by as much as 100% by retaining an additional 5% of their customers. By some estimates, it costs four to seven times more to replace a customer than it does to keep one.

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Chapter 6: Segmentation/Trends in CRM/e-CRM

Segmentation

Requirements for Effective Segmentation:

Five conditions must exist for segmentation to be meaningful:

- A marketer must determine whether the market is heterogeneous. If the consumers' product needs are homogeneous, then it is senseless to segment the market.
- There must be some logical basis to identify and divide the population in relatively distinct homogeneous groups, having common needs or characteristics and who will respond to a marketing programme.
- The total market should be divided in such a manner that comparison of estimated sales potential, costs and profits of each segment can be estimated.
- One or more segments must have enough profit potential that would justify developing and maintaining a marketing programme.
- It must be possible to reach the target segment effectively. For instance, in some rural areas in India, there are no media that can be used to reach the targeted groups. It is also possible that paucity of funds prohibits the development required for a promotional campaign.

As more and more identifying characteristics are included in segmenting the market, the more precisely defined are the segments. However, the more divided a market becomes, the fewer the consumers are in each segment. So, at least in theory, each consumer can be considered as a separate segment. An important decision for the marketer is how far to go in the segmenting process. A market niche is composed of a more narrowly defined group of consumers who have a distinct and somewhat complex set of needs. A niche market is smaller in size but may prove to be quite profitable if served properly. Consumers in a niche are ready to pay a premium to the marketer who best satisfies their needs.

Bases for Segmentation:

Selecting the right segmentation variable is critical. For example, small car producers might segment the market on the basis of income but they probably would not segment it on the basis of political beliefs or religion because they do not normally influence consumers' automobile needs. Segmentation variable must also be measurable to segment the market accurately.

Marketers can use one or more variables to segment the market. Different variables are used to segment consumer markets. They are discussed in following subsections.

Geographic Segmentation:

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Geographic location of consumers is usually the starting point of all market segmentation strategy. The location of consumers does help the company in planning its marketing offer. These geographic units may be nations, states, regions, areas of certain climatic conditions, urban and rural divide. The assumption is that consumers in a particular geographic area have identical preferences and consumption behaviour.

Demographic Segmentation

Demographic characteristics are commonly used to segment the market. Factors such as age, sex, education, income, marital status, family size and social class etc. are used singly, or in a combination, to segment a market. Shaving products for women are based on the demographic variable of gender. Toy manufacturers such as Funskool and Mattel toys segment the market on the basis of age of children. Auto manufacturers segment the market by considering income as an important variable. Producers of refrigerators, washing machines, microwave ovens etc. take income and family size as important variables in segmenting the market. Ready-to-wear garment producers often segment the market on the basis of social class.

Psychographic Segmentation:

When the segmentation is based on personality or lifestyle characteristics, it is called psychographic segmentation. Consumers have a certain self-image and this describes their personality. There are people who are ambitious, confident, aggressive, impulsive, modern, conservative, gregarious, loners, extrovert, or introvert etc.

Introduction:

CRM is, probably, one of the least clearly defined business acronyms, as there is no single definition for it. It is probably easier to say what CRM is not. Unfortunately, CRM has also become a misnomer for a range of solutions from vendors, each providing its own spin on the idea. CRM is variously misunderstood as a fancy sales strategy. It is none of these. CRM is a simple philosophy that places the customer at the heart of a business organizations processes, activities and culture to improve his satisfaction of service and, in turn, maximize the profits for the organization.

A successful CRM strategy aims at understanding the needs of the customer and integrating them with the organization's strategy, people, and technology and business process. Therefore, one of the best ways of launching a CRM initiative is to start with what the organization is doing now and working out what should be done to improve its interface with its customers. Then while this may sound quite straightforward, for large organizations it can be a mammoth task unless a gradual step-by-step process is adopted. It does not happen simply by buying the software and installing it. For CRM to be truly effective, it requires a well-thought-out initiative involving strategy, people, technology, and processes. Above all, it requires

the realization that the CRM philosophy of doing business should be adopted incrementally with an iterative approach to learn at every stage of development.

Emerging Trends in CRM:

It is not suddenly that the business managers have realized that the customer is supreme or the need to render personalized service. However, it was not possible to address the preferences of a massive group of widely dispersed individuals. Neither the tools nor the technology was available. The smart business managers did the next best thing, which was to conduct a market research and classify the market into broad segments with different preferences. The product managers would (and still do) then position their products catering broadly to these segments.

The information systems have evolved tremendously over the last three decades and so have the communication systems. While ERP, the management mantra of the nineties, offered the means to optimize resource planning at the enterprise level encompassing every area of the enterprise on a real time basis, there was still no means of connecting to the customer. The customer had just too many locations.

The commercial penetration of Internet into the homes changed everything. It provided the means to take the integrated enterprise information system to the customer's living room. He could buy, sell or bank sitting there, while uniquely identifying himself. This has led to the evolution of CRM, which uses the Net to integrate the customer contact points directly with the enterprise. It provides the means to interact with every customer individually (thereby interacting with million or even billions of customers). The interactions over a period of time create a history that is available to the field sales/support personnel at the touch of a button.

Current Trends in CRM:

As CRM matures, distinct trends are emerging.

Hosted Solution: Enterprises are increasingly showing an interest in buying a hosted solution from the ASPs. This trend is likely to increase as the enterprises would prefer to concentrate on their core businesses and let the ASPs provide updated solutions.

Integrated Solution: There is an increasing trend to integrate the CRM activities with the supply chain, manufacturing and B2B market-places. This trend is likely to increase.

Evolution of marketing and branding services: Internet marketing and branding is a different paradigm with a different set of rules. With the convergence of marketing and CRM, professionals providing specialized services are fast emerging.

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Data Warehouses: Even as enterprises rush to warehouse their own data captured at interaction points, data has become a commodity. It can be bought, sold, shared and leased. There are companies whose only business is trading in data transactions.

CRM in India:

Software is to India what oil was to the Gulf. It is therefore no surprise that Indian companies, too, are jumping into the CRM bandwagon to seize a chunk of the global market, both products as well as services.

With its vast talent pool, India is fast becoming an important development base of major CRM companies. This trend is likely to increase in the future. Call centers, catering primarily to the American and European markets are coming up in and around the metros. With the easing of infrastructure constraints, India is likely to emerge as a significant player in this segment.

Adoption of CRM by Indian companies is at an infancy stage. The CRM enabled companies include Modi Xerox, Tata Telecom, TVS Electronics, HP India, Tata Infotech, Carrier Refrigeration, Tata Teleservices, Satyam Infoway, Planet M, and Epicentre Technologies, among many others. India even has a CRM Foundation in New Delhi, founded with the purpose of assessing and improving CRM practices. Founding members include Tata Telecom, Escotel, Modi Xerox, Global Groupware, AC Nielsen, Carrier Aircon, and Motorola India, among others.

e-Commerce:

Electronic Commerce (e-Commerce or EC) is the exchange of business information using electronic formats, including Electronic Data Interchange (EDI) Electronic Mail (e-mail), Electronic Bulletin Boards (EBBs) and Electronic Funds Transfer (EFT). E-Commerce Technologies are designed to replace traditional paper-based workflow with faster, more efficient and reliable communications between computers. To conduct business in the current environment using e-Commerce technologies requires that a business have access to a computer and a modem.

E-Commerce is what happens when one combines the broad reach of the Internet with the vast resources of traditional information technology systems. It uses the Web to bring together customers, vendors, and suppliers in ways never before possible; e-commerce is here and presents abundant opportunities. Companies around the world already buy and sell over the Internet.

They connect with customers, suppliers and each other. They do business on the WEB, and consequently, they do more business. There are challenges like security, scalability and reliability. They are real, but they are surmountable. E-Commerce is about web enabling the core business processes to improve customer service, reduce cycle time, get more results from limited resources, and actually sell things. In its simplest terms electronic commerce is the process of two or more parties making

business transactions via computer and some type of network e.g. a direct connection or the Internet.

