

14

Customer relationship management (CRM)

In this chapter, you will learn:

- » Why CRM is essential for any business
- » The role that customers play in shaping and steering your business
- » The difference between applying CRM as a communications strategy or a core business strategy
- » How to collect, store, analyse and update your essential CRM data
- » The step-by-step process of putting together your CRM strategy.

14.1 Introduction

Customer relationship management (CRM) has existed since people first started selling things. The first shopkeeper who stopped to chat with his customers, who knew them by name and perhaps gave them a small 'freebie' for continually using his services, was practicing a form of customer relationship marketing by making customers feel special. He was also probably seeing the favourable impact on his bottom line. It helped that customers were being served directly by the business owner.

Today, with businesses becoming more digitally remote and with person-to-person contact becoming more scarce, CRM is more important than ever. We need to build and maintain relationships with our customers. A faceless company is not personable or engaging so it has to work harder to fill the gap between attracting and retaining customers (and their good will). The relationship a customer builds with a company is often the reason they return. Building those relationships today is more difficult than ever, in a society where data is protected, customers are smart and exercise their right to choose and a competitor can be just a click away.

CRM is a customer-focused approach to business based on fostering long-term, meaningful relationships. CRM is not about immediate profit. It's about the lifetime value of a customer, the purchases they will make in future, the positive word of mouth they will generate on your behalf and the loyalty they will show your brand. Effective CRM enables businesses to collaborate with customers to inform overall business strategies, drive business processes, support brand development and maximise ROI.

There are two approaches to CRM. Either one can apply it as an approach to communication strategy using personalised and segmented contact, or as a core business strategy such as loyalty programmes. Which you choose depends on the size and goals of your business.

There is a truism that a happy customer tells one person, but an unhappy customer tells ten. With your customers' voices being heard on blogs, forums, review sites and social media, they can talk loudly and impact your business easily.

14.2 Key terms and concepts

Term	Definition
Churn rate	The annual percentage rate at which a business loses customers.
Customer	A person who buys or uses goods or services, with whom a company should develop a relationship.
Customer-centric	Placing the customer at the centre of an organisation's business planning and execution.
Customer lifetime value (CLV)	The profitability of a customer over their entire relationship with the business. CLV assists with segmentation.

Customer relationship management (CRM)	A strategy for managing a company's relationships with current, potential and lapsed clients. It often makes use of technology to automate the sales, marketing, customer service and technical processes of an organisation.
Data mining	The process of analysing data to discover unknown patterns or connections.
Key performance indicator (KPI)	A metric that shows whether an objective is being achieved.
Lapsed	Someone who is no longer a customer.
Model	A strategic visual representation of a process that a company adheres to.
Prospect	A potential customer.
Segmentation	The practice of dividing customers into smaller sub-groups based on shared interests or characteristics.
Stakeholder	A person or organisation with an interest in how a resource is managed.

Table 1.

14.3 A CRM model

Many companies that practice CRM rely on a simple model to guide them strategically. In many cases, this sums up exactly what CRM is about. Below is a simple model that demonstrates this.

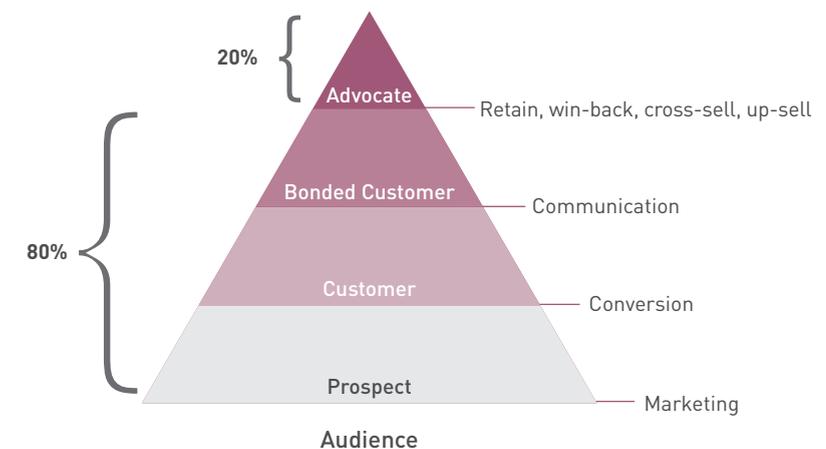


Figure 1. A simple CRM model can provide strategic guidance.

As you can see, a good CRM strategy turns strangers into customers, customers into friends and friends into advocates for your business. One needs to identify the right touchpoints and messaging to drive a customer further along this funnel.

NOTE

Notice the Pareto effect, discussed later in this chapter, demonstrated in this model.

14.4 Understanding customers

Customers should be seen as the most important stakeholders in a business. Without customers purchasing goods or services, most businesses would not have a revenue stream. It can be difficult to shift from realising this important fact to implementing it in day-to-day business decisions and strategy.

A successful relationship with a customer is based on meeting or even exceeding their needs. It is in determining what problems the customer has and in providing solutions, sometimes before the problem occurs. It depends on continually giving the customer a reason to transact with your company above any other.

CRM should not only mean implementing customer-centric processes and consider technology, but embracing customer-driven processes. Through innovations in digital technologies, enhanced customer engagement, social listening and the introduction of mass personalisation, the customer can often drive the business.

