Concept:

Customer relationship management (CRM) is an approach to manage a company's interaction with current and potential customers. It uses data analysis about customers' history with a company to improve business relationships with customers, specifically focusing on customer retention and ultimately driving sales growth.

One important aspect of the CRM approach is the systems of CRM that compile data from a range of different communication channels, including a company's website, telephone, email, live chat, marketing materials and more recently, social media. Through the CRM approach and the systems used to facilitate it, businesses learn more about their target audiences and how to best cater to their needs.

Definition

Customer relationship management (CRM) is the combination of practices, strategies and technologies that companies use to manage and analyze customer interactions and data throughout the customer lifecycle, with the goal of improving customer service relationships and assisting in customer retention and driving sales growth. CRM systems compile customer data across different channels, or points of contact between the customer and the company, which could include the company's website, telephone, live chat, direct mail, marketing materials and social media. CRM systems can also give customer-facing staff detailed information on customers' personal information, purchase history, buying preferences and concerns.

Evolution
### Need and Importance for Customer Relationship Management

- Customer Relationship Management leads to satisfied customers and eventually higher business everytime.
- Customer Relationship Management goes a long way in retaining existing customers.
- Customer relationship management ensures customers return back home with a smile.
- Customer relationship management improves the relationship between the organization and customers. Such activities strengthen the bond between the sales representatives and customers.

**Advantages of CRM**

**Facilitates discovery of new customers**

CRM systems are useful in identifying potential customers. They keep track of the profiles of the existing clientele and can use them to determine the people to target for maximum clientele returns.

New customers are an indication of future growth. However, a growing business utilizing CRM software should encounter a higher number of existing customers versus new prospects each week. Growth is only essential if the existing customers are maintained appropriately even with recruitment of new prospects.

**Increases customer revenues**

CRM data ensures effective co-ordination of marketing campaigns. It is possible to filter the data and ensure the promotions do not target those who have already purchased particular products. Businesses can also use the data to introduce loyalty programs that facilitate a higher customer retention ratio. No business enjoys selling a similar product to a customer who has just bought it recently. A CRM system coordinates customer data and ensures such conflicts do not arise.

**Helps the sales team in closing deals faster**

A CRM system helps in closing faster deals by facilitating quicker and more efficient responses to customer leads and information. Customers get more convinced to turn their inquiries into purchases once they are responded to promptly. Organizations that have successfully implemented a CRM system have observed a drastic decrease in turnaround time.

**Enhances effective cross and up selling of products**

Cross – selling involves offering complimentary products to customers based on their previous purchases. On the other hand, up – selling involves offering premium products to customers in the same category. With a CRM system, both cross and up – selling can be made possible within a few minutes of cross – checking available data.

Apart from facilitating quicker offers to customers, the two forms of selling helps staff in gaining a better understanding of their customer’s needs. With time, they can always anticipate related purchases from their customer.

**Simplifies the sales and marketing processes**

A CRM system facilitates development of better and effective communication channels. Technological integrations like websites and interactive voice response systems can make work easier for the sales representatives as well as the organization. Consequently, businesses with a CRM have a chance to provide their customers with various ways of communication. Such strategies ensure appropriate delivery of communication and quick response to inquiries and feedback from customers.

**Makes call centers more efficient**
Targeting clients with CRM software is much easier since employees have access to order histories and customer details. The software helps the organization’s workforce to know how to deal with each customer depending upon their recorded archives. Information from the software can be instantly accessed from any point within the organization. CRM also increases the time the sales personnel spend with their existing customers each day. This benefit can be measured by determining the number of service calls made each day by the sales personnel. Alternatively, it could also be measured through the face – to – face contact made by the sales personnel with their existing customers.

Enhances customer loyalty

CRM software is useful in measuring customer loyalty in a less costly manner. In most cases, loyal customers become professional recommendations of the business and the services offered. Consequently, the business can promote their services to new prospects based on testimonials from loyal customers. Testimonials are often convincing more than presenting theoretical frameworks to your future prospects. With CRM, it could be difficult pulling out your loyal customers and making them feel appreciated for their esteemed support.