This includes business-to-business transactions, online retail, and the digitalization of the financial industry. Some experts and leading Net Entrepreneurs even argue that electronic commerce includes all the steps that occur in any business cycle, such as placing ads, completing invoices, and providing customer support. The term "e-Commerce", often used interchangeably with IBM's coined term "e-Business," covers a lot of ground and refers to all these areas.

e-CRM (Introduction):

E-Commerce actually began in the 1970s when larger corporations started creating private networks to share information with business partners and suppliers. This process, called Electronic Data Interchange (EDI), transmitted standardized data that streamlined the procurement process between businesses, so that paperwork and human intervention were nearly eliminated.

EDI is still in place, and is so effective at reducing costs and improving efficiency that an estimated 95 per cent of Fortune 1,000 companies use it.

Today, electronic commerce increasingly refers to business conducted over the Internet. EDI, for example, is being brought to the Internet and allowing companies to save money by eliminating the old system's expensive private networks and by expanding reach to include more businesses on the supply chain. Other business-to-business transactions are simply moving to the web without using the standardized forms required by EDI.

More recently, brand names like Barnes and Noble, the Gap, and Wal-Mart and Indian companies like BPB publications and Rediff on the net have set up shops on the Net, and many experts believe that these and other brand names will be able to establish long-lasting presence on the Web. Today, all a person needs are a computer, a browser, and Internet access, and he or she can buy flowers, airline tickets, and even a car.

Definition of e-CRM:

e-CRM is the application of CRM to an e-business 'strategy. It includes the personalization and customization of customers 'experiences and interactions with the e-business.

CRM is a fundamental facet of an organization, encompassing the philosophy and mission of organized business that is engaged with a well-knit customer-focused knowledge base and pervasive communications. It is more than software or process, and equal to a culture of gaining and keeping value customers, delivering the immitigable benefits. E-CRM can contribute incontrovertibly to an organizational

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transformation into a real time enterprise for customers, while harnessing the power of technology in a rapidly changing competitive landscape.

The major benefits that accrue are new sales and account opportunities, quicker, smarter decision-making, and better efficiencies leading to significant improvement in customer service.

Benefits of e-CRM:

- Extended customer relationships,
- Competitive services delivering high value,
- Improved product and service delivery processes,
- Better customer knowledge and insight, and
- Smooth, efficient customer service.

E-CRM is operational by integrating sales, marketing and customer service functions, allowing for internal collaboration on valuable customer knowledge and empowering to connect to customers and partners through any process, functional system and communication medium telephone, fax, e-mail, internet and mobile.

To take the best decision possible, engage the entire top management, and evolve an informed and dynamic project group (relevant functional leaders) to deliver a reasonable business case with clearly identified roles, responsibilities and diligence perspectives, with lucid time lines.

Scope of e-CRM:

Sales: Supports key functions such as contact management, opportunity management, forecasting and 360-degrtee view of all customer accounts and interactions. Automate and organize sales force activities for focused selling and closing.

2. Marketing: Detailed schedules and tasks, maintaining contact lists and activity logs, automation association with leads, accounts or contacts, managing product and resource information, marketing alerts, etc.

Channel Management: Supporting key functions as campaign management and analysis, and customer demographic analysis.

Customer Service: Provides an efficient workflow and easy access to information while synchronizing customer data across all communication channels.

Partner Management: Tracks and analyses sales made by partners and track contacts associated with dealers, distributors and other channel partners.

E-Business: Creation and customization of customer centric web pages, enabling customers to generate and track support requests from the company's website.

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CRM vs. e-CRM:

- **E-CRM is not just customer service, self-service web applications, sales force automation tools or the analysis of customers' purchasing behaviours on the internet.**
- **E-CRM is all of these initiatives working together to enable an organization to more effectively respond to its customers' needs and to market to them on a one-to-one basis.**
- **E-CRM is integration between the traditional CRM and e-Business application. This small 'e' should be a gigantic 'E' because this technology, when properly used, can have a significant impact on industries and the structure of businesses. Essentially, the 'e' enables an organization to extend its infrastructure to customers and partners in ways that offer new opportunities to learn customer needs, add value, gain new economies, reach new customers, and do all of this in real time.**
- **E-CRM is all about strategy and therefore requires the direction and engagement of senior management to be successful. Senior management must have a broad understanding of the capabilities of these technologies and then translate them into specific opportunities that leverage competitive advantage.**
- **E-CRM is different from traditional concept of customer service. For example, the traditional customer service concept works as follows:**
  - **Customer has a problem with a product or service late in the evening.**
  - **Customer has to wait till company offices open the next day. He is upset because he cannot resolve the problem immediately.**
  - **Next day when he contacts the company, the Customer Service Representative assists the customer in resolving the complaint. Sometimes resolution of complaint can take days, as the Customer Service Representative may not have the desired information or necessary technical skills to resolve the problem. Customer is not happy.**
- **On the other hand, e-CRM is proactive and provides easily accessible data for real time decision-making. e-CRM would tackle the above situation as follows: Customer has a problem with a product or service late in the evening.**
  - **Customer does not have to wait till morning to have his problem resolved. He visits company's website for assistance and checks the Frequently Asked Questions (FAQs). He is able to resolve his problem. Customer is happy.**
  - **In case, he is not able to resolve his problem, the customer clicks the "Help Now" button and a Customer Support Representative.**

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- The Customer Support Rep accesses the knowledge base and conveys the desired information to the customer to resolve his problem. Customer is happy.
- The details of the interaction are recorded in the customer history, so it is available to any Customer Service Rep who has any interaction with the customer in future.
- Knowledge base is updated with relevant information from this interaction.

An email is automatically sent on behalf of the President of the company to the customer asking him if he was satisfied with the resolution of the problem. Determining what types of e-CRM tools to implement depends on how a company anticipates customers' needs. For example, a customer purchased something from the Web site and needs to know how to return merchandise, will it be necessary to offer a customer service representative to answer the question? Or with the use of the latest e-CRM technology to provide the customer with an instant answer and save on the cost of having a person answers a simple question?

Automatic response technology is an example of an e-CRM tool that helps effectively and efficiently communicates with customers and builds close relationships with them. By doing so, a company gains customer loyalty.

To ensure that the website is customer's preferred place a business must provide effective customer service.

Knowledge of Warehousing: Capturing customer information is the key to managing customer relationship. Software that can consolidate customer information into a single database would provide your business with important analysis for customer tracking and analysis.

Data Resourcing: Using data from multiple resources, including customer information databases, e-CRM focuses on building a real time customer profile for each customer. Your customer agents can target market selective based on what it knows about a particular customer.

Categorizing or Segmenting Customers: Customer information collected in databases is presented in formats that can be easily analyzed. Reports track customer service issues and assist in e-marketing campaigns. Your company can use data gathered by these tools to segment your customer base into several groups or categories.

Delivery Options:

(a) Self-hosted Applications: The software is hosted by the e-business. The vendor will teach users how to put the software to use.

- **Downside:** it costs more, you have to maintain the applications yourself and implementation time is usually longer.

- **Upside:** you have absolute control and customization power.

(b) Application Service Provider (ASP): The vendor will host the software and system.

- **Upside:** You don't have to do much implementation and don't have to know how to use the system and deployment is faster.
- **Downside:** changes and customization are more difficult to make, reporting capabilities are limited and there is the perception that there's less security.

(c) Outsourced Model: Similar to the ASP option. A company with limited resources and capabilities will utilize outside businesses to fill in the gap.

- **Upside:** you don't have to hire additional employees and commit to complicated and expensive applications.
- **Downside:** less control.

