

Customer Relationship Management

Customer Relationship Management (CRM) is the implementation of 1:1 marketing. One to one marketing is the theory and CRM is the software, training and systems to support it. And it is powerful:

- Lexus sales are two per cent of Toyota's sales but 33 per cent of the company's profit;¹
- In the UK, six per cent of the cola drinkers drink 60 per cent of all cola;²
- It costs five times more to attract a new customer than to retain an existing one;³

Don Peppers⁴ uses a great example. Imagine a car rental company hosts a customer appreciation event at a 40,000-seat baseball stadium. Every customer comes filling the stadium. The company's best customers – those who rented 25 per cent of all vehicle rentals – would represent 0.02 per cent of attendees – just 80 people! In other words, the 80 best customers do 1/3 of the business of the remaining 39,920 added together.

Most companies can't even name their customers, let alone identify their most important ones, so to communicate with customers they would advertise on the stadium sized monitor and make public announcements over the PA – a mass marketing approach. A competitor that focused on CRM would send 80 sales reps into the stadium, would sit beside these frequent renters, buy them a beer and a hot dog and find out during the game what it would take to win their business. They could walk out with 25 per cent of the business by the end of the game.

Not all customers are equal. And if you treat all customers the same you treat your best customers like your worst and your worst like your best. CRM helps organizations differentiate their customer base and treat customers differently.

Thirty-five days after I bought it, I returned a \$300 inkjet printer to an electronics superstore. I had prepared myself for a fight as it was after the "30 day" period. I arrived at the store, looked at the 18-year-old clerk and stated my position. She asked for my phone number and said, "I'd be happy to give you a refund."

I was actually disappointed. Where was the fight? You see, after she keyed my phone number, the system pulled up my customer history. She could see my purchases to date and knew that I had bought \$7,000 of goods from the store in the past year. She decided to give me a full refund on the spot: the \$50 profit from the printer wasn't worth losing a \$7,000-a-year customer.

Today most organizations keep information in many different silos, different departments have separate databases: accounting, call center, sales department, marketing, store locations, and the web.

Customer Relationship Management is a philosophy, software and processes that integrate all customer information and make it available to any employee dealing with customers. From a customer's perspective it results in "no wrong door" in that any employee, from any department, can help them.

- ¹ Loyalty Effect
- ² Don Peppers
- ³ HBR find reference
- ⁴ Don Peppers in a seminar