Builds up on effective internal communication

A CRM strategy is effective in building up effective communication within the company. Different departments can share customer data remotely, hence enhancing team work. Such a strategy is better than working individually with no links between the different business departments. It increases the business’s profitability since staff no longer have to move physically move while in search of critical customer data from other departments.

Facilitates optimized marketing

CRM enables a business understand the needs and behavior of their customers. This allows them to identify the correct time to market their products to customers. The software gives ideas about the most lucrative customer groups to sales representatives. Such information is useful in targeting certain prospects that are likely to profit the business. Optimized marketing utilizes the business resources meaningfully.

CRM software will remain relevant for quiet long as long as businesses desire a quick balance between product provision and customer acquisition. Inarguably, the advantages of customer relationship management will remain relevant as long as businesses desire to build a competitive advantage over their competitors.

Elements of CRM

CRM can be broken down into a number of different components which many software vendors have developed packages for. For the most part, there are three areas which are core to successful customer relationship management:

- **Customer Service** The customer service function in your company represents the front office functions that interact with your customers. These are the business processes that allow your company to sell products and services to your customers, communicate with your customers with regards marketing and dealing with the after sales service requirements of your customers. Each interaction with the customer is recorded and stored within the CRM software where it can be retrieved by other employees if needed.
- **Sales Force Automation** Your 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. The ability for employees outside of the sales team to have access to this data ensures that they have the most recent contact information with customers. This is important when customers contact employees outside of the sales team so that customers are given the best level of customer service.

• **Campaign Management**. The sales team approach prospective customers in the hope of winning new business. 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.

**Essential features of CRM**

Customer Relationship Management is a strategy which is customized by an organization to manage and administrate its customers and vendors in an efficient manner for achieving excellence in business. It is primarily entangled with following features:

• **Customers Needs**-
  An organization can never assume what actually a customer needs. Hence it is extremely important to interview a customer about all the likes and dislikes so that the actual needs can be ascertained and prioritized. Without modulating the actual needs it is arduous to serve the customer effectively and maintain a long-term deal.

• **Customers Response**-
  Customer response is the reaction by the organization to the queries and activities of the customer. Dealing with these queries intelligently is very important as small misunderstandings could convey unlike perceptions. Success totally depends on the understanding and interpreting these queries and then working out to provide the best solution. During this situation if the supplier wins to satisfy the customer by properly answering to his queries, he succeeds in explicating a professional and emotional relationship with him.

• **Customer Satisfaction**-
  Customer satisfaction is the measure of how the needs and responses are collaborated and delivered to excel customer expectation. In today’s competitive business marketplace, customer satisfaction is an important performance exponent and basic differentiator of business strategies. Hence, the more is customer satisfaction; more is the business and the bonding with customer.

• **Customer Loyalty**-
  Customer loyalty is the tendency of the customer to remain in business with a particular supplier and buy the products regularly. This is usually seen when a customer is very much satisfied by the supplier and re-visits the organization for business deals, or when he is tended towards re-buying a particular product or brand over times by that supplier. To continue the customer loyalty the most important aspect an organization should focus on is customer satisfaction. Hence, customer loyalty is an influencing aspect of CRM and is always crucial for business success.

• **Customer Retention**-
Customer retention is a strategic process to keep or retain the existing customers and not letting them to diverge or defect to other suppliers or organization for business. Usually a loyal customer is tended towards sticking to a particular brand or product as far as his basic needs continue to be properly fulfilled. He does not opt for taking a risk in going for a new product. More is the possibility to retain customers the more is the probability of net growth of business.

- Customer Complaints-
  Always there exists a challenge for suppliers to deal with complaints raised by customers. Normally raising a complaint indicates the act of dissatisfaction of the customer. There can be several reasons for a customer to launch a complaint. A genuine reason can also exist due to which the customer is dissatisfied but sometimes complaints are launched due to some sort of misunderstanding in analyzing and interpreting the conditions of the deal provided by the supplier regarding any product or service. Handling these complaints to ultimate satisfaction of the customer is substantial for any organization and hence it is essential for them to have predefined set of process in CRM to deal with these complaints and efficiently resolve it in no time.

