

# Customer Relationship Management

## Is this Booklet Right for You?

This booklet is designed to help small and medium business owners understand the basics of customer relationship management (CRM) and, more specifically, how the Internet can help you implement CRM in your business. If you want to understand how to better meet your clients' needs, this booklet is for you.

## What is Customer Relationship Management?

Customer Relationship Management (or CRM) is a phrase that describes how your business interacts with your customers. Most people think of CRM as a system to capture information about your customers. However, that is only part of the picture. CRM is also about what you do with that information to better meet the needs of your existing customers and identify new customers, resulting in higher profits for you.

### The CRM Building Blocks:

- A database that collects information about your customers.
- A way to analyze the information in the database.
- A strategy for applying the analysis to better meet your clients' needs and identify potential customers.
- Collecting data to ensure your strategy is effective.

### Who is your "Customer"?

The "C" in CRM can have a narrow definition or a wide one. For instance, customers can include not only those who buy from you, but also your suppliers, your partners, your employees and your investors. Each of these "customer groups" will have different needs that have to be managed. For the purpose of this booklet, we will focus on the "customer" as someone who buys your products or services. This can be either a business customer or an individual.

Online customers have a special set of expectations that set them apart from traditional customers. In particular, they expect lots of information about your company and your products to be available online with minimal searching, close to immediate service, opportunities for self-service via your website, and speedy shipment of products or services. Therefore, you need to consider CRM principles when doing business online.

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## Benefits of CRM

CRM is about making each and every customer feel like they have a one-to-one relationship with you.

Effective CRM gives you the opportunity to show your customers that:

- You know and recognize them
- You understand them
- You care about their needs, questions and concerns
- You want to deliver services and products they need the most
- You appreciate their business

**The Bottom Line:** CRM seeks to answer two questions:

1. Who are my customers?
2. How can I serve them better?

## How Can I Use CRM in My Business?

The table below displays the types of information you can collect with a CRM system, along with the questions that the information can help answer.

This type of Information...	Answers these questions...
<b>Customer profile information</b>	<ul style="list-style-type: none"><li>• Who are they?</li><li>• Are they a business or a person?</li><li>• Where are they located?</li><li>• If they are a business, how big are they?</li><li>• If they are a business, what do they do?</li><li>• Why do they need your product?</li><li>• How do they communicate with you?</li><li>• Do they have an account?</li><li>• How long have they been a customer?</li></ul>
<b>Customer buying profile</b>	<ul style="list-style-type: none"><li>• How often do they buy?</li><li>• When do they buy?</li><li>• Is there a pattern to their buying habits (e.g., seasonal)?</li><li>• How much do they buy at one time? Over time?</li></ul>
<b>Customer buying preferences</b>	<ul style="list-style-type: none"><li>• What do they buy?</li><li>• Do they always buy the same thing?</li><li>• Why do they buy it?</li></ul>

**Building Value for You:** By compiling this information and analyzing it, you can then build a strategy with this information to:

- Maximize repeat business opportunities by anticipating your existing customers' needs;
- Identify your best customers;
- Identify potential customers;
- Identify complementary products you can sell to your customers;
- Target marketing campaigns/materials and promotions.

**Building Value for the Customer:** Other ideas on how you can use this information to increase your company's perceived value to the customer include:

- Make ordering or buying easier through pre-filled order forms and e-mail reminders;
- Tailor the shopping experience for your customers, allow self-service, and thereby reduce customer response times;
- Develop an e-newsletter with topics that would be of interest to your customers;
- Offer free or discounted complementary products to your best customers;
- Offer incentives for additional or future purchases;
- Offer a chat room or online forum where customers can share their experiences with one another (and with you since you will also have access to their discussions).

**Customer Loyalty:** By creating value for your customers, you will earn their loyalty. An often-quoted statistic states that it takes ten times the money and effort to attract a new customer than it does to retain an existing one.

Source: [www.canadabusiness.ca](http://www.canadabusiness.ca)

## Implementing CRM in Your Business

### Options for CRM

There is a continuum of CRM from the most simple (a spreadsheet or database containing information about your customers – referred to as a contact management system) to the most complex (online applications automatically linked with your back-end systems).

An integrated CRM system can include the following:

Characteristic	Benefits
<ul style="list-style-type: none"><li>• A central database that is accessible by all employees to view and update customer data.</li></ul>	<ul style="list-style-type: none"><li>• Improved customer service, loyalty and retention.</li></ul>
<ul style="list-style-type: none"><li>• Analysis of customer data including customer segmentation and segmentation of potential customers.</li></ul>	<ul style="list-style-type: none"><li>• Customized marketing or sales campaigns.</li><li>• Improved campaign targeting.</li></ul>
<ul style="list-style-type: none"><li>• Customer self-service where the customers can self-order and help themselves using web-based password access.</li></ul>	<ul style="list-style-type: none"><li>• Reduced order entry cost and customer service cost.</li></ul>
<ul style="list-style-type: none"><li>• Identifying and tracking potential customers.</li></ul>	<ul style="list-style-type: none"><li>• Wider customer base.</li><li>• More focused prospect tracking.</li></ul>
<ul style="list-style-type: none"><li>• Reports generated with up-to-date information, including revenue forecasting and trend analysis.</li></ul>	<ul style="list-style-type: none"><li>• Better and more timely decision making.</li></ul>

So what are your options in terms of getting CRM into your business? You have two main options: 1) a CRM package installed on your premises and 2) a hosted CRM. These two options, along with their relative pros and cons are discussed below.

