

Building Customer Relationship

Learning Objective 10.1 – What is Customer Relationship Management?

Customer relationship management (CRM) is "an enterprise-wide business approach aimed to maximize profitability, revenue, and client pleasure by concentrating on precisely defined customer groups." It is a process or strategy used to understand more about the demands and behaviors of consumers in order to create closer relationships with them in order for a business to be successful. CRM entails treating customers the way the business owner would like to be treated as a customer - the commercial equivalent of the Golden Rule.

Benefits of CRM to a Small Firm

Developing relationships with consumers is a significant endeavor for the majority of small businesses. According to a survey of business owners, it is precisely because their enterprises are tiny that they can respond rapidly to customer service difficulties. And the ability to move fast and efficiently is of the utmost importance. In fact, 84 percent of respondents claimed that this is one of the greatest benefits of running a small business.

Essential Materials for a CRM Program

An entrepreneur must be familiar with and comprehend the fundamental building blocks of a successful endeavor in order to construct a CRM program. In the remainder of this chapter, we will examine the two essential building blocks: (1) excellent customer connections and (2) knowledge of consumer behavior.

Learning Objective 10.2 – Outstanding Customer Relationship Through Extraordinary Service

A transactional connection is an engagement between a company and a consumer that begins (or terminates) with a purchase or business transaction. Obviously, the nature of these interactions might vary considerably. However, consumers who have favorable interactions with a company are significantly more likely to become loyal customers. Our commitment to providing great customer service is based on four fundamental beliefs:

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1. Small businesses are more likely to provide exceptional customer service than huge businesses.
2. Superior customer service results in satisfied customers.
3. Customer pleasure results in a prosperous business partnership.
4. Profits rise as a result of positive transactional interactions.

Managing Customer Satisfaction

Why is customer service so essential? Because loyal consumers are more likely to cross-purchase products with higher margins, react less to price rises, encourage their friends to buy the same products, and engage in other actions that tend to raise the firm's earnings, a company should strive to keep its customers satisfied. Ruth Bolton, a marketing professor at Arizona State University, has found that a modest 10 percent improvement in customer satisfaction results in an average 8 percent increase in the length of client relationships. This equates to an 8 percent improvement in long-term revenue generation.

Personal Attention

Personal attention is the "gold standard" by which customer service quality is measured. Firms that supply the optimal response to the needs of a particular consumer in a given circumstance will have satisfied and loyal clients in abundance. However, personalized service will only be a possibility for businesses that listen carefully to their consumers and so comprehend their particular needs.

Customer Experience Management

In recent years, some small business owners have moved beyond traditional CRM to customer experience management (CEM). This strategy acknowledges that with each engagement, customers learn something about a firm that either strengthens or weakens their pleasure and willingness to return, spend more, and recommend it to others. One marketing expert summed it up as follows: "You cannot afford to disregard customer experience management because your customers take it personally every time they interact with your products, services, and support.

Honest Relationships and Service After the Sale

Most business owners care deeply about their clients. The trouble is that they are frequently so focused on expanding their businesses that their minds naturally shift on to the next sale, and they may not even comprehend why follow-up is so crucial or how to achieve it. After a sale has been made, a number of helpful techniques can help to strengthen client connections. They include establishing customer value through post-sale follow-up, monitoring delivery and installation to ensure customer

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satisfaction, checking in with a customer in person or via phone, e-mail, handwritten note, etc., and resolving any customer complaints to pave the way for future business.

Learning Objective 10.3 – Evaluating a Firm’s Customer Service Health

Although customer service concerns may be found through a formal review process in a small business, they frequently emerge through customer complaints during the normal course of everyday operations. Every business endeavor to eradicate client complaints. When they do arise, however, they should be thoroughly evaluated to identify any product quality and/or customer service flaws.

Small businesses are possibly in a far better position than large businesses to respond to such complaints and as a result increase customer satisfaction. The majority of difficulties can be resolved by addressing them as they emerge, so offering customers more attention and regard. And it is frequently easier for a small company to show respect since it has fewer employees and can give each one the authority to act in the best interests of the customer.

