

Engineering Management BMEVITMMB03

BME Faculty of Electrical Engineering and Informatics MSc EE and IT Majors
Economic & human themes

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

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What is Customer Relationship Management (CRM) ?

What is its *basic concept*?

Why is CRM *strategically* relevant?

***When* is it worth applying CRM?**

Definition of CRM

- **Business strategy** proposed to **optimize** the income, operation cost, business profitability and **customer satisfaction**. (Gartner)
- To implement CRM, introduction of **business approach, processes and technologies** is needed to **support *coordinated customer interactions*** through all customer relation channels.

Mandatory business priorities of managers



[Gartner]

MARKET ENVIRONMENT OF THE ENTERPRISES

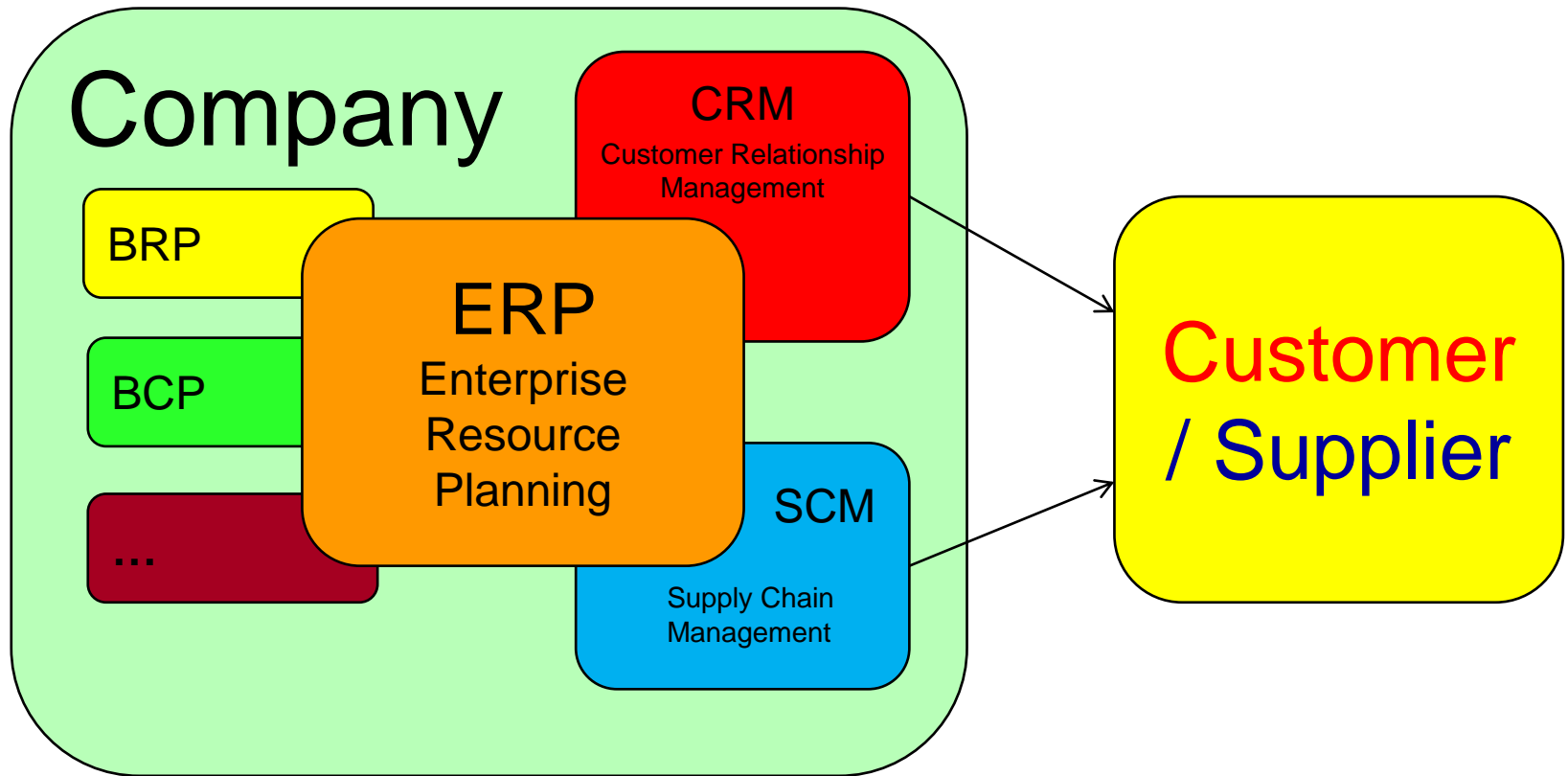
Typical *stakeholders* influencing the enterprises, their operation and results:

- Customers (demand, shopping power)
- Owners (state, private, national, multinational firms)
- Suppliers (offers, bargaining position)
- Competitors (threats, alliances)
- Cooperative business partners (alliances, subcontractors)
- Employees (knowledge, capabilities, attitude, atmosphere)
- R&D&I organizations (development opportunities)
- Financial organizations (financing, insurance)
- Administration (ministries, authorities, local governments)
- Media (press, R&TV, Internet, PR)
- Professional organizations (national, international, standards, representatives)
- Political parties (lobby)
- Consulting companies (head-hunters, marketing, organization...), and others

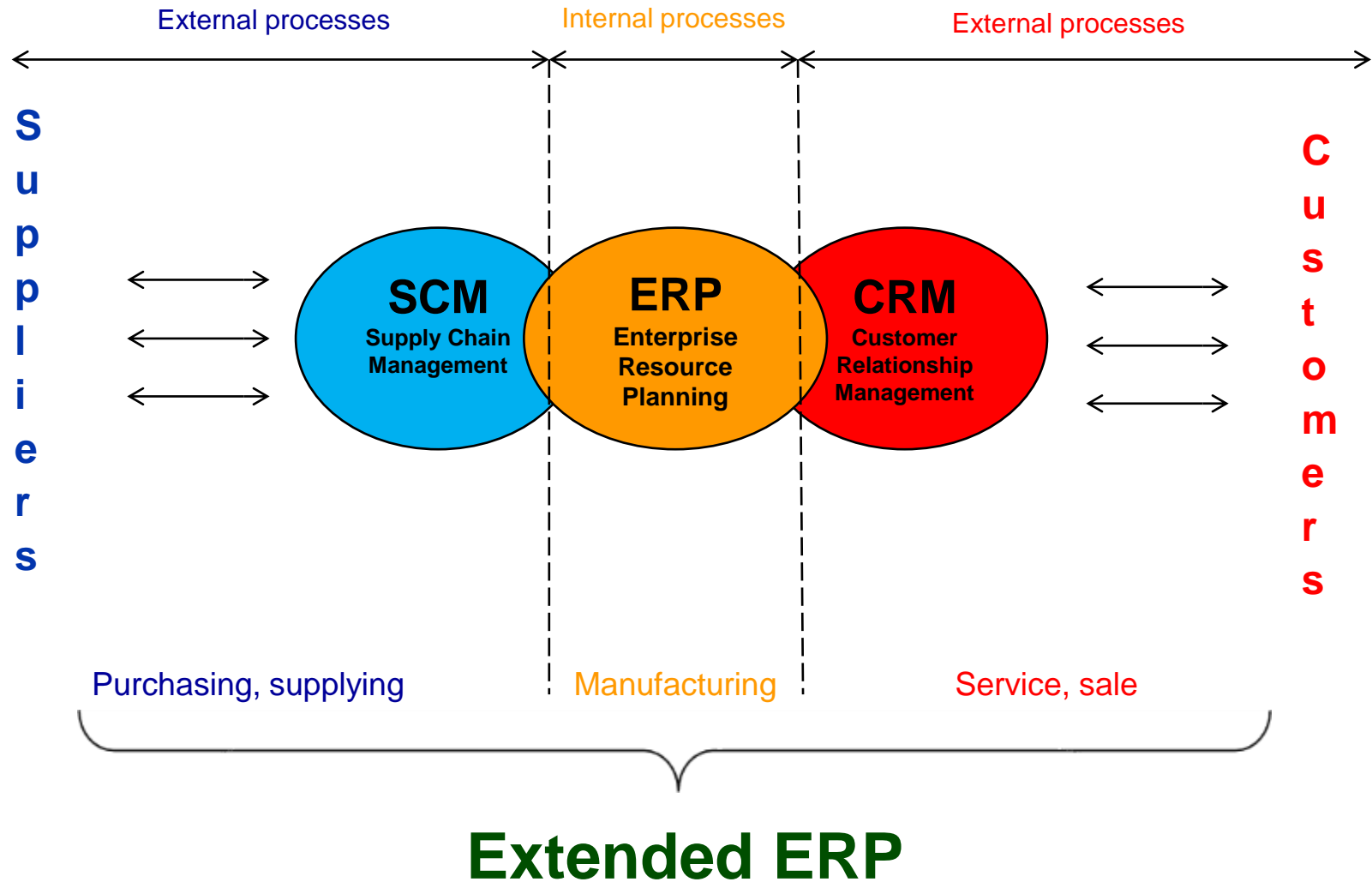
The enterprise influences its environment by its own products.

Product (hardware, software, services): can be bought on the market and generates benefits for the customer.