Challenges in e-CRM:

Security: A sense of security needs to be established and customers must be able to select a mode of payment and the software must verify their ability to pay. This can involve credit cards, electronic cash or purchase orders. Specialized software such as cyber cash and Microsoft-wallet can verify the purchaser and the purchase. E-CRM software usually works with the Secure Sockets Layer (SSL) developed by Netscape or the Secure Electronic Transaction (SET) technologies for encryption of data transmission. The more support by an e-commerce package, the better for the security.

Digital Certification: The method used to establish identity is based upon an object called digital certificate. A digital certificate simply ties together a public key with say the name and address of the customer or merchant. The trick is that these certificates are signed by a trusted third party, in much the same way that the passport is signed by the government that issues it. Verisign, a spin off from RSA data security is in the business of issuing these certificates which they called Digital IDs. Currently these are digital IDs are not recognized by the Indian government.

Future Trends in e-CRM: The forces that determine the web's winners and losers are just taking shape and technological advances could add even more uncertainty. On the downside, some experts predict that it will be increasingly difficult for smaller companies to establish their presence. Public companies and traditional brand name retailers have deep pockets and a name recognition that will make it difficult for smaller sites and momand-pop shops to attract customers, thereby forcing them to compete with the big firms. On the upside, nearly all experts believe that overall e-commerce will increase exponentially in coming years. Business to business transactions will represent the largest revenue. Online retailing will also enjoy a drastic growth. Areas expected to go include financial services, travel, entertainment

and groceries. And for those considering opening a virtual storefront, forthcoming technology and standards agreements will make it easier to create a site, to protect it against payment fraud, and to share information with suppliers and business partners.

Features of Effective e-CRM:

Any e-CRM is the customer-facing Internet portion of CRM. It includes capabilities like self-service knowledge bases, automated e-mail response, personalization of Web content, online product bundling and pricing, and so on. The web-based e-CRM gives Internet users the ability to carry on with the business through their preferred communication channels. It also allows the business to offset expensive customer service agents to add value to its ability to improve customer satisfaction and reduce costs through improved efficiency.

However, an e-CRM strategy deployed alone can also backfire and this actually may result in decreased customer satisfaction. If the customer's interactions through electronic channels are not effortlessly integrated through traditional channels the customer is likely to become extremely frustrated. Also, if the basis for the content being served to the customer does not consider all the data gathered for the business, the customer is likely to be served in that way.

Therefore, it is imperative that e-CRM be installed in conjunction with traditional CRM and that the two function together. Otherwise, the result of e-CRM might actually prove negative.

Designing e-CRM:

Some CRM companies have Web-enabled their existing application and called it "Internet ready". Others have redesigned it from the bottom so that it is referred to as a Web application, rather than a client/server application that can be viewed on the Web. These are the fundamental architectural differences. Mere accessibility from a browser does not turn a CRM application into e-CRM. For technology to fulfill the promise of making the desired customer activity possible, the invisible technical details really matter.

Basic Requirements of e-CRM:

A company can approach e-CRM from different evolutionary paths, but they all need to proceed toward the same objective of optimizing the value of customer relationships.

Electronic Channels: New electronic channels such as the Web and personalized e-Messaging have become the medium for fast, interactive and economic customer communications, challenging companies to keep pace with this increased velocity.

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Enterprise: Through e-CRM, a company gains the means to touch and shape a customer's experience across the entire organization, reaching beyond just the bounds of marketing to sales, services, and corner offices – whose occupants need to understand and assess customer behavior. An e-CRM strategy relies heavily on the construction and maintenance of as data warehouse that provides a consolidated, detailed view of individual customer behavior and communication history.

Empowerment: In this new age, e-CRM strategies must be structured to accommodate consumers who now have the power to decide when and how to communicate with the company and through which channel, which ability to opt for or out of. Consumers decide which firms earn the privilege to "talk" with them. In light of this new consumer empowerment, an e-CRM solution must be structured to deliver timely, pertinent, and valuable information that a consumer accepts in exchange for his or her attention.

Economics: Too many companies execute communication strategies with little-effort or ability to understand the economics of customer relationships and channel delivery choices. Yet customer economics drives smart asset allocation decisions, directing resources and efforts of individuals shall provide the greatest return on customer communication initiatives.

Assessment: Understanding customer economics relies on a company's ability to attribute customer behavior to marketing programs. A company should evaluate customer interactions along with various customer touch-point-channels and compare anticipated ROI against actual returns, through customer analytical reporting. Evaluation of results allows companies to continuously refine and improve efforts to optimize relationships between companies and their customers.

Outside Information: The use of consumer-sectioned external information can be employed to further understand customer needs. This information can be gained from sources such as third-party information networks and Web-page profiler applications, under the condition that companies adhere to strict consumer opt-in rules and privacy concerns.

ERP and CRM:

ERP implementation is an expensive and long drawn affair that requires the best efforts of the most competent team drawn from the middle and senior management of the company. Typical team size is 60 to 70 from within the company and an equal number from the implementation partner. Substantial time of top management is also a pre-requisite to ensure that quick decisions are given for any bottleneck that may arise.

1. The typical time period for implementation is 24 to 30 months. This can be crashed to some extend but not beyond a point.

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2. The cost of software and the implementation partners' fee together can be in the region of 50 to 70 crores. This is after excluding the cost of other resources such as new hardware, additional office space, etc.

3. Why are we talking of ERP on a seminar on CRM. Because we feel that CRM cannot be effective in a company that does not have a back-office information setup.

4. Modern day ERP offerings have many features that closely resemble the best of CRM software.

ERP (Enterprise Resource Planning) attempts to bridge the gap between the SCM and CRM packages by providing a "unified software program divided into software modules that roughly approximate the old standalone systems" (Koch, 2006). The main focus of ERP systems is data sharing, data distribution, and data quality in order to avoid duplicate and redundant. Kock states that the main goals for an organization to undertake ERP:

- **Integrate financial information,**
- **Integrate customer order information,**
- **Standardize and speed up manufacturing processes,**
- **Reduce inventory, and**
- **Standardize HR information (Koch, 2006).**

When it comes to ERP systems, they can provide many benefits and paybacks for an organization that chooses to implement the system and does so effectively. An ERP system should be carefully planning, analyzed, and designed prior to implementation, followed by training and maintenance. This can be a huge task to undertake for any organization. I think that the differences in these systems are due to the lack of ability to truly fulfill an organization's complex needs and business processes across the various departments and functions.

These systems encompass the main enterprise-wide information systems. These systems feed into the decision support systems such as data mining and OLAP using data warehouses, marts, etc. There are additional systems that are more focused on specific business objectives. Some of these systems include, but is definitely not limited to:

- **Decision Support Systems,**
- **Sales Force Management Systems,**
- **Executive Information Systems,**
- **Strategic Information Systems, and**
- **Group Support Systems.**

Important Question Answers:

Q1. What is e-CRM?

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Ans: e-CRM or Electronic CRM concept is derived from E-commerce. It also uses net environment i.e., intranet, extranet and internet. Electronic CRM concerns all forms of managing relationships with customers making use of Information Technology (IT). E-CRM is enterprises using IT to integrate internal organization resources and external marketing strategies to understand and fulfill their customers' needs. Comparing with traditional CRM, the integrated information for eCRM intra-organizational collaboration can be more efficient to communicate with customers.

Q2. What are the different levels of e-CRM?

Ans: Different levels of e-CRM

In defining the scope of e-CRM, three different levels can be distinguished:

Foundational services: This includes the minimum necessary services such as web site effectiveness and responsiveness as well as order fulfillment.

Customer-centered services: These services include order tracking, product configuration and customization as well as security/trust.

Value-added services: These are extra services such as online auctions and online training and education.

Q3. What are the advantages of data mining?

Ans: Data mining is seen as an increasingly important tool by modern business to transform data into business intelligence giving an informational advantage. It is currently used in a wide range of profiling practices, such as marketing, surveillance, fraud detection, and scientific discovery.

