

SUGGESTED CUSTOMER RELATIONSHIP MANAGEMENT (CRM) IMPLEMENTATION FOR BUSINESSES

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Five reasons for the CRM Implementation:

1. It is much easier and less costly to take care of existing customers and build and maintain the relationship with them, than to bring new customers.
2. Customers mostly are preferring the closer relation with the known and existing businesses and keeping such customers depends on one-to-one relationship.
3. Any such business portfolio is than showing a Pareto effect (80/20); a minority is taking a greater sales quantity and most of profit share.
4. The customers loyalty is becoming more brittle since the market is offering a greater variety and competing products are sort of similar.
5. On todays fragmenting media markets there are more complicated and more frequent ways of interaction with the business partner. Customer can choose a great part of such an interaction.

First Step

The task of strategy formation to acquire new customers is not an easy one. How do you know, your way is the right one? The following five questions can hold the answer.

1. How much the value offered to the customer must change to bring their greater loyalty?
2. How big an adjustment to the individual customer needs is appropriate and still profitable?
3. How big the potential of customers loyalty growth there exists?
4. How much money and time could we afford to spend on CRM?
5. If we do believe in our customer relationship importance, why we did not made any steps toward implementing CRM? What we can do next week for a better relationship with them, without any technology investment?

Answering those questions could lead us to the conclusion, that instead of implementing CRM is for now better to concentrate on lowering the production cost or other initiative inside our own business. Thus a first step shall be to acquire and select all the informations and to formulate a customer relationship strategy [8].

First seven principles for implementing CRM:

1. General Manager and all the corporate management commitment to the project.
General Manager shall became a leader of such a process. CRM is a whole corporate strategy, changing the routine practice and corporate managerial structure. Such structure rebuilding and reevaluating is a must before the CRM is implemented. Each corporate management member shall not fight for their department untouchability and all the energy shall be used for the objective.

All employees shall be instructed and ready for a coming change. If needed, a forcible ways can be used, since some of them are not ready to accept change in their indispensability feeling. It goes especially for a sales representatives, to give all the information gathered to the database. Everyday documenting of customer relations details could result in a chance to easily replace one person by another, to replace a missing colleague. This could be a great opportunity for their manager! But failing to apply this in reality is most the CRM projects setback.

The relationship is a two-way street. You can try to strengten your ties with the priority customers but do they want to? On the other hand if you are not trying to do so with the customers wishing to improve this relationship, you can loose them to your competition. If you try to improve your relations with the very unsatisfied customers, they could con-

sider you as the harassing hunters making noisy critics out of them [3].

2. CRM implementation using experts from different fields, but with the unified approach. Without a teamwork there a real danger exists of single-interest CRM creation, for example just to and advantage of a sales department or database department. That way the required tasks for IT/IS section can be exactly formulated and forgo a waist of resources and/or programmers time. In addition a fast problems elimination could be implemented, as well as any power disputes, coming from different department management competency.

Specialised consulting services are a best choice, over the expensive universal consultants; the academic society specialist with an exact scope are the solution.

An important point there is a realistic timing schedule. Building the CRM by the consequent steps instead of convulsive hunt for the time, loosing the touch with the strategy agreed upon. There is not a single technological solution for the CRM implementation, the most expensive one not being the best one. CRM or TQM system for a larger businesses could be a long-term task and shall be implemented step by step. No matter if priorities will be given to the strategic marketing, sales support or after-sales services, the overall frame of each improvement shall be defined first and those priorities named. This is not a complicated strategy, just a simple rule of thumbs [2].

CRM and TQM are across-the board activities, influencing all the management fully. Everyone has to bring an active approach, not a passive part of the process. The leader importance is very high. His choice is not easy to prescribe. Marketing manager, Sales manager, Quality Dept. manager or the IT technology Dept. Head? He has to be self-assertive, a team worker and with diplomatic skills.

Many CRM projects are ending in a disillusion or failure because the expectations are too high or unmeasurable or the CRM imple-

mentation expenses are exceeding its gains. Important is not to undervalue the internal terms unification. Quality Dept. manager, Sales manager or the IT technology Dept. Head shall be using the same words and content description.

Complete information gathering, correct interpretation and storage with the persons or businesses consent.

Since the best CRM implementation method differ from case to case there is not an universal advice. This method depends in the businesses size and its polarization. A focus of a given project is different and competing. For a correct function of CRM it is important that each staff member can approach the information transformed to the customer point-of view. I shall not advise to degrade the CRM system to a call-center, only telling the sales representative which customer was calling and who was the last person talking to him, but omitting the information about the product supplied and that this product manufacturer went bust [1].

All the data collected shall be stored only with the consensus of the persons and businesses involved, otherwise you need a lawyer to solve your troubles. All the staff shall be instructed about a complete and relevant data gathering, with the consequences being harsh if not doing so.

3. Basic benefits of a good quality database efficient use:
 - Best customers selection based on their last orders data frequency and value considering their overall potential and comparison with the purchase behaviour on the given market segment.
 - Identification of the most important future customers based on a other best existing customers common signs.
 - Important messages formation for each customer or their groups based on their products, brand and/or services preference according to each one customer needs.
 - Customer decision-making support after his claim where priority claim treatment often can

lead to his increased loyalty.