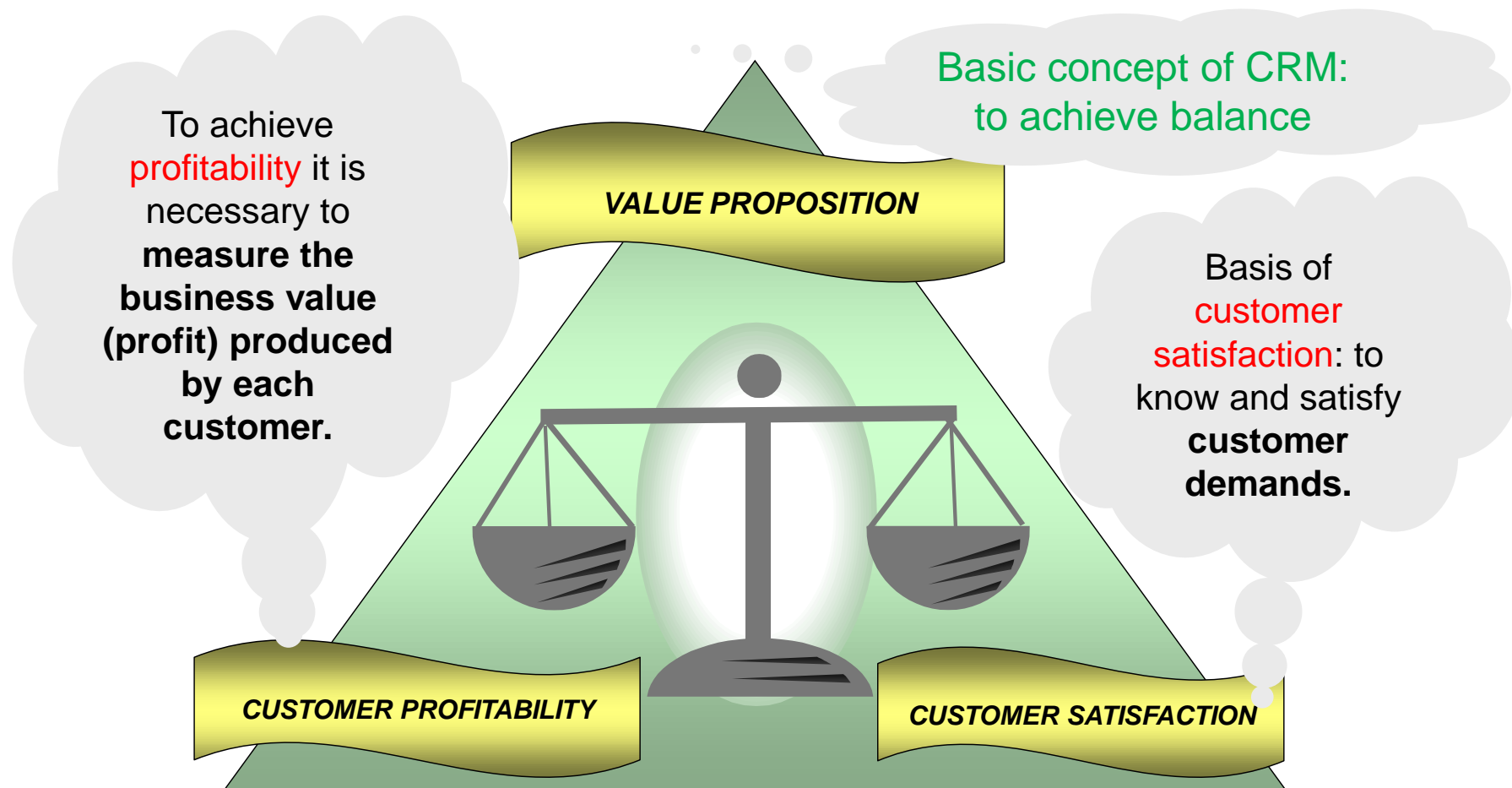
Role and position of CRM in a company



Processes spanning over the company



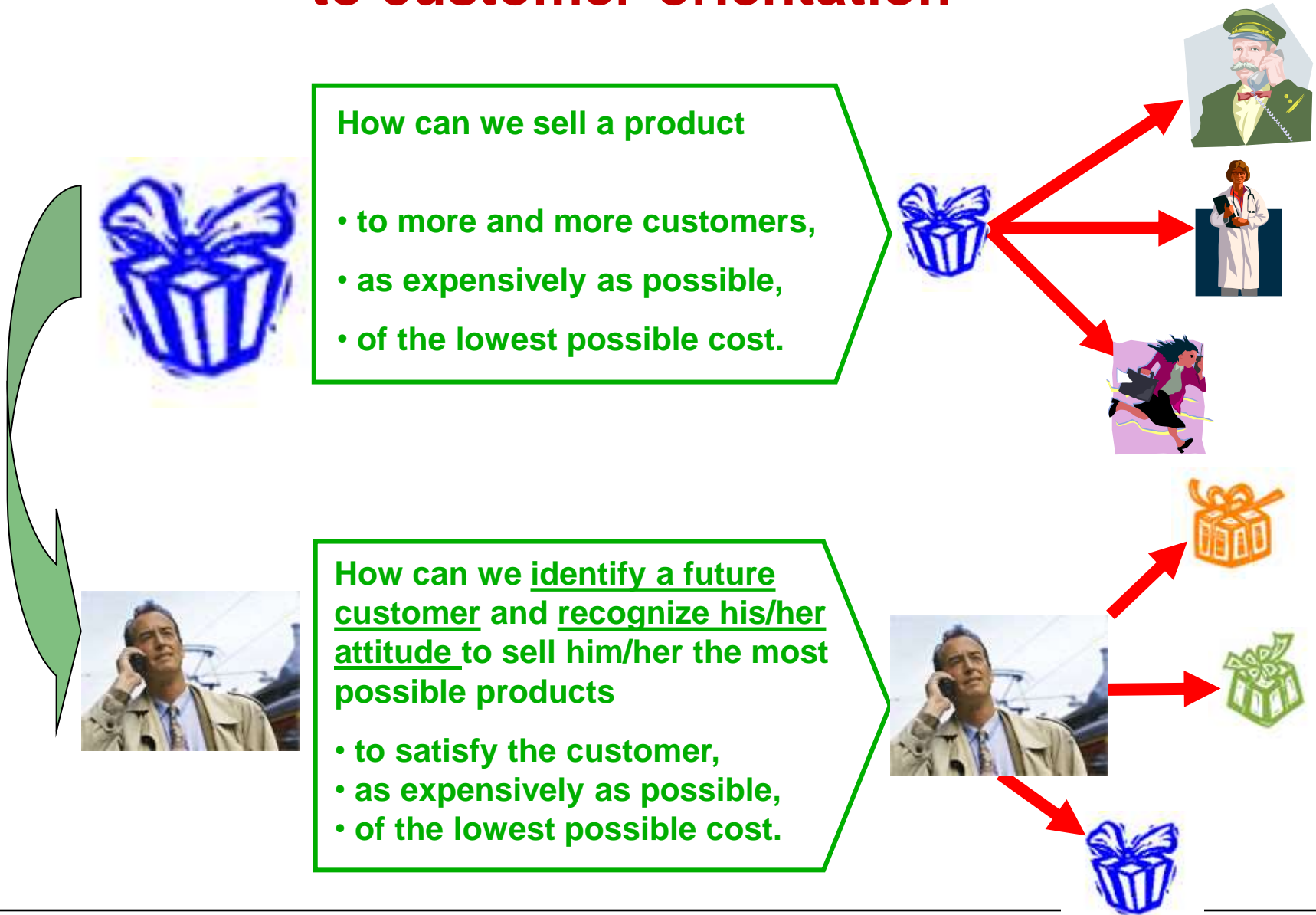
Basic concept of CRM



CRM strategy – to achieve competitive edge



Change of approach: from product-orientation to customer-orientation



An everyday CRM solution

In a small grocery store:

- present market situation: **saturated market**, there is **no way to aggressive competition in price**
- **critical objective: customer satisfaction**
 - ✓ the shopkeeper knows the customers personally
 - ✓ customers consider not only the products but the „additional service” (special products, home delivery, etc.), too
 - ✓ customer segmentation
 - ✓ tailor-made services
 - ✓ tailor-made discounts, credits