The related terms data dredging, data fishing and data snooping refer to the use of data mining techniques to sample portions of the larger population data set that are (or may be) too small for reliable statistical inferences to be made about the validity of any patterns discovered. These techniques can, however, be used in the creation of new hypotheses to test against the larger data populations.

Q4. What is the process in data mining?

Ans: Data mining commonly involves four classes of tasks:

Clustering – is the task of discovering groups and structures in the data that are in some way or another "similar", without using known structures in the data.

Classification – is the task of generalizing known structure to apply to new data. For example, an email program might attempt to classify an email as legitimate or spam. Common algorithms include decision tree learning, nearest neighbor, naive Bayesian classification, neural networks and support vector machines.

Regression – Attempts to find a function which models the data with the least error.

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Association rule learning – Searches for relationships between variables. For example, a supermarket might gather data on customer purchasing habits. Using association rule learning, the supermarket can determine which products are frequently bought together and use this information for marketing purposes. This is sometimes referred to as market basket analysis.

Q5. What is meant by data mining?

Ans: Data mining, the extraction of hidden predictive information from large databases, is a powerful new technology with great potential to help companies focus on the most important information in their data warehouses. Data mining tools predict future trends and behaviors, allowing businesses to make proactive, knowledge-driven decisions. The automated, prospective analyses offered by data mining move beyond the analyses of past events provided by retrospective tools typical of decision support systems. Data mining tools can answer business questions that traditionally were too time consuming to resolve. They scour databases for hidden patterns, finding predictive information that experts may miss because it lies outside their expectations.

Q6. How SAP support to CRM?

Ans: SAP CRM supports the customer-related processes and deals with all customer-related activities across all departments. It sources and gathers together all customer data in the organization in order to facilitate better decisions. It enables company's address their business needs adequately, manages to achieve the business objectives and reaps the required return on investment.

Q7. What is data warehousing?

Ans: A data warehouse is a relational database that is designed for query and analysis rather than for transaction processing. It usually contains historical data derived from transaction data, but it can include data from other sources. It separates analysis workload from transaction workload and enables an organization to consolidate data from several sources.

In addition to a relational database, a data warehouse environment includes an extraction, transportation, transformation, and loading (ETL) solution, an online analytical processing (OLAP) engine, client analysis tools, and other applications that manage the process of gathering data and delivering it to business users.

Q8. What are the advantages of data warehousing?

Ans: When data is taken from multiple sources and placed in a centralized location, an organization can analyze it in a way that may allow them to come up with different solutions than they would if they looked at the data separately. Data mining is connected to data warehouses, and neural networks or algorithms are responsible. When data is analyzed from multiple sources, patterns and connections

can be discovered which would not be found otherwise. Another advantage of data warehouse is that they can create a structure which will allow changes within the stored data to be transferred back to operational systems.

Q9. What are the uses of e-commerce in business?

Ans: E-Commerce Functional components: Order Management, Catalog Transaction Reporting, Business Intelligence

- **B2C: Personalization, Live Chat, Community, email Marketing Social Networking**
- **B2B: Collaboration, Product Information Management, Customer Web Store, Promotions Management**
- **Design & Blue Print, Application Development & Integration, Application Management,**
- **User Interface & Web site Response time optimization Infrastructure: 24x7 support, Managed hosting services, PCI compliance.**

10. What are the advantages of SAP used in CRM?

Ans: SAP, which is more commonly known as a vendor of enterprise resource planning (ERP) software, offers a very popular CRM package. SAP's CRM product is often purchased by companies who are already SAP customers because of the ease of integration of customer data in a structured format. Based on the requirement of company, they can retrieve the data on basis of their requirement.

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Chapter 7: Sales Force Automation

Before getting to know about Sales force automation we need to know first what a sales process is. A sales process is a systematic methodology for performing product or service sales. The reasons for having a sales process include seller and buyer risk management, achieving standardized customer interaction in sales and scalable revenue generation.

Specific steps in sales processes vary from company to company but generally include the following steps:

- **Sales lead**
- **Qualified prospect**
- **Need identification**
- **Closing**
- **Deal Transaction**

From a seller's point of view, a sales process mediates risk by stage-gating deals based on collection of information or execution of procedures that gate movement to the next step. This controls seller resource expenditure on non-performing deals. Ideally this also prevents buyers from purchasing products they don't need though such a benefit requires ethical intentions by the seller. Because of the uncertainty of this assurance, buyers often have a buying or purchasing process.

Sales processes are generally more common for companies that either have large revenue risks that require systematic assurance of revenue generation and/or those that choose to use a more consultative sales approach (e.g., Saturn, IBM, Hewlett-Packard).

Strictly even an effective ad hoc or retail sales process can be described by steps of an ideal sales process though some of the steps may be executed quickly. Often a bad sales experience can be analyzed and shown to have skipped key steps. This is where a good sale processes mediate risk for both buyer and seller.

Many companies develop their own sales process; however, off the shelf versions are available from companies such as Huthwaite International and Miller Heiman. These provide a customizable process and a set of electronic tools that can be freestanding or can be integrated if required with the company's CRM or opportunity management system Sales Process Management Sales process management includes all the tasks associated with finding sales opportunities and closing deals. This includes:

- **Prospecting and qualifying leads.**
- **Managing contacts, opportunities, and accounts.**

- **Tracing the stages of deal closure and its related probabilities, including the variable compensations directly or indirectly related to closing deals.**
- **Managing and tracking communications between salespeople and customers, such as conducting direct e-mail campaigns.**
- **Maintaining a database of product information in a format that's easy for the sales force to access, either online in the office or offline at a customer site.**

Any sales team in a company today, has to deal with various constraints. They need to continuously be in touch with their office, for updates on availability, prices and schemes for the products they sell. While this external reliance is a bottleneck, even the information obtained is not always accurate. Sales Force Automation enables a highly mobile sales force to increase productivity on the field, react faster to customer requirements and access and update sales related information anytime, anywhere.

SFA is often used interchangeably with CRM; however, CRM does not necessarily imply automation of sales tasks. Sales Force Automation (SFA) contains multiple aspects of sales functionality, including sales activities, opportunity & pipeline management and forecast capabilities. Sales Force Automation is frequently combined with marketing tools to help facilitate the lead to opportunity (sales) flow. SFA enables you to analyze the entire sales cycle and successfully manage your sales pipeline—from first contact to final sale.

SFA functionality can also help forecast your sales pipeline. Forecasting sales opportunities enables companies to forecast products or services that will be sold within a specified timeline, the monetary/unit amount of products or services sold, and the likelihood of selling those products or services. Forecast management may also be based by employees or territories, they may compare the adjustments over time so sales managers can see the changes, and the forecast could be compared to a sales users' quota.

Overview of Sales Force Automation:

Sales force automation refers to automating all the actions related to sales of an organization or business. This is a coordination of applications that chiefly center on scheduling and contact management. Sales force automation actions are usually incorporated with other systems that supply the status of orders, inventory and products and other related information and can be a part of a bigger program of customer relationship management. Abbreviated SFA, a technique of using software to automate the business tasks of sales, including order processing, contact management, information sharing, inventory monitoring and control, order tracking, customer management, sales forecast analysis and employee performance evaluation.

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Sales force automation helps by making all business actions pertaining to sales, automatic. These actions include:

- **Keeping a track of orders.**
- **Meting out of orders.**
- **Contact management.**
- **Sharing sales information and statistics.**
- **Screening and control of inventory.**
- **Analyzing future sales patterns and behavior.**
- **Evaluating performance of employees in sales.**

In short, sales force automation can help you to control your entire sales process from head to toe. Sales Force Automation (SFA) software is a type of program that automates business tasks such as inventory control, sales processing, and tracking of customer interactions, as well as analyzing sales forecasts and performance. Sales automation software is sometimes called sales automation software, and sometimes called Customer Relations Management (CRM) software.