- Customer Service-
  In an organization Customer Service is the process of delivering information and services regarding all the products and brands. Customer satisfaction depends on quality of service provided to him by the supplier. The organization has not only to elaborate and clarify the details of the services to be provided to the customer but also to abide with the conditions as well. If the quality and trend of service go beyond customer’s expectation, the organization is supposed to have a good business with customers.

**Benefits of CRM to organization, customers and market**

The benefits of doing so include:

- Better client relationships. The more you know, and remember, about clients (or customers) the more your clients know you care about them. This enables you to forge a much stronger connection and a deeper relationship with your clients.

- Improved ability to cross-sell. The more you know about your clients' needs and wants the better able you are to provide the solution to their next problem.

- Increased team collaboration. This is where many firms who fail to require their executives to use the CRM fail to reap the benefits of the CRM. I know this from having managed the implementation of CRM software where the management team thought it was a good idea but would not learn, or use, the tool themselves.

- Improved efficiency in serving clients. Again, the more you know about clients, the better able you are to serve them. If everyone is using the CRM to record their customer interactions, EVERY client interaction, then others' are able to serve the client with the knowledge of what has been previously discussed with the client.

- Greater staff satisfaction. The more knowledge your employees have the more empowered and engaged they are. Having an accurate and up-to-date CRM that everyone uses and has access to helps employees solve client problems. Doing so makes employees and clients happy.
• Increased revenue and profitability. Once everyone learns, and uses, the CRM productivity increases, sales cycles decrease, you have the ability to provide additional products and services to clients and client satisfaction increases.

• Cost savings. While the start-up of a CRM software is expensive and time-consuming, over time the benefits far outweigh the costs. Members of the sales team are able to better schedule meetings with prospects in the same geographic area. Client-service reps are better able to resolve a client's concern. You now have a central client and prospect database that everyone can access rather than everyone keeping a separate spreadsheet or contact database on their computer.

• Less client attrition. When a client is engaged with only one member of a professional services firm, the risk of attrition is 40%. When five or more partners are involved in a client relationship, the risk of attrition falls to less than 5%.

Types of CRM

CRM can be divided not only into different areas, but also into four components, each used by each department as required. These components are:

• Analytical CRM
The analytical component of CRM is where customer data is collected and evaluated. CRM software and the options it makes possible play a central role in this function. What data can your software collect? In what ways can this data then be analyzed and evaluated? These questions must be taken into consideration when selecting CRM software because effective customer relationship management cannot be achieved without reliable data evaluation. Methods borrowed from the field of business intelligence are used for this purpose, especially data mining – i.e. the systematic statistical evaluation of large volumes of data. This helps to identify trends and can verify whether certain measures have been successful while also reporting on whether there were any (perhaps unexpected) side effects.

• Operational CRM
The task of operational CRM is to translate the findings of analytical CRM into concrete measures. Among other things, this includes sorting customers into different categories. This helps to evaluate the relative importance of each customer to the company, the market sector in which the customer is active, whether the customer could be interested in any other aspects of the market, whether the order potential in the identified core sector has yet been exhausted, and more. In addition, operational CRM also gathers further data which, in conjunction with the software, helps to give a more precise picture of each customer.

• Communicational CRM
Communicational CRM manages various communication channels so that a coordinated contact with the customer can be maintained. If, for example, a customer has been contacted via newsletter, this can then be followed up with a personal call. This coordination of communication methods means the company can build upon the groundwork performed by each
successive measure. In the absence of such coordination, some of these measures would presumably be in vain, or perhaps even counterproductive if the customer then feels harassed or poorly looked-after.

- **Collaborative CRM**
  Just like communicational CRM, collaborative CRM serves to coordinate. However, this task is not about coordinating external actions but concerns coordination across the company. Thanks to CRM software, all departments involved in customer relationship management work with the same data, but this does not necessarily mean their efforts are coordinated. Collaborative CRM allows a company-wide approach, which determines clear goals and responsibilities.