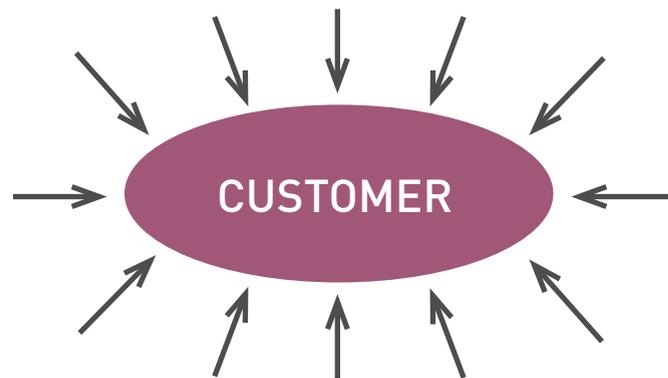


Figure 2. A customer centred approach keeps the customer as the focus of all business activities.

14.4.1 Consumer touchpoints

Consumer touchpoints are all the points at which brands touch consumers' lives during their relationship. This is the starting point for all CRM, a brand needs to speak with one voice across all of these touchpoints and deliver a rewarding and relevant experience every time it interacts with its customers. CRM can drive the anticipation of customer needs. Touchpoints can be brand initiated, for example, a brand sending an email newsletter, or customer initiated, for example, the customer making a purchase in a store or calling a call centre.

A consumer touchpoint can be as simple as a print or banner ad. It can also be as multifaceted as a conversation between a call centre agent and a customer. It can be a timely tweet, or an outbound email giving the customer details about their account. Even statements and bills are touchpoints and need to be managed carefully to ensure that the brand continues its relationship with the customer successfully.

Customer touchpoints can generally be divided into three spheres or phases, pre-purchase, purchase and post purchase.



Figure 3. Examples of touchpoints at each stage in the purchase process.

Pre-purchase or pre-usage covers the various ways brands and prospects interact before the prospect decides to conduct business with a company. The brand's goals here are to:

- Gain customers
- Heighten brand awareness
- Shape brand perceptions or to highlight the benefits it offers over competitors
- Indicate how the brand provides value and fulfils the needs and wants of consumers
- Educate consumers about products and services
- Ignite the possibility of a relationship.

Purchase or usage covers the touchpoints at which the customer decides to purchase a product, use a service or convert according to set criteria and initiates the brand-customer relationship. The key goals are to:

- Instil confidence
- Deliver value
- Reinforce the purchase decision
- Heighten brand perceptions
- Facilitate ease of purchase
- Reduce post purchase dissonance.

NOTE

A good CRM infrastructure must ensure touchpoints for dialogue.

Post-purchase or usage covers all the post-sale interactions between the brand and customer. Now, the brand wants to:

- Deepen the relationship
- Maximise the customer experience
- Deliver on the brand promise
- Increase brand loyalty
- Remain top of mind
- Invite repeat purchases.

14.4.2 Customer loyalty

The main objective of any CRM strategy should be to gain customer loyalty over the long term. But what is loyalty? This may mean different things for different organisations. Ultimately, it is about acquiring and retaining customers who:

- Have a projected lifetime value that makes them a profitable prospect to your business
- Buy a variety of your products or use your services repeatedly during their time as a customer
- Share their positive experiences with others
- Provide honest feedback on these products and services as well as their experiences
- Collaborate with you on ways to improve their experiences.

14.5 CRM and data

Data is central to the success of CRM initiatives. Knowing who your customer is, how they behave and what they want makes a CRM strategy successful. Data gathering can begin even before your prospect becomes a customer. Matching a prospect's profile to the product or offer is the first step.

But data on its own is meaningless if it is not analysed and acted upon. Through analysis, data can be turned into insights, which can then inform the various CRM processes and, indeed, the business itself.

Data should underpin the way each touchpoint is utilised to build loyalty.

Consider the consumer who shops on her store card at a retail outlet. Her transactions are recorded against her card and she is sent offers that detail the latest fashion trends and earns points on her card shopping for these. At some point, her transactional data shows that she has started shopping for baby clothes so she can now be cross-sold products to do with babies and rewarded with double points when she buys them. Now she is increasing her spend in the store, cross-shopping for both herself and her family and being rewarded for this, thus ensuring that the retail outlet is offering her value and retaining her business.

14.5.1 Customer data

A good CRM programme begins with data. Who are my customers and what do they want? What are their demographic and psychographic needs? Why did they choose me in the first place? How many of them are active and continue doing business with me? Why do the others stop? What is the average tenure of a customer?

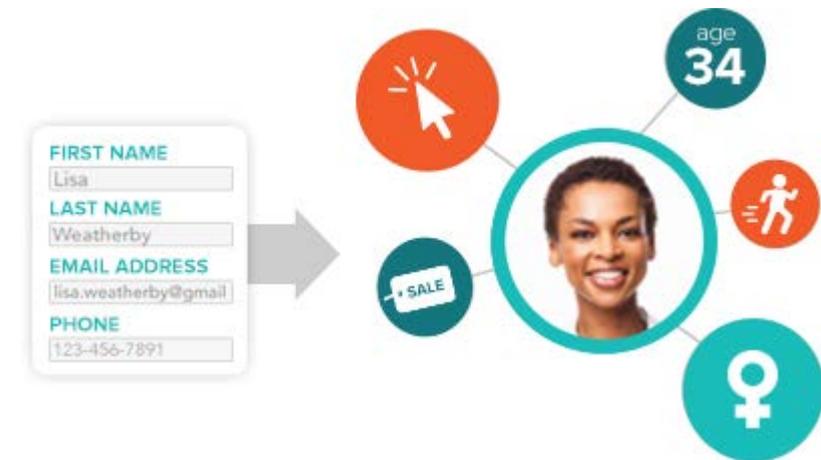


Figure 4. What do you want to know about your customers?