Sales Force Automation Solution:

Nowadays there is a variety of software and solutions available for sales force automation that can help small, mid-size, and large enterprises to meet and surpass their sales targets and initiatives. All the information provided by such solutions can help businesses to analyze their sales and pinpoint future trends and courses.

SFA packages typically include a Web-ready database, an e-mail package, and customizable template s. A three-tiered architecture is typically used to separate the database, server, and application to reduce programming demands on clients.

A module-based design is generally used, to allow users to customize the package to suit their needs.

In August 2000, Oracle released a free CRM software package, OracleSalesOnline.com which makes information – such as contacts, schedules, and performance tracking – available online through the included database program. The package is designed for medium-to-large enterprises with mobile work forces. All data and storage are based at an Oracle facility, similar to the Application Service Provider (ASP) model, which means that data can be accessed from any Internet connection and that the client doesn't need special hardware or software. The Oracle package also includes online staff training.

Benefits of Sales Force Automation Software:

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Personalized Software: You can get sales force automation solutions that are customized according to your specific business. These solutions are completely configurable to meet your individual business and sales automation needs.

Complete Sales Solutions for Executives and Employees: Sales force automation software can help executives to define and set individual sales goals, share sales and advertising information, analyze results and reports, and predict future courses.

Sales employees can benefit as the solutions make it easy for them to obtain leads, supervise their databases, set reminders for schedules and appointments, and save numerous notes, orders, and applications.

Swift Launch and Incorporation: Most sales force automation software can easily be incorporated into your unique sales programs and can be configured according to your special needs. As a direct consequence of this, your sales team can be fully functional in weeks rather than months or even years.

Provides Control: By using sales force automation software, managers can find out how their sales team is doing at any given time and also take care of any possible problems before they get out of hand. Sales representatives can quickly be brought up to date by providing all the necessary sales information in one common place.

Safeguards Data: All sales force automation systems have built-in security tools that help to safeguard all your data, statistics, and solutions. Advanced technology in security enables complete protection of client and company data. Along with this, these systems have data encryption and user authentication facilities that help to back up the saved data and also prevent unauthorized use of your sales solutions.

Features of SFA:

- Sales Management
- Lead Management
- Opportunity Management
- Account and Contact Management Notes
- Activity Management
- Approvals and Workflow
- Territory Management
- Partner Management
- Analytics and Forecasting
- Reports and Dashboards
- Customizable Forecasting
- Data Quality Management
- Sales Information
- Product Catalog
- Document Management

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- Contract Management
- Email Templates
- Asset Management
- Desktop and Mobile
- Mobile CRM Solutions
- Microsoft Outlook Edition
- Word and Excel Integration
- Customization and Integration
- AppExchange Applications

Functional Features of SFA Architecture

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Important Terms and MCQs

Active Listening: Active listening is a communication technique. Active listening requires the listener to understand, interpret, and evaluate what they hear.

Behaviour analysis: Behavior analysis is a science concerned with the behaviour of people, and it attempts to understand, describe and predict their behaviour.

Body language: Body language is the person's expressions, behaviour, body movement, etc., through which you can judge that a person is tense, relaxed, worried, happy, restless, etc.

CLTV: It is a reflection of the possible future business a company can expect from a loyal customer.

Continuity Marketing: These programs are generally aimed at retaining customers and enhancing their loyalty.

Cross-selling: Cross-selling is the act of selling a product or service to a customer as a result of another purchase.

Customer Relationship Management (CRM): Customer Relationship Management (CRM) is a business strategy to select and manage customers to optimize long-term value.

Event-based Marketing: The best definition of event-based marketing is a time-sensitive marketing or sales communication reacting to a customer-specific event.

Verbal Behaviour: Verbal Behaviour, a detailed behavioural analysis of what constitutes as language is provided.

Competitive Advantage: An advantage that a firm has over its competitors, allowing it to generate greater sales or margins and/or retain more customers than its competition. There can be many types of competitive advantages including the firm's cost structure, product offerings, distribution network and customer support.

Corporate Social Responsibility: Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large

Customer Value Framework: The framework identifies five major sources of value—information, products, interactions, environment, and ownership—that are associated with central value-chain processes.

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Customer Value: It is defined as the difference between what a customer gets from a product, and what he or she has to give in order to get it. It helps people and companies unlock their inner creative power and achieve amazing results.

Marketing Research: It is the systematic gathering, recording, and analysis of qualitative and quantitative data about issues relating to marketing products and services. The goal of marketing research is to identify and assess how changing elements of the marketing mix impacts customer behavior.

Marketing Strategy: Marketing strategy is a process that can allow an organization to concentrate its resources on the optimal opportunities with the goals of increasing sales and achieving a sustainable competitive advantage.

Technology Components: The CRM technology components combine the functions of CRM engine, Front-office solutions, Enterprise Application Integrations (EAIs) for CRM.

Customer - Repeat Purchasers: (a) number of repeat purchase customers over the past year as a % of total number of customers or, (b) Value of repeat sales as a % of total sales or, (c) % of purchases by current customers. This measure provides an indication of customer retention/loyalty.

Customer Account Profitability: This is a measure of the value of specific customer accounts.

Customer Acquisition Cost: This is a measure of the cost involved in attracting or retaining customers.

Customer Relationship – Duration: Customer relationship – duration is the average duration of relationships of an organization with its customers or, the duration of relationships with key/individual customers.

Customer-Projected Retention: This measure provides an indication of projected customer retention/loyalty and may be effective in the measurement of current customer satisfaction as opposed to measurements relating to customers already lost.

Customers - Value of Key Customers: (a) value of total sales or contracts to key customers as a % of total value of gross sales or contracts, per period, or, (b) value of sales or contracts gained through referrals from key customer as a % of total sales or contracts. This is a measure of the performance of identified key customers, allowing the effectiveness of special relationship strategies to be assessed and refocused as necessary.

Market Share Projection: Market share projection is a measure of projected market share,

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commonly used in setting goals or targets in new product promotions or when penetrating new markets with existing products.

Return on Investment (ROI): This measure provides an indication of how well profits are being generated from use of the organization's resources. A measure commonly used to compare performance between organizations; ROI is useful for assessing an organization's competitive advantage. In this context it can be used to track the success of a CPM initiative.

360-degree Marketing: Marketing activities which take into consideration brand identity and take an inclusive approach so that the brand is presented at all points of consumer contact.

Competitive Advantage: An advantage that firms have over its competitors, allowing it to generate greater sales or margins and/or retain more customers than its competition. There can be many types of competitive advantages including the firm's cost structure, product offerings, distribution network and customer support.

Consumer Behaviour: Consumer Behaviour is a branch which deals with the various stages a consumer goes through before purchasing products or services for his end use.

Cross-selling: Selling the customer additional, related, products

Data Mining: Data mining (sometimes called data or knowledge discovery) is the process of analyzing data from different perspectives and summarizing it into useful information - information that can be used to increase revenue, cuts costs, or both.

Economy: The system of production and distribution and consumption.

Marketing: The management process through which goods and services move from concept to the customer.

Up selling: Selling the customer a more expensive version of the product

Behavioural Segmentation: Market segmentation based on consumer's product related behavior; typically, the benefits desired from a product.

Demography: The statistical study of human population and its distribution.

Market Targeting: The process of segmenting, targeting and positioning an offer in the market.

Positioning: process by which marketers try to create an image or identity in the minds of their target market for its company, product & services and brands.

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Psychographics: It is the science of using psychology and demographics to study the lifestyle patterns of consumers.

Segmentation: The process of segregating a heterogeneous market into a set of homogeneous groups of customers.

Target Market: it is a group of customers that the business has decided to aim its marketing efforts and ultimately its merchandise.

Brand Building: The goal in brand building is to carefully manage a company's name, brands, slogans and symbols, otherwise known as brand equity.

Call Centres (CCs), or Customer Contact Centres (CCCs): These have long played a critical role on the customer interaction front.

CTI: It can be defined as the application of computer-based intelligence to telecommunications devices.