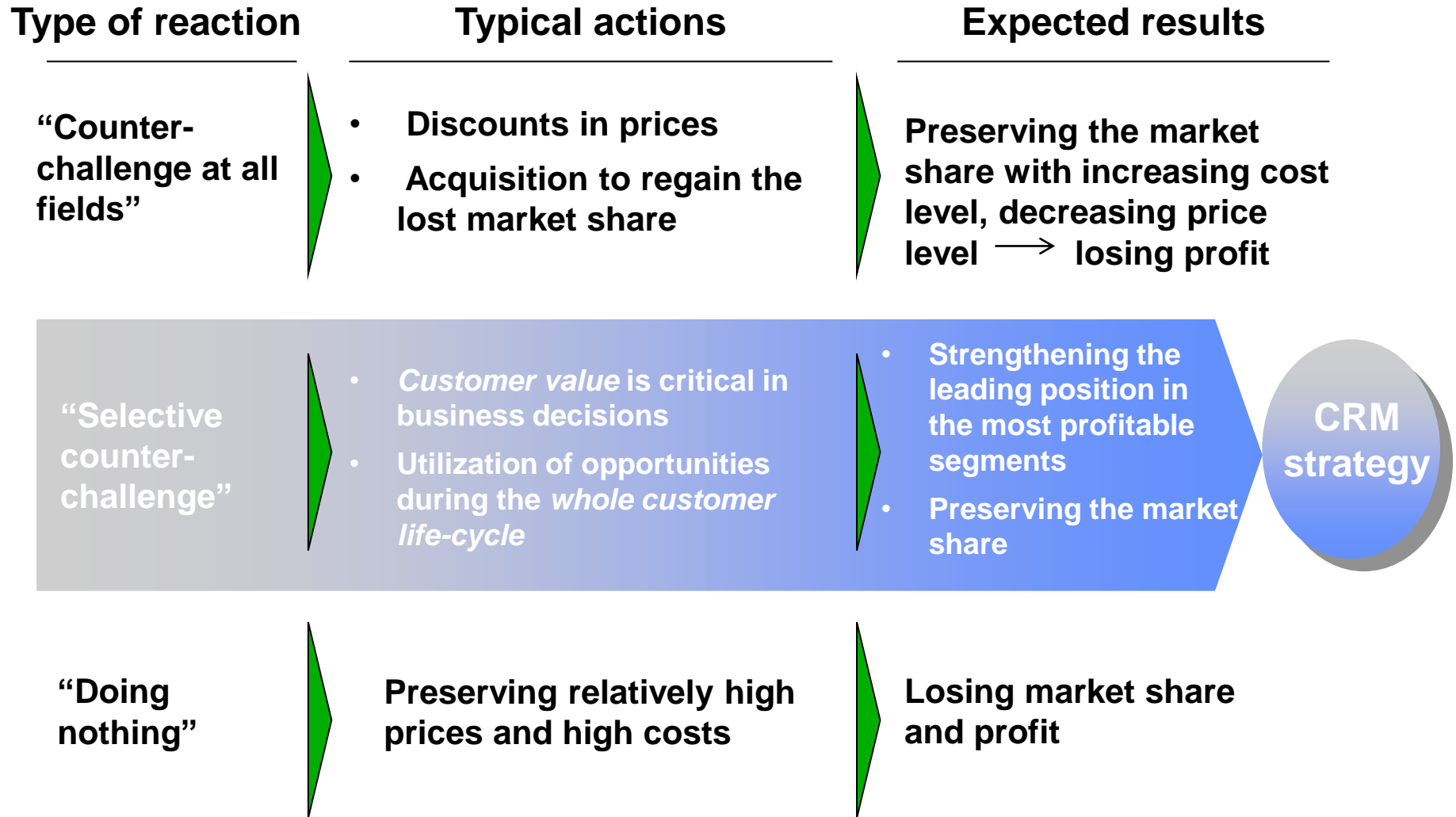
This example should be modeled by big companies, too!