Often, you will need to research this information. If the company has a database, conducting surveys, focus groups or dipstick telephonic research can help you get an idea. Consider that an Audi Q7 driver is vastly different to an Audi A1 driver, for instance. They both pick the brand for similar reasons, but their motivations behind choosing the products differ vastly.

Data can give you these insights. It can enable a company to create real value for the customer and thereby gain true loyalty. There is little point in running a customer insights survey, looking at the results and saying, "that's interesting" without putting into action any changes suggested by the results. Not auctioning noticeable changes also means customers are less likely to take part in surveys going forward and quite rightly so, what's in it for them? Conversely, if you do action changes, customers will feel increased ownership in the brand and its offering.

The actual technology you use to gather and collate data is also crucial. Remember that there are many facets to CRM and the quality and accessibility of the data will have a major impact on how well these processes run.

When looking at data, it is essential to keep in mind the Pareto principle. The Pareto principle, or 80/20 rule, holds that in many situations approximately 80% of profits are delivered by 20% of customers. Also keep in mind the traditional view that 20% of customers are responsible for 80% of problems related to service and supply (Koch, 2008).

NOTE

Think of a brand that has extremely loyal fans, for example, Apple, Nike or Harley-Davidson. What do you think the brand did that encouraged people to support them so vocally?

NOTE

Read more about this in the [Data analytics](#) chapter.

NOTE

Choosing a CRM system and operationalising it in your business is no small undertaking. Cost can be dramatically impacted by how well this system can integrate with other processes and tools in your business. Make sure to do your homework before jumping in.



Figure 5. The Pareto principle.

This means designing solutions with efforts directed at the 20% of customers who generate the most profits. To do this, you should segment customers effectively. High value segments are unique to each business.

You'll also want to consider the exact data to collect. While this will depend largely on your business objectives. Here are some considerations.

- Information should be commercially relevant.
- Capture additional contact details from the customer at every organic interaction such as on purchases, contracts, negotiations, quotes, conversations.
- Allow your customers to manage their data along with you.
- Capture any information you send out to the customer.
- Consider anything that adds value to the relationship.
- Note any legal implications around capturing and storing data, particularly web-based behavioural data, as the user's privacy must always be taken into account.

14.5.2 Where and how to gather CRM data

CRM data is gathered from a variety of touchpoints. Let's look at some of the possible opportunities for CRM data capture and analysis. Each avenue discussed below collects a range of data from whichever touchpoints the business deems valuable.

Traditional CRM system data

Most traditional CRM systems are used to capture data for sales, support and marketing purposes. On top of simply creating a central repository for data access, these systems and their related databases also offer basic analytics. The actual

range of data collected within the traditional CRM system is dictated by the CRM objectives. For instance, data could include:

- Demographic details on potential leads, current leads and contacts, such as contact information, age, gender and income
- Quotes, sales, purchase orders and invoices (transactional data)
- Psychographic data on contacts such as customer values, attitudes and interests
- Service and support records
- Customer reviews or satisfaction surveys
- Web registration data
- Shipping and fulfilment dates, such as when orders were shipped and delivered.

Data mining and testing hypotheses

Data mining involves analysing data to discover unknown patterns or connections. It is usually conducted on large datasets and looks for patterns that are not obvious. Data is analysed with statistical algorithms that look for correlations. It is used by businesses to better understand customers and their behaviour and then to use this data to make more informed business decisions. For instance, women might traditionally be shopping for nappies during the week. On the weekend, men may become the primary nappy-shoppers. The things that they choose to purchase on the weekend, such as beer or chips, might dictate different store layout over a weekend.

NOTE

Data mining is typically performed by computers, which can sift through massive amounts of data and find tiny but significant patterns that a human researcher may overlook.

Analytics data

Analytics data is generally captured through specialised analytics software packages. These packages can be used to measure most, if not all, digital marketing campaigns. Web analytics should always look at the various campaigns being run. For example, generating high traffic volumes by employing CRM marketing tactics like email marketing, can prove to be a pointless and costly exercise if the visitors that you drive to the site are leaving without achieving one or more of your website's goals.

NOTE

Read more about this in the [Data analytics](#) chapter.

Social media monitoring data

There are many social media metrics that are important to monitor, measure and analyse and some of these can provide valuable insights for CRM implementation. This can cover everything from quantitative data about number of fans and interactions, to qualitative data about the sentiment towards your brand in the social space. Social media metrics can also lead you to new prospects.

14.5.3 Collating and organising your data

Typically, you'll find that a business has:

- One or more databases, such as email, customer, mobile or call-centre databases, or datasets in silos
- A point of sale system where product purchase data is stored
- Various forms of web data from display or search networks, keyword research, site analytics, social media, or email marketing
- Social media profiles on sites like Twitter, Facebook, or LinkedIn, which can also be considered databases of sorts.