Customer Equity: It is the Net Present Value of a customer from the perspective of a supplier.

Customer Knowledge: It refers to understanding your customers, their needs, wants and aims is essential if a business is to align its processes, products and services to build real customer relationships.

Customer Value Analysis (CVA): CVA compares price and quality (or value) of a product against competitors.

Enterprise Data: Enterprise Data is information that is entered and used by each staff member in performing their job, but which is also relevant to others in an organization or group, such as the feedback from a customer during a sales call.

Lifetime Customer Value: It is a reflection of the possible future business a company can expect from a loyal customer.

CRM: Contact with customer made through the retail store, phone, and fax.

Digital Signature: A digital certificate simply ties together a public key with say the name and address of the customer or merchant.

E-CRM: All of the traditional methods are used in addition to Internet, email, wireless, and PDA technologies.

Mobile CRM: This is defined as "services that aim at nurturing customer relationships, acquiring or maintaining customers, support marketing, sales or services processes, and use wireless networks as the medium of delivery to the customers."

Outsourced Model: It is similar to the ASP option. A company with limited resources and capabilities will utilize outside businesses to fill in the gap.

Self-hosted Applications: In this situation the software is hosted by the e-business. The vendor will teach users how to put the software to use.

Web Browser: This model preserves the fundamental value of the Internet as a communication medium, and provides a common platform for independent access to data anytime and anywhere.

Alerts: Messaging facility allows sales representative to receive from as well as send alerts to central server.

Appointment Scheduling: This facilitates creating, viewing and rescheduling appointments by a sales representative on his PDA.

Client Application: The client application is hosted in the Sales Representative's PDA device and has the ability to view appointments, create orders, search for customer details and item details and synchronise with the Mobile Server using GPRS.

Delivery Instructions: The Sales Representative can enter a Delivery Instruction if required and save the order.

Mobile Server: It is the key sub-system of the entire sales force automation system.

Sales Force Automation (SFA) Software: It is a type of program that automates business tasks such as inventory control, sales processing, and tracking of customer interactions, as well as analyzing sales forecasts and performance.

Sales Force Automation: It refers to automating all the actions related to sales of an organization or business.

Synchronization: This module facilitates in synchronizing data on the device with the server using cradle or wireless synchronization.

Important Questions (CRM): (Fill in the blanks/True&False)

1. CRM is a business philosophy that aims at maximizing ___ in the long run.

Ans. Customer value

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2. Contacts with a customer can be managed by phone, fax and e-mail. (True/False)

Ans. True

3. In the 1980s, the emergence of ___ marketing took place.

Ans. Database

4. CRM helped in increasing customer satisfaction from order to end product. (True/False)

Ans. True

5. A CRM system stores comprehensive information of a customer in a centralized way which is accessible anytime. (True/False)

Ans. True.

6. A successful CRM increases production and profit throughout the ___.

Ans. Customer lifecycle

7. CRM understands the ___ and the capability to create an action plan for the staff working in the various segments.

Ans. Segmental relationship

8. Companies that are using ___ are raising the level of personalization.

Ans. Proactive CRM

9. Operational CRM has developed into two variants namely eCRM and mCRM. (True/False)

Ans. True

10. The main goal of ___ is to enable two-way continuous interactivity between the customer and the company.

Ans. mCRM

11. The objective of data mining is to detect 'known' relationships among data. (True/False)

Ans. False. The objective of data mining is to detect 'hidden' relationships among data.

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12. The tools of technology are Information Technology and Knowledge Management. (True/False)

Ans. True

13. The result of the comparison between customer's expectation and customer's perception is ___.

Ans. customer satisfaction

14. Measuring customer satisfaction requires a set of activities such as preparing questionnaires, conducting surveys, and analyzing the results. (True/False)

Ans. True

15. ___ means customer's belief related to products or services received or experienced.

Ans. Perception

16. CRM system generates ___ throughout interactions on different channels.

Ans. 360-degree customer view

17. There are three phases of customer interaction. (True/False)

Ans. False. There are four phases involved in customer interaction.

18. ___ is the translation of customers' strategies into rules. Ans. Context

19. Integrated view of the customer provides a connection between customer interaction channels and customer strategy. (True/False) Ans. True

20. CRM ___ combines the information of the customer that flows through different departments and customer channels.

Ans. Architecture

21. Salesforce automation helps automate some processes that are associated with services. (True/False)

Ans. False. Customer service automation helps to automate some processes that are associated with service.

22. Technology plays a vital role in managing ___.

Ans. Customer Knowledge Store

23. SFA ensures ___ and helps to increase the revenues by making better decisions.

Ans. Customer satisfaction

24. SFA enables collaboration and improves communication in the sales team. (True/False)

Ans. True

25. ___ enables wireless or wired data synchronization between enterprise systems and mobile devices.

Ans. Server-based iMobile suite

26. Docking synchronization is done once a day and it is primarily used to retrieve basic information like addresses, phone numbers, etc. (True/False)

Ans. True

27. Features like strong ___, easier integration, and better end-user experience are included in SFA.

Ans. Customization

28. Dashboards provide immediate access to a real-time view of sales data. (True/False)

Ans. True

29. A 360-degree view of each lead, customer and account can be developed through a medium of ___ in an organization.

Ans. SalesForce Automation software

30. Opportunity management functionality of SFA helps to manage multichannel interactions. (True/False)

Ans. False. The customer management functionality of SFA helps to manage multi-channel interactions.

31. ___ and sharing of information are enabled in SFA to improve the organization.

Ans. Collaboration

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32. If ___ is not done regularly, organizations may find it very expensive to manage data.

Ans. Data deduplication

33. It is essential that marketing managers or team leaders have monthly access to the SFA system. (True/False)

Ans. False. It is essential that marketing managers or team leaders have daily access to the SFA system.

34. Most of the SFA systems have default lead and opportunity stages, accounts and contacts fields, reports and dashboards. (True/False)

Ans. True

35. The entire sales pipeline is affected by ___ reporting.

Ans. Inconsistent

36. Conflicts of data should be reconciled at the record level rather than at the field level. (True/False)

Ans. False. Conflicts of data should be reconciled at the field level rather than at the record level

37. During synchronization, to avoid database errors, the system should apply only those files that are complete. (True/False)

Ans. True

38. Use of ___ help to supplement sales efforts and provide fast data amidst a busy business schedule.

Ans. SFA tools

39. Reporting engine pulls out information from multiple sources to produce reports. (True/False)

Ans. True

40. Name two industries that use tools to provide product-specific configuration support to build products for their customers.

Ans. Computer technology vendors, Telephone companies

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41. ___ is part of customer automation and part of sales force automation.

Ans. Field Force Automation (FFA)

42. EMA is designed to ___ the processes like designing, implementing and analyzing direct marketing campaigns which are sophisticated in nature.

Ans. Automate

43. The main objective of EMA is to fasten the cycle of the direct marketing campaign. (True/False)

Ans. True

44. Personalization is done by analyzing each customer's past contacts and behaviour. (True/False)

Ans. True

45. Outbound e-mail management helps organizations to handle inbound queries raised by customers.

(True/ False)

Ans. False. Outbound e-mail management helps organizations to form and perform permission-based marketing campaigns.

46. The ___ e-mail management is totally considered as a service-oriented activity.

Ans. Inbound

47. ___ helps the organizations to form and perform permission-based marketing campaigns.

Ans. Outbound e-mail management

48. Enterprise Marketing Automation helps in improving marketing effectiveness and efficiencies by planning, testing, and executing ___.

Ans. Marketing campaigns

49. EMA software helps an organization to pick up the contact details from multiple sources in ___ form.

Ans. Soft copy

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50. De-duping helps to make only one entry per customer. (True/False)

Ans. True

51. It is important to store the list generated for a particular campaign in the database. (True/False)

Ans. True

52. A ___ is successful and effective if there are careful research and a well-planned design that focuses on the details and implementation of the campaign.