CRM in big companies

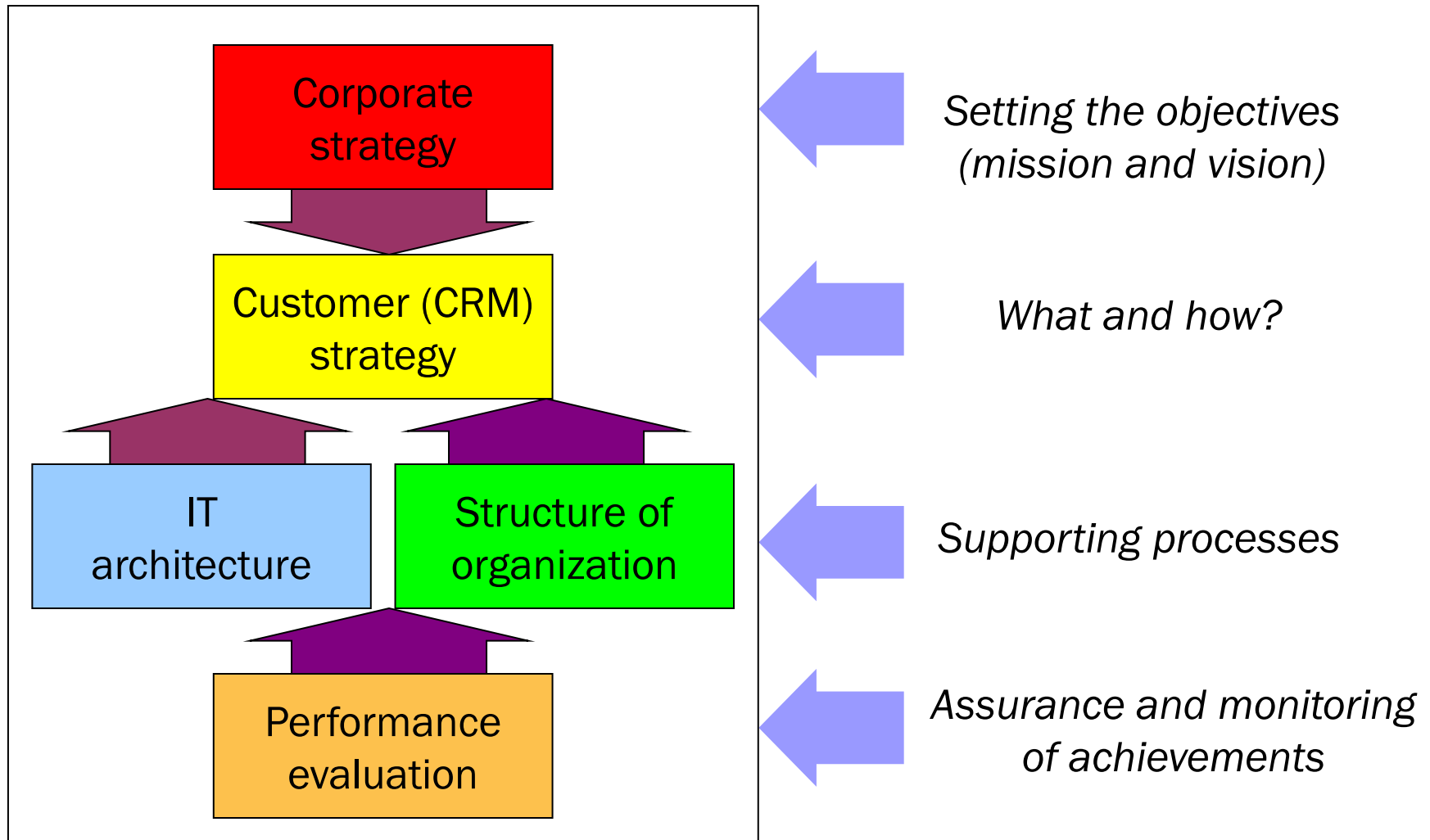
- **strategy** to increase the customer-values
- **collection information** on customer habits available at the time of customer interaction (e.g. sale)
- **coordinated customer interactions** through different channels
- **decision making** during customer interactions
- **measurement** of customer satisfaction and value

By introduction of IT supported applications!

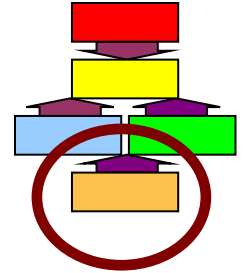
CRM as a tool to react to the challenge of competition



Structure of CRM realization



Performance evaluation



Setting the aspects and methods of measurement of

- efficiency
- customer retention
- customer value

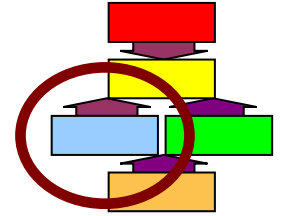
Balanced Scorecard Method (BSC)

- stakeholders aspect
- customer aspect
- value-chain aspect
- development aspect