CRM software can be used to automate lead and sales processes and to collect all of this customer information in a centralised place, allowing a company to get a holistic view of the customer; from this, meaningful data insights can emerge.

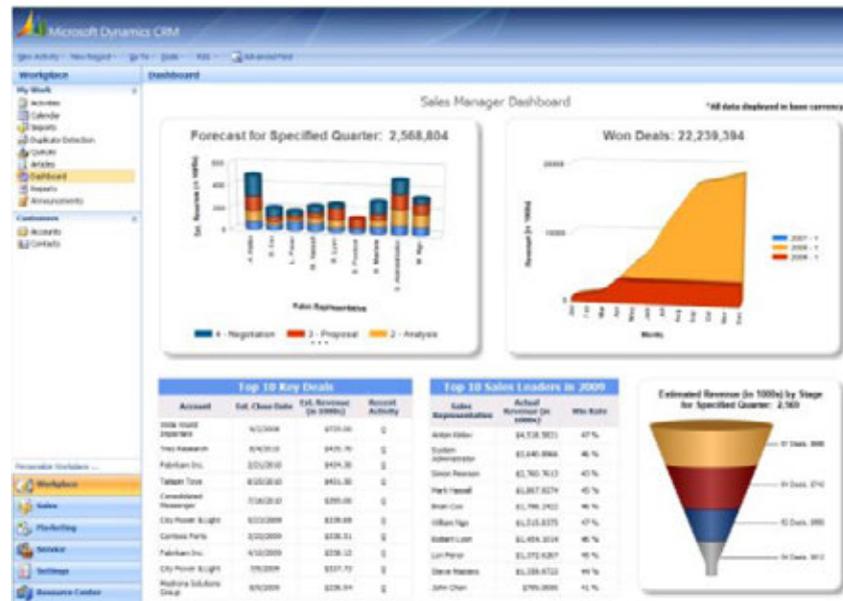


Figure 6. CRM software can present dashboards for monitoring and analysing your data.

NOTE

Have you ever had a frustrating service experience with a brand? How did you feel about the brand afterwards? Large organisations need a single view of the customer to avoid frustrating them.

Organisations can be large and a customer often speaks to several members of the organisation, depending on the nature of the communication. It would be extremely frustrating for the customer to have to explain all previous dealings with the organisation each time and equally frustrating for an organisation not to know who has spoken previously with a customer and what was dealt with. This could be a touchpoint at which a company falls down and leaves a less than positive impression with the customer.

Fortunately, there are many technological options that help to record all this information in one place. Most of these services can also schedule elements of the sales process and set reminders where appropriate for follow-up action.

Some notable examples include Salesforce (www.salesforce.com), Genius (www.genius.com) and Highrise (www.highrisehq.com) from 37signals. Bespoke technology tailored to business problems can have remarkable results.

14.5.4 Keeping data fresh

Call it what you will, but 'stale', 'outdated' or 'unhealthy' data doesn't benefit anyone. Some generic older data can help you assess trends over time, but identifiable customer data is usually redundant if not up to date. People move house, update their contact numbers and email addresses and change jobs. They earn more or less, stop working, start working, have kids and retire. All of these mean that their needs change and their contactability changes, so maintaining a customer relationship and delivering relevant communication becomes impossible if your information is not fresh.

So, how do you keep your data fresh?

For generic data (like web analytics), you must continuously monitor trends and note what causes changes over time. This is also useful for monitoring trends and identifying gaps in data when a business evolves. For instance, if you know that you generally receive increased website and store visits during December, but your sales drop, you know that you need to gather more data around your inventory and in-store environment during that time.

Keeping identifiable data current means you need to facilitate regular dialogue with contacts on your database. Whether it's through a call centre, an online prompt or a quick question at your in-store point of sale, there needs to be a plan for updating details at regular intervals. You can empower your customers and incentivise them with programme attractiveness.

14.5.5 Analysing data for marketing

One of the most powerful features of interactions and transactions over the Internet is that everything is tracked and recorded (see the **Data analytics** and **Conversion optimisation** chapters). This provides a wealth of data that can be analysed to make business decisions.

For CRM, this means that the customer acquisition source can be recorded and analysed against sales data. This leads to a very accurate return on investment (ROI) calculation and indicates where CRM and marketing efforts should be focused.

ROI stands for return on investment – and it's key to understanding whether marketing efforts have been successful. Here's a simple example: Company A sells accounting software and makes R10 000 on each product it sells. It sends an email to its customer base, users who have bought a previous version of the software and might be interested in upgrading. The campaign has an overall cost of R100 000. Of the 5 000 users who receive the email, 10% decide to buy. That means it cost R200 to acquire each of the 500 customers. The company has made R5 million, an ROI of 50:1.

The key to effective use of technology in CRM is integration. Ensure that all channels can be tracked and that information is usable to all parties within an organisation. Knowing where your customers come from, but not what they purchase, is pointless: these two metrics need to be compared in order to produce actionable insights.

Analysing CRM data can aid marketing initiatives in a variety of ways:

- **Campaign analysis:** Find out which marketing campaigns are leading to the best returns so you can refine them and increase ROI
- **Personalisation:** Customise your communications to each customer
- **Event monitoring:** Tie offline events, like shows or sales, to your online interactions and sales
- **Predictive modelling:** Predict a customer's future behaviour and meet this need at the right time.