Ans. Marketing campaign

53. A business analytical application automates the process of ___ and generally carries out a part of the decision-making activities of a human being.

Ans. Thinking

54. Financial modelling, budgeting, resource allocation, and competitive intelligence are some of the advanced applications of BA. (True/False)

Ans. True

55. The process of analyzing and extracting the important information from a pile of collected data is defined as___.

Ans. Knowledge Discovery

56. Visualization or data visualization is a ___ tool that helps in interpreting data using visuals or images.

Ans. Business Analytics

57. DSS are highly helpful in identifying the relationship between trends. (True/False)

Ans. False. Visual tools are highly helpful in identifying the relationship between trends.

58. An efficient synchronization system is a system that is successful in sending ___ amount of data to remote users.

Ans. Minimal

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59. ___ is the latest, new generation direct marketing software that helps marketers to automate their marketing activities.

Ans. Enterprise Marketing Automation

60. Integrated marketing strategy aims at unifying different marketing methods. (True/False)

Ans. True

61. Indirect communication channels promote sales whereas direct communication channels promote sales and improve the ___.

Ans. Customer relationship

62. Name two direct communication channels.

Ans. Direct mail, e-mail

63. The ___ is the most commonly used enabling technology in tackling integration issues.

Ans. Session Initiation Protocol (SIP)

64. Integrated open standards-based architecture facilitates CICs to deliver immediate feedback across mediums that provide outstanding customer service. (True/ False)

Ans. True

65. The main objective of customer service is to have an integrated multichannel and multi-device communication. (True/ False)

Ans. True

66. What provide insight and intelligence necessary to customize messages, product offers, and service according to individual customer needs?

Ans. Customer Analytics

67. ___ involves the process of generating awareness in a prospective customer and converting that customer into an actual customer who buys the products.

Ans. Integrated Sales and Marketing

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68. In larger companies, sales and operations communicate routinely and decisions that integrate the knowledge of both the market and operations happen naturally. (True/False)

Ans. False. In smaller company's sales and operations communicate routinely and decisions that integrate the knowledge of both the market and operations happen naturally.

69. In an organization, which department is responsible for generating leads?

Ans. The marketing department

70. ___ is the art of dealing with customer response and feedback via numerous communication channels available.

Ans. Customer Response Management

71. Give the names of a few communication channels to receive customer feedback.

Ans. Call centre, surveys, e-mails, social networking and mobile devices

72. ___ is used widely for targeting a large segment of customers, keen on receiving messages on the move.

Ans. SMS

73. CTI combines the functions of the ___ and the ___.

Ans. Telephone, Computer

74. If the calling party's number is not in the database, CTI rejects the call. (True/False)

Ans. False. If the calling party's number is not in the database, then IVRS is used.

75. ___ allows customers to solve their problems quickly and easily by interactive mediums.

Ans. Improving customer service

76. The best way to retain customers is through ___ and ___.

Ans. Positive relationship management and outstanding customer service

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77. In Customer Interaction Centers, customers get different levels of service depending on the method of contact used with the organization (e-mail, phone, fax, or online-chat). (True/False)

Ans. False. In CICs, customers get constant service, irrespective of the method of contact they use with the organization.

78. It is important to provide customers with a particular point of contact and access to the combined skills and resources of the entire company. (True/False)

Ans. True

79. With ___, an organization can make full use of all its customer interactions, giving it a significant competitive advantage in the drive for personalization.

Ans. An integrated strategy

80. ___ ___ is a telecommunication tool that effectively routes and distributes incoming calls in an even way to a specific group of people.

Ans. An Automatic Call Distributor (ACD)

81. ___ is a technology that computerizes interactions with telephone callers.

Ans. Interactive Voice Response (IVR)

82. Programs that manage, control, reply and respond to the telephone calls on the IVR platform are known as IVR applications. (True/False)

Ans. True

83. ___ is the process of captivating verbal words as an input to a computer program.

Ans. Voice recognition

84. Verbal communication consists of two components ___ and ___.

Ans. Physiological component and a behavioural component

85. Through CTI a company can provide service to its customers for ___ hours.

Ans. 24 hours

86. CTI requires the customers to re-state their identity to a new agent. (True/False)

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Ans. False. When CTI is used, customers need not re-state their identity to a new agent.

87. ____ of the customer is maintained in CTI by providing secured access.

Ans. Privacy

88. ___ and ___ are the two call control types of CTI.

Ans. The first party, Third party

89. TAPI stands for ___ and exists between the ___ and ___.

Ans. Telephony Application Programming Interface, Windows-equipped PC application, Telephone system.

90. ___ and ___ are the popular PC telephony applications with CTI.

Ans. Softphone, Screen pop

91. ___ service offered through Web-enabled CTI saves money on printing and mailing.

Ans. e-Billing

92. The first unit to which an incoming call lands in a CTI is ___.

Ans. PBX or ACD

93. The ____ system provides the tools needed to optimally manage incoming calls.

Ans. ACD

94. When the agent is unavailable the call centre shuts down. (True/False)

Ans. False. In the absence of the agent at the call centre, the ACD stores the call in a queue.

95. Responses are ___ in an IVRS.

Ans. Recorded

96. Digital voice recording is the function of ___ unit.

Ans. Voice logger

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97. Cumulative time spent on a project is reduced for a company investing in CTI. (True/False)

Ans. True

98. Operators in call centres are also called ___.

Ans. Agents

99. The kick-off meeting is the place where all the project stakeholders get acquainted. (True/False)

Ans. True

100. In the kick-off meeting, responsibility is assigned to various team members from the ___.

Ans. Company's core departments

101. Requirements gathering is always company-centric. (True/False)

Ans. False. Requirements gathering is always customer-centric.

102. Requirements gathering reduce ___ and ___ overruns.

Ans. Cost, Time

103. The output from the requirements stage of CRM implementation is ___.

Ans. Requirements specification document

104. A scoping and prioritizing activity ensures that ___ are targeted towards a common delivery.

Ans. Discrete requirements

105. Component complexity arises due to the relationships between the functional processes. (True/False)

Ans. False. System complexity arises due to the relationships between the functional processes.

106. Proper scoping of a project helps to reduce and mitigate risks. (True/False)

Ans. True

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107. Project management is the first step in designing a CRM project. (True/False)

Ans. False. The project kick-off meeting is the first step in designing a CRM project

108. Project planning involves breaking up of requirements specifications into ___.

Ans. Smaller subtasks

109. Pre implementation stage is a CRM ___ assessment stage.

Ans. Readiness

110. Top management commitment is one of the organizational critical success factors. (True/False)

Ans. True

111. Before the implementation of CRM, it is necessary to obtain the commitment of the ___.

Ans. Management

112. CRM implementation should be done in a single phase. (True/False)

Ans. False. CRM implementation should be done in phases.

113. CRM strategy should be in line with the company's ___ strategy.

Ans. Business

114. The different types of prototype models are ___, ___ and ___.

Ans. Proof of concept model, Low fidelity model, High fidelity model

115. The major output from a prototype demo is ___.

Ans. Feedback

116. eCRM is much more than Internet access for CRM. (True/False)

Ans. True

117. eCRM provides a ___ view of the customer.

Ans. Holistic

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118. Prototyping plugs the gap between ___ and ___.

Ans. CRM functions, Business processes

119. Prototyping is a joint activity between ____ and ___.

Ans. Vendor, CRM team of the company

120. The size of a project is determined by ___, ___ and ___.

Ans. The complexity of the interfaces, Workflow, Functions to be implemented

121. ___ analysis is done to evaluate technical specifications and the functions of the CRM solution.

Ans. Fit/gap analysis

122. Workflow and rule changes during customization affect the ___and___.

Ans. Costs, Schedule

123. Experienced end users are also called ___.

Ans. Power users

124. Customization is the beginning of the ___ transfer stage from the vendor to customer.

Ans. Knowledge

125. ___ document maps old data fields with new data fields.