Some forms of customer service implementation can be inexpensive or even free, such as when customer-contact personnel simply need to be encouraged to smile and greet visitors warmly; however, providing a comprehensive program of superior customer service before, during, and after a sale can be expensive. On a case-by-case basis, these charges may be included in the price of a product or service, or they may be collected separately, dependent on the quantity of service sought (through extended product warranties, for example). Many customers are willing to pay a premium price as long as they receive excellent service.

Learning Objective 10.4 – Using Technology to Support Customer Relationship Management

Small businesses have options when it comes to evaluating and utilizing client data. When a company grows and its connections and accounts get more complex, it becomes increasingly difficult for a startup to manage the available data. Therefore, it is advisable to consider various analytical tools, ranging from simple spreadsheets to very sophisticated CRM software packages, from the outset. Numerous small businesses track their CRM data using a simple spreadsheet that can be expanded and updated as the firm expands. The following step would be to utilize a database management program such as Microsoft Access. This provides better usability and adaptability, as it can hold enormous quantities of data and match data from many tables. Access can help you manage the data required to guide customer service, basic advertising campaigns, and other marketing objectives, despite not being a CRM-specific application.

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Creating a CRM Database

Conversation is the best technique to stay in touch with clients and determine their needs. These talks result in an understanding of each consumer and serve as the basis for a customer database. These databases are critical to a successful CRM program and typically include the following information categories, with examples of individual data items:

- Private information Name, address, telephone number, e-mail address, clothing sizes, birthday, interests, affiliations, etc.
- Statistics. Age, marital status, family names and ages, and geographic region are examples of background information that can be used for market segmentation and other data analysis reasons.
- Lifestyle and psychological information. Homeownership versus renting, automobile ownership (make and year), media choices, preferred payment methods, recreational pursuits, etc.
- Internet-based data. The amount of time spent on the Internet, the frequency of visits to the company's website, and other online behaviors are measured.
- Transaction data. Complete transaction history, including facts such as prices paid, SKUs (which identify specific products purchased), method of payment, and delivery dates.
- Description of prior responses. Including all customer- and company-initiated contacts, sales calls and service requests, replies to past product or service promotions, and incentives redeemed.
- Complaints. Detailed record of past complaints involving goods or services.

Nearly always, CRM data may be acquired at each touch point that affords an opportunity for interaction between a business and its customers, whether in-person or online. Touch points can include encounters stemming from a phoned-in request for product information, filled and returned warranty cards, responses to online surveys, a salesperson's visit, orders placed on the company's website, and even a text message from a customer service professional. As previously said, some small businesses prefer to collect client data and feedback through comment cards or questionnaires. While these methods can be useful, Internet contact is quickly becoming the preferred method of communication for both companies and the clients they serve.

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Using a CRM Database

In summary, an effective CRM program will 1) capture relevant customer data on interactions across key touch points, 2) analyze those data to better understand customers, and 3) use those insights to improve relationships with customers so that they are satisfied, loyal to the company and its products or services, and more willing to do business with the company. Your company's database should have information on every customer you've ever had, as well as any prospects with high sales potential. As time passes and your database expands, you may wish to further arrange it by area, economic status, consumer focus, or any other characteristic that makes sense for your business and marketing objectives.

On a broader scale, you can utilize these data to establish a customer segmentation plan, which is the identification of customers that fit into smaller, more homogenous groups. By focusing on individuals with similar demographic, psychographic, and lifestyle tendencies and classifying them based on their previous purchases and payment histories, a marketing appeal may be developed to fit their unique needs and increase sales.

There are numerous additional ways in which the data you collect can be used to create and develop client relationships and increase sales. One of these is based on the 80/20 rule, which states that 20% of a company's clients will account for 80% of its sales. These numbers are not exact, but experience has proven that the concept holds true for the vast majority of organizations. If a company has built a client database and adequately arranged its data, it is then possible to discover the 20 percent of customers who are the most loyal and who also provide the most profit for the business.