Improved customer segmentation, including:

- **Customer lifetime value (CLV) analysis:** Predicting each customer's lifetime value and managing each segment appropriately, for example, offering special deals and discounts.
- **Advanced customer profiles:** Identifying certain behaviours, such as big spenders or those who look for bargains by attending sales. This information can be used to tailor marketing communications accordingly.

NOTE

Read more about this in the **Data analytics** and **Conversion optimisation** chapters.

NOTE

Mobile marketing can play a key role in offline events, after all, the mobile phone is portable and connected to the internet, meaning that users can engage a brand directly on location.

NOTE

See this slide show for more on how to build an army of influencers for your brand <http://bit.ly/socialrm>

- **Customer prioritisation:** Target small groups of customers with customised products and service offerings that are aligned to meet customer needs, rather than simply generic current offerings. You should craft specialised retention strategies for customers with the highest CLV.
- **Influencers and advocates:** Consider the realm of social media, where influencers are central to the spread of content. Brands are increasingly prioritising relationship building with social media influencers to build brand advocates who will help market the business for them. By identifying which customers are providing the most value and positively influencing others to become customers, you can focus efforts towards them and increase their loyalty, creating true brand advocates.

Understanding customer lifetime value

CLV is the profitability of a customer over their entire relationship with the business. Businesses need to look at long-term customer satisfaction and relationship management, rather than short-term campaigns and quick wins. This approach leads to increased value over the entire lifetime of a customer and means that CLV is a metric central to any CRM initiative.

It's important to look at your customer base and segment them according to how often they purchase and how much they spend with your company. Very often, customers who spend more cost more to acquire, but they might also stay with the company for longer. Referrals made by a customer can also be included as part of the revenue generated by the customer.



Figure 7. The customer's average order value and how often they order are used to determine their CLV.

The key is to understand these costs and then target your CRM strategies appropriately. CLV lets you decide what a particular type of customer is really worth to your business and then lets you decide how much you are willing to spend to win or retain them.

For example, a potential customer looking to purchase a digital camera is likely to search on Google for cameras. As a company selling digital cameras, your excellent search advert and compelling offer attract the potential customer, who clicks through to your website. Impressed with your product offering, the user purchases a camera from you and signs up to your email newsletter as part of the payment process.

Analysing the amount spent on your search campaign against the sales attributed to the campaign will give the cost per acquisition of each sale. In this case, this is the cost of acquiring the new customer.

As the user is now signed up to your newsletter, each month you send her compelling information about products she may be interested in. These newsletters could be focused on her obvious interest in photography and

highlight additional products she can use with her new camera. Think about the value exchange that is necessary for a customer to give you their attention. Content marketing is a powerful tool here. The costs associated with sending these emails are the costs of maintaining the relationship with the customer. When she purchases from you again, these costs can be measured against the repeat sales likely to be made over the course of the customer's lifetime.

Assuming that a customer buys a new camera every three years, moves up from a basic model to a more expensive model, perhaps buys a video recorder at a certain point. All of these allow a company to calculate a lifetime value and ensure that their spending on a particular customer is justified.

NOTE

See the chapter on **Content marketing strategy** for more on the importance of offering customers value.

14.6 The benefits of CRM

At its core, effective CRM promises the following:

- Increased revenue and profitability
- Improved customer satisfaction and loyalty
- Improved service delivery and operational efficiencies
- Decreased acquisition costs, keeping churn low through CRM offsets the need to spend as much on acquisition of new clients, while retention of existing ones is cheaper for obvious reasons.

Maintaining good customer relationships is critical to the success of a business. The cost associated with acquiring a new customer is generally far higher than the cost of maintaining an existing customer relationship. While an investment in a CRM communication programme or platform can be large, these costs are often offset over the increased revenue generated by encouraging repeat business.

NOTE

A CRM communication programme is a cross functional investment, which requires leadership buy in.

14.6.1 Putting a value on CRM

Broadly, CRM can be looked at from:

- **A marketing perspective:** Understanding your customer segments and building a relationship with them.
- **A cost perspective:** Decreasing the amount you spend on customers; it costs more to attract a new customer than maintain an existing one.
- **A sales perspective:** Turning the users who know about your service or product into customers who have made a purchase, in other words, managing prospects.
- **A service perspective:** Ensuring that users who have interacted with you are satisfied and delighted.

Effective CRM can also create a powerful new marketing and referral force for a company: its happy customers. Delighting customers fosters positive word of mouth.

The first step to any CRM initiative is to understand the value of a customer relationship to a business.

Relationship value = Revenue generated by customer – Cost of maintaining/servicing the relationship

14.6.2 CRM implementations

CRM should infuse every aspect of a business in the same way that marketing should be integral to everything you do, but it is useful to look at the different ways CRM is implemented.

Marketing

- Conduct personalised targeting and profiling across a range of marketing channels such as telemarketing, email marketing, social media marketing and campaign management projects.
- Place the right mix of a company's products and services in front of each customer at the right time.
- Understand what customers do and want, matching that knowledge to product and service information and measuring success.