- Three or more level communication levels based on high, medium and low purchase potential
 - Sales promotion increased efficiency
 - Distribution channels increased efficiency coming from a better knowledge of a customer needs and requirements [7].
 - LTV (Lifetime Value) improvement.
 - Results reading, since the more precise and actual data can measure strategy efficiency.
 - Targeted and direct communication with the customer can lead to a better service for example in fields of remainders such us: Your order validity is until May 1st only, would you like to extend it? Or: You were ordering 600 pcs each last three months, would you like to prepare for you the same amount for next month?
4. Customer differentiation according to preset measures (others than Pareto rule)

The right measures selection for a correct customer differentiation is a most difficult but indispensable condition for a proper CRM function. As a first signal a Pareto rule could be used but for a large and varying size customers set it is not adequate enough. During one BP project I did came to one widely known winery house, taking same care of all the customers with a bigger than 400 USD yearly orders.

Another step is weighing each measures and their verification. Doing so for a power company it was necessary to do it 20 times over. Reassessing them once a year is a necessity as well.

5. LTV (Lifetime Value) measuring and periodic data verification [4]
Measuring this value is the unpopular task by most of the businesses and the following equation is not taken very seriously. Their reasoning is that the data are just estimated.

Customer Lifetime Value (LTV) is defined as the value of all future customer profits:

$$LTV = \sum_{i=1}^n (1 + d)^{-i} \pi_i \quad (1),$$

where d is discount rate;
 n the customer lifetime cycle;
 π_i is a profit from customer during an i cycle.

Customer value calculation is not an easy task even if we can specify ahead, what products and services is he going to buy and what is going to be our margin.

The profit is formed by:

- margin, less the not easily measurable values, such as maintaining customer relation expense;
- sales-related benefits such as new references, customer influencing the product value, customer spreading the product information to the potentially new ones etc.

The profit calculation cannot be calculated precisely. A financial model, estimating better the customer value could be of a great help there. The important figure for the customer valuation could be his past behaviour analysis. Historic data regarding the business transactions can lead to the actual situation figure.

In any case such a calculation can help recognise or confirm the low-potential customers and resolve our future relationship.

6. One-to-one communication. Direct and targeted communication is a heart of CRM system. It means to address the right customer in the right place and the right time, with the right product and with the right message.

The communication shall correspond with the customer importance. Their selection to the groups, from the most-profitable ones, deserving the best relationship and its improvement, to the least lucrative, which are even not worth the efforts. Such a selection to the specific groups according to their common characteristic could lead to the best approach: Investing to the broadening of the relationship and new ties with the most perspective customers, lowering the cost by constraining such ties with less profitable ones and leaving aside the segments with no future at all. Such a selectivity and comu-

nication model creation is shown on CDE corporation studies.

The communication shall not be limited to a few key customers. Each segment shall be targeted, corresponding with the customer real value. Occasional communication in case of arising problems only is no help in strengthening the relationship [5].

A modern corporation shall guide its interaction with the customers across the communication channels, from Internet, call centres, field sales staff and dealers or partner dealerships. Many businesses are sharing their business efforts with the same customers. It is a challenge to serve the customer with the best way of doing business, any way, any time, using the best communication tools, in any language and any currency. It is a challenge to keep him feeling that he is dealing with the unified and strong corporation, which will recognise him in any situation.

7. Supporting own brand, not weakening

A complex CRM shall keep and bring the customers in the first place. Otherwise the corporation cannot live-up to the harsh competition, and could leave the market. CRM can help with the right product and services selection according to the individual needs.

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Doručeno redakci: 7. 4. 2007

Recenzováno: 24. 5. 2007

Schváleno k publikování: 12. 9. 2007

ABSTRACT**SUGGESTED CUSTOMER RELATIONSHIP MANAGEMENT (CRM) IMPLEMENTATION FOR BUSINESSES****Vratislav Kozák**

Plenty of customers and no problems with utilizing production capacity in full mean no pressure to care for customers. The CRM importance is growing with the competition increasing its pressure and with difficulties in winning new customers or maintaining existing ones. To understand CRM better is nowadays a standard business management strategy in selecting and guiding the most precious customer relationship.

CRM management implementation for businesses is by no means a low-cost affair. Even that more than 50% cases are unsuccessful [8]. The failure is often caused by the wrong assumption that CRM is a software tool guiding all the customer relationship. But CRM is not such a tool. It is supporting software, not a centrepiece.

Based on theoretic foundations and many years of my own research of CRM implementation in a specific corporation (Z ELEKTRO), I shall recommend the following 7 steps procedure, after the most important first one is realized.

During the 90 's we witnessed something like a revolution in marketing, meeting new approach to the customer theory, using new, better and less expensive IT and new methods for solving customer relationship. Shortly, this thing called database marketing became relationship marketing, bringing new software solution and finally the CRM, a broader, across-the-board concept. Many experts warn against technology being the main force for CRM implementation. The key for customer relationship is the approach toward the society and structure used for its acceptance. Inability to accept this customer-centric approach the heart of CRM system is a reason why the opinion about this system is often not a positive one.

Key Words: customer relationship management (CRM), 7 steps, implementation

JEL Classification: L81, M31

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