## CRM Options

Description	Pros	Cons
<p><b>On-premise CRM</b></p> <p>There are many CRM systems that are available for purchase off-the-shelf. These can then be tailored to your needs. Companies such as Siebel, Oracle, SAP, and Chordiant are well known in this area.</p>	<ul style="list-style-type: none"> <li>• Can be tailored to your business</li> <li>• Can be integrated with your other systems</li> <li>• Most companies offer flexible packages that are suitable for small and medium businesses</li> </ul>	<ul style="list-style-type: none"> <li>• More expensive in the short run (costs can vary from several thousand to several million dollars)</li> <li>• Can take a long time (months or even years) to implement fully</li> </ul>
<p><b>Hosted CRM</b></p> <p>Web-based applications for CRM with no software to download. In this case, the CRM system resides online and you rent the service on a monthly basis. Examples include, Sage Software, Microsoft Dynamics, Entellium, Clear C2, SAP, NetSuite, VanillaSoft</p>	<ul style="list-style-type: none"> <li>• Less expensive in the short run (monthly fees run from about \$65 to \$150)</li> <li>• Appropriate for businesses with standard CRM needs, and little or no internal IT support</li> <li>• Can be implemented quickly (often within a few months)</li> </ul>	<ul style="list-style-type: none"> <li>• Cannot be integrated with other back office systems</li> <li>• You are allowing someone else to control your customer information and data</li> </ul>

**Getting help:** There are many organizations that specialize in implementing CRM in businesses and can present the pros and cons of these options. A simple web search of “CRM” will result in a list of dozens of organizations that work in this area. Visit their websites to review their services and consult testimonials. Also, drop in on web chatrooms and discussion forums about CRM. You can get lots of advice from your fellow SME business owners and operators.

## Implementing CRM

Implementing a CRM system is more than installing a software package. All functional areas of your business need to be engaged – human resources, marketing, sales, IT, product development, etc.

You will need to ensure all your employees understand CRM and what it means in your business. This can be done through formal training or information meetings. Developing a written CRM strategy is another good way to communicate with your employees.

How much data is the right amount of data to collect? Once you get started collecting data about your customers, it’s sometimes hard to know when to stop. If you do collect a lot of data, there are two things to consider:

1. Do your current systems have the capacity to hold and manage it?
2. Do you really need to store every piece of information you collect (e.g., maybe you just need it one time)?

**Tip:** CRM is a business strategy, not a technology. For CRM to succeed in your company, first develop your CRM strategy, and then choose the best technology to support it.

## A Word About Privacy

If you are going to collect information about your customers, you need to develop a privacy statement. This will tell your customers how you will treat their information (i.e., whether you plan to sell it, share it with your partners, or simply use it for your own purposes). You also need to allow your customers to choose whether they want to share their private information.

The Personal Information Protection and Electronic Documents Act (PIPEDA) applies to every organization where personal information is collected, used or disclosed as part of commercial activity. You can learn more about PIPEDA at [www.privcom.gc.ca](http://www.privcom.gc.ca).

Consider the checklist below when implementing CRM. Check "Yes" or "No" in response to each question. If you have checked "Yes" for the majority of the questions, you are well on your way to implementing CRM in your business.

Checklist for CRM	Yes	No
Can you identify your customers when they visit your website?		
Do you have a mechanism to collect visitor/customer information?		
Can visitors/customers opt out of sharing their personal information?		
Do you offer value to visitors coming to your website?		
Can visitors/customers register on your website?		
Is there an incentive for visitors/customers to register?		
Have you anticipated questions that your visitors or customers might have? Have you posted those answers on your website (either through a FAQ or other mechanism)?		
Is it easy for your visitors or customers to contact you?		
Can your customers interact with each other?		
Do you have a mechanism in place to quickly respond to visitor/customer inquiries and orders?		
Can visitors/customers easily find all relevant information about your products (e.g., prices, options, technical specifications, quantities, shipping information, order status) on your website?		
Can customers place orders online?		
Can you make product suggestions based on the customer's order or purchase history?		
When shipping a product, do you send tracking information to the customer?		
Do you follow-up with your customers after their order has been filled?		
Do you know which customers give you the best business?		
Do you have a privacy policy and statement posted on your website?		

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This booklet is part of a series on advanced e-business topics which supplements an introductory handbook *How You Can Profit from E-Business*. For more information on those publications, visit the Innovation PEI website at [www.innovationpei.com/ebusiness](http://www.innovationpei.com/ebusiness).

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