Sales

- Ensure the customer receives the correct product.
- Ensure correct sales-related processes are carried out within the organisation. This could include:
 - Client or campaign management
 - Sales configuration, for configuring products or pricing
 - Call management
 - Contact management
 - Ad management
 - Sales force automation (including territory)
 - Account and lead management systems.
- Enable all parties in the transaction to interact with one another.
- Include systems that put sales reps directly in touch with customers at the point of sale.

Service and service fulfilment

Improve the service you give to current customers through:

- Email response management
- Social media support systems
- Telephony capabilities such as automatic call distribution
- Computer-telephony integration
- Queue/workflow management
- Interactive voice response and predictive dialling.

Include the development of problem resolution systems, workflow automation and field service dispatch systems.

Services invoked by the customer

Create and manage systems or capabilities that can be directly invoked by the customer:

- Web self-service
- Search
- Instant messaging
- Email queries
- Voice over IP (VoIP)
- Browser and application sharing
- Conferencing
- 'Call me' capabilities
- Social media support
- Online forums.

CRM loyalty programs

There is a difference between CRM and loyalty programmes; often loyalty programmes actively seek to maintain customers by rewarding them with a hard currency, like points. Loyalty programmes are designed to develop and maintain customer relationships over a sustained period of time by rewarding them for every interaction with the brand. For instance, you may earn points on a purchase, for shopping on certain days, completing a survey, or choosing to receive a statement by email.

Consider South African health insurer Discovery and their Vitality program. It aims to keep customers healthy by rewarding them for health-related behaviours like exercising, having regular check-ups, stopping smoking and buying fresh foods. By doing so, it reduces the burden of ill-health on the medical aid itself.



Figure 8. An advert for Vitality promising cash back for buying healthy food.

Not all loyalty programmes are created equal. Many brands have embraced them as a way to improve their sales and consumers have come to believe that they are simply a way of extorting more money from them.

To create an effective loyalty programme, consider the following:

- **Carefully calculate the earning and redemption rates of points:** A loyalty programme needs to give the appearance of real value, while working within the company's profit projections.
- **Loyalty programmes are about value exchange:** You need to find a way to partner with the customer.

- **Rewards are key to success:** You need to offer value to the customer in a way that is real and desirable.
- **Customer care is important, but it's a hygiene factor, not a differentiator:** Technology allows for effective real-time conversations.
- **Data, a single view of our customer, is central to success:** You need to maintain accurate records in one central place.
- **Digital allows for innovation:** This can apply to new payment technology, digital communications channels and more.
- **Trust is pivotal to success:** Customers need to know that their data is being protected and that you will honour your commitments. Legal requirements in your country may demand it.
- **Loyalty programmes are not quick wins:** Consider up-front how the programme might come to a close or you risk alienating and disappointing customers and undoing any positive results.

Loyalty currencies offered as part of the loyalty programme offer huge potential for brands. Amazon's loyalty currency, Amazon Coin, is available in eight countries and already has many customers investing hundreds of millions in the currency (BizCommunity, 2017).

But any financial rewards offered as part of your loyalty programme need to be carefully considered and their value proposition evaluated and assessed before implementation. Pick 'n Pay, a large grocery store chain in South Africa, drastically cut the rewards on its Smart Shopper loyalty programme in early 2017. Customers went from earning R1 for each R100 spent, to earning R1 for each R200 spent. The initially generous loyalty program and associated loyalty currency was impacting on the business' bottom line. Such a radical change in reward levels did not go down well with customers and the brand did experience some fall out. The impact of the programme on the business' operational costs should have been assessed and addressed earlier, rather than so many years after implementation leaving customers with a negative experience of the brand (Business Day, 2017).

Where loyalty programmes are built around straightforward points and rewards systems, they can also become a point of parity. A loyalty programme should deliver on value that is unique and central to your organisation. You don't want to be competing with your competitor on who can provide more points, which essentially means more discounts and ends up being a competition based on price. The sum of the parts of your loyalty programme should be difficult for a competitor to replicate.

Cryptocurrencies

Like loyalty currencies, cryptocurrencies, are also based in the digital world and not tied to a central banking authority. Cryptocurrencies, like Bitcoin, were developed as a means of facilitating electronic payments online using a peer-to-peer network that was not managed by a server or central authority. Essentially, cryptocurrencies are digital money created from code. The data is encrypted and encoded to signify a single unit of currency. Such currencies are not secured by people or by trust, but by pure mathematics – making it a much more secure system that is not impacted by central banks and monetary supply. It is also almost immune to corruption. As well as Bitcoin, there is Ripple, Litecoin, Ethereum and Monero, to name a few (Blockgeeks, 2016).

These digital currencies, both universal cryptocurrencies and loyalty currencies, are challenging the traditional banking and international monetary system. Individuals are losing trust in banks and national governments' roles in monetary policy.

To learn more about cryptocurrencies visit: blockgeeks.com/guides/what-is-cryptocurrency

Apps

CRM apps are a great step forward in customer relationship management. They help to track customer contact info, as well as which members of your team they interacted with, their emails and positions, as well as the last conversation the customer had with your company. Larger companies make use of software tools like Salesforce, but the high price tag, makes the software unattainable for small businesses and start-ups.