Typically, these "best customers" can be identified by a recency-frequency-monetary analysis, which identifies people who are most likely to purchase from you in the future since they have made purchases recently, frequently, and in excess of a predetermined minimum amount. Regardless of the approach used to identify them, you should go the extra mile to keep these clients satisfied and coming back for more business.

To establish an efficient CRM plan, it is also crucial to determine the Customer Lifetime Value (CLV) of customers who purchase from your company. The CLV is the predicted total profit from all future sales to a customer and highlights the customer's long-term value, which may subsequently be communicated to others. Losing a sale today might not seem all that expensive until you consider the loss of future sales that is likely to occur from a single negative interaction. And because it can be far more expensive to gain a new customer than to retain an existing one, the loss can be considerably

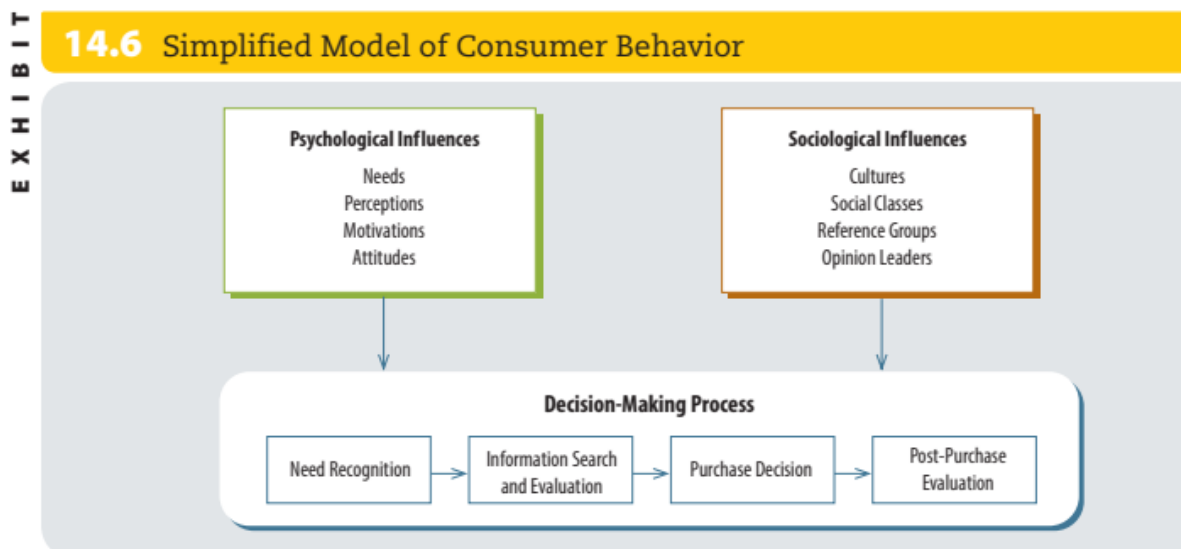
compounded. Everyone in the organization must comprehend this in order to be more committed to providing excellent customer service.

Data Use and Privacy Concerns

Possessing so much client information gives a business owner immense power, and it is vital that they handle it appropriately. Customers may not be comfortable with everything necessary to acquire the level of insight required for a successful CRM implementation. For instance, companies frequently closely monitor clients' online buying behavior, noting the things they view, for how long, and in what order. Some companies even evaluate what customers say via social media, such as blog comments, Twitter vents, and Facebook posts that are more private.

Learning Objective 10.5 – Customers as Decision Makers

Knowledge of customer behavior is the second most important element of a successful CRM program (see Exhibit 14.2). The decision-making process, psychological influences, and sociological effects are the three interconnected "elements" that combine to make this particular structural element. Exhibit 14.6 provides a broader perspective on the four stages of consumer decision making: (1) need recognition, (2) information search and evaluation, (3) the buy choice, and (4) post-purchase evaluation.