Ans. Mapping

126. Integrating the CRM solution with other ___ is a challenging exercise.

Ans. Business-critical applications

127. The very first training one gets after installation of software is called___.

Ans. Initial user training

128. ___ training enables a person to get trained at the person's convenience.

Ans. E-training

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129. Vertical rollout is suitable for ___ organisations.

Ans. Small

130. ___ is a major issue in data porting between central and remote locations.

Ans. Synchronization

131. The financial benefit a company gets at the end of CRM deployment is ___.

Ans. Return on Investment

132. According to ___, CRM is an iterative process that turns customer information into positive customer relations.

a) Ronald S. Swift

b) Stanley A. Brown

c) Chris Todman

d) Gartner Group

Ans. Ronald S. Swift

133. Although ___ was developed as a Linux program, it is compatible with Windows.

a) Telemation

b) SAP

c) Oracle

d) PeopleSoft

Ans. Telemation

134. Which of the following options includes relationship management with external stakeholders in the value chain?

a) Analytical CRM

b) eCRM

c) Collaborative CRM

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d) EAI

Ans. c) Collaborative CRM

135. ___ are important to develop and evaluate the results of marketing interactions.

a) Campaign management tools

b) Interfaces

c) Analytical tools

d) Data warehouses

Ans. Campaign management tools

136. In ___, active management and assessment of products and services take place.

a) Intelligence phase

b) Value creation phase

c) Integration phase

d) Initial phase

Ans. c) Integration phase

137. The ___ of CRM deals with communication between companies and their customers.

a) Collaborative feature

b) Operational feature

c) Analytical feature

d) Automation feature

Ans. Collaborative feature

138. Which one of the following options is the correct benefit of SFA?

a) Decreases trading and increases administration

b) Helps to close agreements slower

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c) Provides real-time visibility into sales

d) Helps to implement consistent sales processes across departments only

Ans. c) Provides real-time visibility into sales

139. Which of the following features of SFA helps to integrate financial functionality of the back and front office of an organization?

a) Contract management

b) Opportunity management

c) Asset management

d) Data quality management

Ans. Contract management

140. of the following options is linked to order management?

a) Improves financial planning by easily tracking sales pipeline

b) Maintains audit information automatically

c) Associates opportunity data records with purchase decisions

d) Exports and imports account data

Ans. Improves financial planning by easily tracking sales pipeline

141. An efficient synchronization system must: (Choose the false option)

a) Support large-scale field implementation

b) Give flexible support for the server database

c) Be dependent on the database

d) Easy to use

Ans. c) Be dependent on the database

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142. Which among the following is defined as an ability to track and respond to clients in an individualized manner? a) Personalization

b) Automation

c) Inbound management

d) Outbound management

Ans. a) Personalization

143. Which among the following is a major part of applications and techniques that helps in gathering, storing, analyzing, and accessing the data?

a) Business analytics

b) Data visualization

c) Data mining

d) Virtual reality

Ans. a) Business analytics

144. In ___, devices connect directly and synchronize with their owners' data on a PC. (Pick the right option)

a) Software-based synchronization

b) Web-based portal synchronization

c) Enterprise space synchronization

d) Docking synchronization

Ans. a) Software-based synchronization

145. Which of the following response media provides the three different service models of 'Immediate Assistance', 'Deferred Assistance' and 'Engaging' with the company via self-service.

a) E-mail

b) Call centre

c) SMS

d) Web site

Ans. b) Call centre

146. ___ is a kind of speech production application. It translates standard language text into speech. (Pick the right option)

a) Voice Speech Recognition

b) Hosted FAQ services

c) Text-to-Speech

d) IVR applications

Ans. c) Text-to-Speech (TTS)

147. ___ is the API for media binding in CTI. (Pick the right option)

a) TAPI

b) TSAPI

c) JTAPI

d) MTAPI

Ans. c) JTAPI

148. In Web-enabled CTI, interactions with customers is through the___. (Pick the right option)

a) Server

b) Telephone switch

c) Internet

d) Computer

Ans. Internet

149. Discussions are held with all the ___ of the company during requirements gathering. (Pick the right option)

a) Technical staff

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b) Managers

c) Sales personnel

d) Stakeholders

Ans. Stakeholders

150. ___ is the input to the scoping and prioritizing stage of CRM implementation. (Pick the right option)

a) Scope statement

b) Requirements list

c) Design document

d) Business plans

Ans. b) Requirements list

151. ___ outlines the interactions between a user and an application. (Pick the right option)

a) Use case

b) Technical specification document

c) Functional specification document

d) Project user training plan

Ans. Use case

152. ___ generations is done after prototyping. (Pick the right option)

a) Report

b) Proposal

c) Bill

d) Plan

Ans. b) Proposal

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153. Customization is a process of ___ the CRM solution. (Pick the right option).

a) Planning

b) Buying

c) Fine-tuning

d) Integrating

Ans. c) Fine-tuning

154. The staff of the company who maintains software systems is given ___ training. (Pick the right option)

a) Initial user training

b) Train the trainer

c) System administrator training

d) Remedial training

Ans. c) System administrator training

Previous Year Questions:

1. In a CRM System, if the hypothetical rate is 1.0, then the survival rate at the end of 3rd year is

a) 0.25

b) 1.0

c) 0.5

d) 0.0

Ans. b) 1.0

2. The Dendrogram tool is a tool used in CRM in conjunction with which of these methodologies?

a) Regression

b) Discriminant Analysis

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c) Cluster Analysis

d) Pareto Analysis

Ans. c) Cluster Analysis

3. In the context of CRM, what does the abbreviation SFA stands for?

a) Sales Frontend Audit

b) Sales Filed Audit

c) Sales Force Automation

d) Sales Field Allocation

Ans. c) Sales Force Automation

4. What is the name of the data visualization tool that depicts a logical arrangement of keywords within a textual content? The size of each word in the depiction usually indicates the frequency or importance of the word.

a) Meta Tag

b) World Cloud

c) Heat Map

d) Dendrogram

Ans. b) World Cloud

5. Name the founder chairman of one of the World's largest CRM companies, Salesforce.com?

a) Jeff Bezos

b) Larry Page

c) Elon Musk

d) Marc Benioff

Ans. d) Marc Benioff

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6. The value that is obtained from a customer's positive word of mouth through which one can get additional customers is called:

a) Customer Referral Value

b) Customer Click Through Rate

c) Customer Frequency Value

d) Customer Life Time Value

Ans. a) Customer Referral Value

7. In a typical Sales Funnel, which of these segments would be the largest segment?

a) People who have decided to purchase

b) People who are aware of the product

c) People who have acted upon the purchase decision

d) People who have interest in purchasing

Ans. b) People who are aware of the product

8. In a CRM database, a set of information stored in a row of the database and pertaining to one cluster is called?

a) Flow

b) Record

c) Cluster

d) Factor

Ans. b) Record

9. In case of CRM, what does RF stand for in RFM model?

a) Recency Frequency

b) Radio Frequency

c) Right Field

d) Recent Financials

Ans. a) Recency Frequency

10. The Balanced Scorecard, a Strategic Planning and Management System was developed by two management gurus. One of them is a famous professor from Harvard Business School. Name the professor.

a) Michael Porter

b) Srikant Datar

c) Clayton M. Christensen

d) Robert Kaplan

Ans. d) Robert Kaplan

11. The process of introducing a gaming ambience to increase customer involvement and thereby sale is known by what name? It is an online marketing technique today.

a) Gamification

b) Games People Play

c) Gameshell

d) Game Theory

Ans. a) Gamification

12. IN CRM database management, both Factor Analysis and Cluster Analysis are which type of techniques?

a) Data Transmission Techniques

b) Data Visualization Techniques

c) Data Reduction Techniques

d) Data Generalization Techniques

Ans. c) Data Reduction Techniques