CRM apps like HubSpot CRM, Zoho CRM and Intercom are popular choices. If you're looking for a full-featured team CRM, HubSpot works for up to 1 million contacts and integrates with Gmail or Microsoft Outlook. Google contacts is a nice simple choice that works inside of Gmail and is ideal for smaller and start-up businesses. Intercom is a CRM that focuses on what people view on your site, so that you can track what they are likely to purchase. It links user behaviour to user profiles and the paid options include chat options allowing you to chat directly with customers online. Zoho is a great choice if you already use Zoho software.

Apps are making CRM easier by managing your contacts and tracking their interactions with your brand. They continue to get better and better and brands should be making use of these useful tools.

Apps for payment services

As well as CRM apps, brands can also develop loyalty apps that enable payment. Brand specific apps that enable purchases are becoming a preferred means of payment. Payments through Starbucks' app have begun to account for more than 50% of Starbucks' revenue in 2017. Over 60% of millennials are happy to use apps to purchase products in store, which is changing the landscape of loyalty currencies and how such currencies are managed by brands (BizCommunity, 2017). More and more brands are offering payment gateways and even credit and microloans through their apps. This is impacting on how customers view brands as service providers and greatly changing how they see banks and traditional monetary institutions.

SMS

SMS is a handy tool for communicating with customers about product delivery and updating them about specials and promotions. As with all mobile channels you will have access to your customer exactly where they are at that moment and in a very personal space. So use this channel responsibly and only when you have permission to do so. Sending endless SMS can lead to customers removing themselves from your SMS contact list and could give that customer a negative perception of your brand.

NOTE Live chat

See more about SMS and Apps as marketing tools in the **Mobile channels and apps** chapter.

Having the ability to chat to your customers when they are on your site is very useful in addressing customer queries immediately and can lead to valuable conversions. Real live customer service agents or sales people can converse directly with customers addressing any concerns easily and directly, or selling them any products they may be browsing at that moment. Live chat offers many benefits, including improved conversions, SEO, reduced average order times, increased awareness of additional products, efficient management of issues and reduced overhead costs. Cost per contact is much lower than call centre or in-store customer assistance.

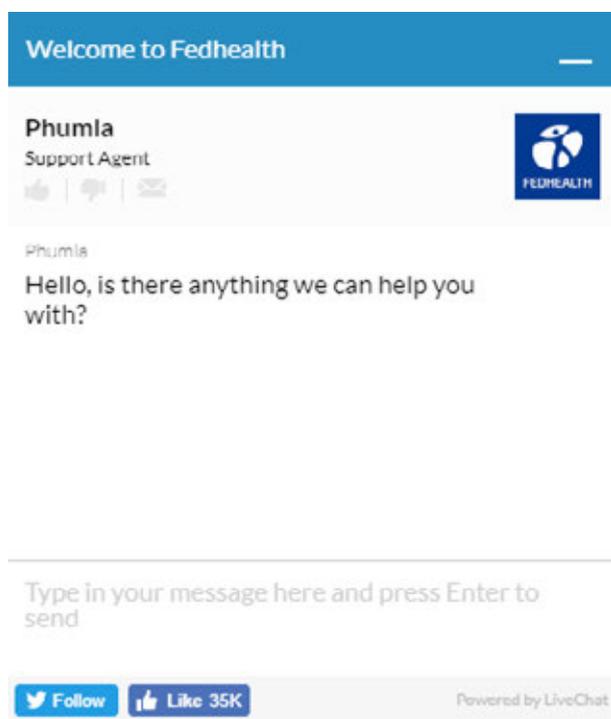


Figure 9. The LiveChat feature on Fedhealth.

Various providers offer live chat functionality to websites, such as Intercom, Pure Chat, Live Chat, Live Agent and Freshdesk. It is becoming increasingly common to have live chat on brand sites and customers that expect to find live chat and don't, could walk away from your brand. Just like not being on Facebook could be detrimental to your brand, because customers expect all credible businesses to be on the social network, not having a live chat could also negatively impact on customer's perception of your brand as a viable business.

Be wary of using chat bots to address clients on live chat. Customers dislike robotic responses and want to feel heard and acknowledged by a real person. So, although chat bots offer great solutions to CRM at large scale, their use should be carefully considered against customer response and attitude to communicating with a bot.

14.7 Social CRM

Widespread social media usage means that CRM has to be conducted on social to deliver an all-round experience for the customer. Not only should social media be integrated into any existing CRM strategy and looked at from a touchpoint and channel perspective, but social media can also be used to drive CRM.



Figure 10. Stats on poor customer service cost.

Social media platforms allow customers to easily share their brand experience (good or bad) with their online social connections, who in turn can share this experience on. This means a potential word-of-mouth audience of millions could witness a single user's brand experience and weigh in on the situation.

Customers place a great deal of value on the opinions of their peers and are more likely to look favourably on a brand, product or service if a peer has recommended or praised it.

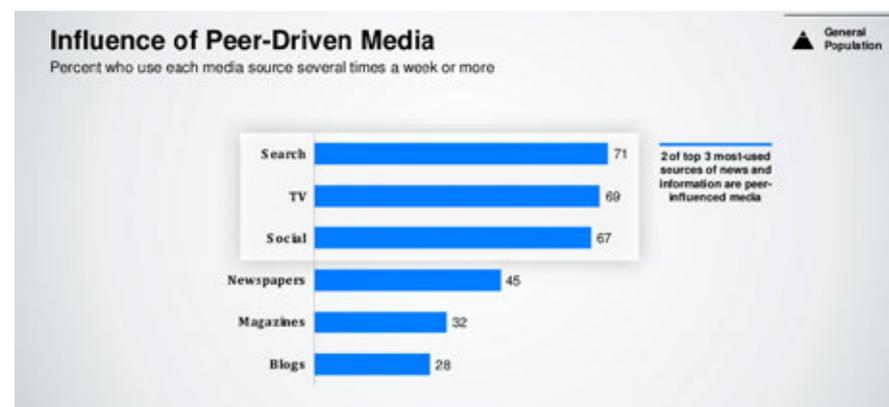


Figure 11. Influence of Peer-Driven Media.