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Quiz

Identification

1. A company-wide strategy designed to understand more about the demands and behaviors of consumers in order to create closer relationships with them and maximize profits.
2. businesses to compile all consumer contact information into a single data management system.
3. Occurs when a consumer learns that his or her current circumstance considerably deviates from an ideal state.
4. May result in psychological dissonance or discomfort and complaint behavior, which can have a negative impact on consumer satisfaction with the product or service and the business providing it.
5. Refers to the behavioral patterns and values that define a set of target market clients.
6. Are these the tiny groups a person permits to affect his or her behavior?
7. are divisions within a society with varying degrees of social status
8. includes the individual processes that, in the end, give meaning to the stimuli that consumers encounter.
9. are goal-directed forces that organize and channel the tension resulting from unmet wants.
10. may be collected at any touch point (places where customers interact) and utilized to influence segmentation strategies for customers.

Answer key

1. Customer relationship management (CRM)
2. CRM software programs
3. Need recognition
4. Post-purchase evaluation
5. Culture
6. Reference groups
7. Social classes
8. Perception

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9. Motivation
10. CRM data

Essay Questions

1. Discuss the significance of providing extraordinary customer service.
2. Recognize certain sociological influences on consumer behavior.
3. Understand how technology can be used to improve customer relationships and the techniques used to create a customer database.

Answer key

1.
 - To achieve long-term success, small businesses must develop and maintain strong transactional relationships with their customers.
 - Regardless of the nature of the business, providing outstanding customer service before and after a transaction can provide small businesses a competitive edge.
 - Satisfied customers are loyal, resulting in increased revenue.
 - Personal attention is the "gold standard" against which the quality of customer service is measured, and this can be strengthened by doing business on a first-name basis, keeping in touch with customers, finding ways to assist them, customizing services offered, and addressing problems promptly.
 - Customer experience management (CEM) acknowledges that customer relationships can be enhanced or deteriorated based on the quality of their interactions with a company.
2.
 - Cultures, social classes, reference groups, and opinion leaders are sociological factors.
 - In marketing, culture refers to the behavioral patterns and values that define a set of target market customers.
 - Social classes are divisions of a society with varying degrees of social prestige.
 - Reference groups are the little groups that a person permits to influence his or her behavior.

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- Consumers acquire a substantial amount of information from opinion leaders, who play a crucial role in communications.

3.

- It is preferable to consider a small business's demand for CRM technology, from simple spreadsheets to complex software packages, from the outset.
- CRM software solutions enable businesses to consolidate all client contact data into a single data management system.
- The program has options for interacting with and offering personalized care to customers.
- CRM prioritizes sales tasks such as rapidly and accurately fulfilling orders, monitoring follow-up contacts to ensure customer happiness, and providing user-friendly call centers to address all enquiries, including complaints.

Some entrepreneurs outsource specific applications because of concern for the availability of adequate support resources for CRM information technology.

- The number of CRM management tools is increasing, as are their affordability, sophistication, and usability.
- Blogs, wikis, social networking sites, and online communities can be used to collect customer input and product development suggestions.
- Customer databases are vital to the success of a CRM program, since they provide the foundation for the critical customer knowledge.
- Useful customer information categories include personal information, demographic, lifestyle, and psychographic data, Internet information, transaction data, a profile of past reactions, and a complaint history.
- Consumer relationship management (CRM) data can be collected at any touch point (places where customers interact) and utilized to inform customer segmentation plans.
- According to the 80/20 rule, the majority of a company's sales will come from a very small number of its greatest consumers, and a recency-frequency-monetary analysis will help to discover them.
- It is crucial to go beyond a single purchase and consider the Customer Lifetime Value, which represents all predicted future sales from a customer.
- If a small business decides to create a client database, it is imperative that all obtained information is used ethically and responsibly to safeguard customer privacy.