Different indicators at different levels of the company

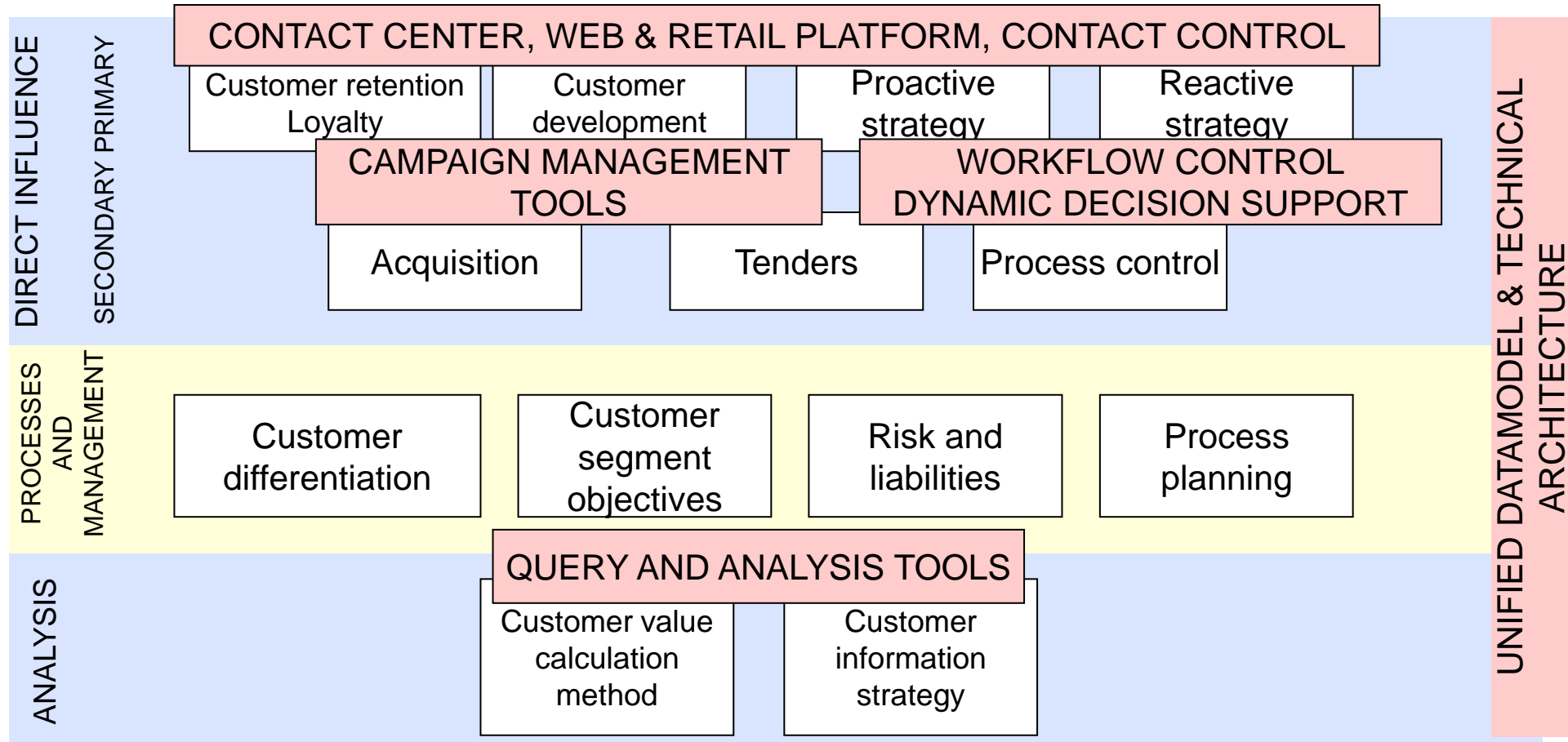
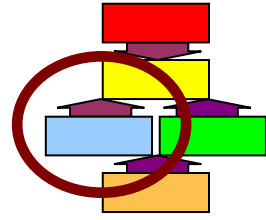
- corporate level
- division/business unit level
- employee level

Supporting the customer strategy by the IT architecture

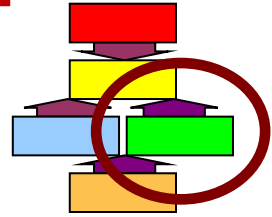


- OEM (off-shelf) product or our own development? Which platform?
- Complex system integration, relations of systems in a big enterprise environment (ERP)
- Data resources, data services
 - Real-time CRM
 - ✓ Uptodate, „fresh” data
 - ✓ Problems in consistency
 - ✓ Simple customer service
 - ✓ Recommended if customer data change rapidly
 - „T+1” (delayed reaction) CRM
 - ✓ Data basically from data warehouse (DWH)
 - ✓ Consistent operation
 - ✓ Recommended if customer data change slowly, for supporting executive decisions
- Security requirements (managing user priorities, data security, reporting)

Supporting the customer strategy by the IT architecture (example)



Establishment of CRM-oriented organization and processes

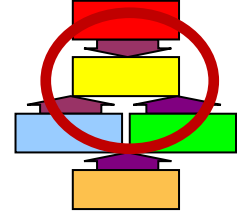


Organization and processes are key elements of the successful CRM projects.

Features:

- **CRM concept worked out, published and followed** in the whole company properly
- **Managerial commitment**, coordinated business interest and operation
- Changing **corporate culture**
- Transition from function-based structure to **process and customer oriented** one
- **Processes through** divisions, departments and units
- Appearance of **segment managers**
- Establishment of **matrix organizations**

Customer strategy – defining segments



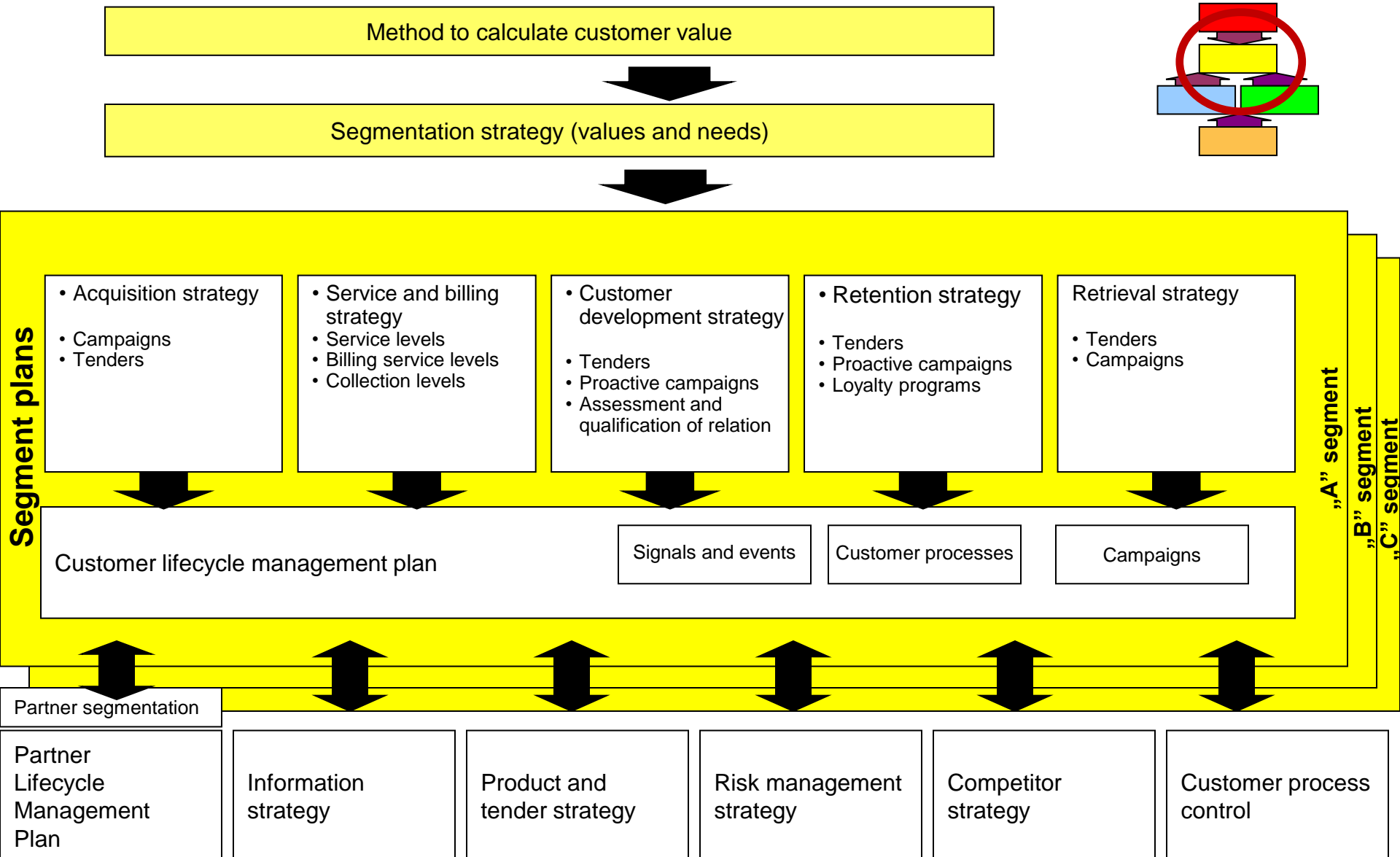
Aspects to define the segments

- Availability
selected/defined market segments should be available by different marketing tools
- Being worthwhile
the group should reach the „critical mass” (big enough), to work out specific tools to satisfy the demands. Not the size but the profitability matters!
- Identifiability
customers should be recognizable/identifiable. How can we differentiate them during decision procedure?
- Customer value
profit related to a certain customer

Further aspects can be

- Cross selling indicator
- Customer lifetime, customer loyalty
- Geographical regions
- Discipline in paying the bills (bonitas)
- Pricing (special [unique] prices, packages)

Customer strategy – defining segments (example)



Customer-value oriented company?

A company is customer-value oriented if the following questions are responded:

- Who are our most valuable customers? Why?
- Who are our least valuable customers? Why?
- Who are our customers attracting most of the new ones (by spreading their positive experience)?
- Who are and where are the candidates most probably becoming our new customers?
- Who are the candidates becoming our most valuable customers?

Summary of CRM

- Extended business strategy **optimizing customer satisfaction**, too
- Companies' **interface towards customers**
- **Balance between customer profitability and customer satisfaction**
- **Change of approach** from product-orientation to customer-orientation
- Proposed structure of **CRM realization**