Brands have realised that they need to leverage this in their CRM strategies and now understand that communication is not one way (from brand to consumer), or even two way (between consumer and brand) but multi-directional (brand to consumer, consumer to brand, consumer to consumer).

The convergence of social media with CRM has been termed social CRM or CRM 2.0 and has developed into a field on its own.

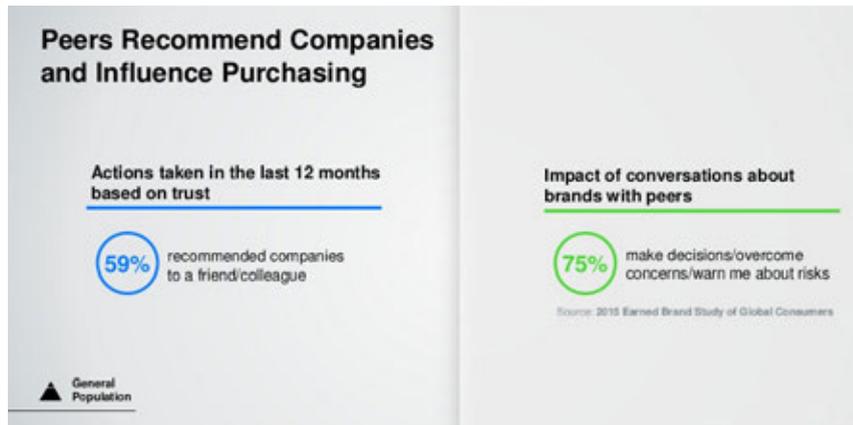


Figure 12. Peers Recommend Companies and Influence Purchasing.

14.7.1 Social CRM and support

Social customers are increasingly turning to social media channels for support. With the immediate accessibility offered through mobile devices, they see this as a convenient channel to communicate with brands. This means that brands need to respond quickly and transparently to consumers' questions, gripes and even compliments. A support query going unanswered on Twitter, for instance, is likely to cause frustration for the consumer and prompt them to take a situation that is already visible to other consumers even further, potentially causing a brand crisis.



Figure 13. Social CRM is valuable.

Brands should carefully consider whether all social media channels are appropriate for them and be prepared for any eventuality. Brands that are well liked will generally have positive responses on social media, those that receive a mediocre response from consumers will have a bit of a mixed bag, but those that have a lot of support issues are likely to experience very large numbers of complaints that need to be addressed.

Social support staff should have access to all the historical data relating to customer issues such as all the data collected about previous complaints and reference numbers. These channels make customer support public. In this way, they can respond directly to the consumer in the social channel that they've selected and escalate the problem appropriately.

14.7.2 Social CRM and online monitoring

Social CRM can also make use of online reputation management and monitoring tools. Online monitoring, or reputation management, entails knowing what is being said about your organisation and ensuring that you are present in or leading the conversation.

By using these tools, brands can rate and sort these mentions based on their sentiment. This allows them to effectively test the temperature of the online community's feeling towards the brand, which can then guide any future action.

14.8 Step-by-step guide to implementing a CRM strategy

14.8.1 Step 1. Conduct a business needs analysis and develop a problem statement

A major part of determining where to begin with a CRM implementation is having a clear understanding of the business needs and where CRM would most benefit the organisation. CRM touches on sales, marketing, customer service and support both online and offline. It's important to review the needs of each business area so that you can determine your strategy for CRM.

Ideally you should have individual goals for each department and all members within the organisation should buy in to the strategy in order to drive it successfully, from the highest rank to the lowest. Implementing successful CRM across the organisation is a process, with stakeholders making decisions collectively and sharing their views and needs. Decisions should be based on realistic budgets and resources and full calculations carried out before any kind of loyalty currency is decided upon. Remember the Smart Shopper example from Pick n Pay above and how not carefully considering how rewards may impact on your bottom line could cause problems later on.

14.8.2 Step 2. Understand customer needs

CRM is about the customer. You might have identified a range of business needs, but what about the needs of the customer?

Two elements of CRM in particular, service delivery and customer support, are actually all about meeting the needs of the customer. And what's the best way of determining customer needs? By asking them, of course. There are various ways to find out what customers want, but in all of them, it is important to listen. Use online monitoring tools and insights from social media to gather a more rounded view of what your customers think, feel and want. Look at past behaviour, churn rates and successes. It may be worth doing a detailed data mining exercise to understand which of your customers is the most valuable and why.

14.8.3 Step 3. Set objectives and measurements of success

CRM is a long-term commitment and you need to consider a long-term approach. Depending on the business needs, you may decide to focus on communications objectives, sales objectives, business objectives, or all three. Objectives and success measures could include:

- Increasing customer numbers: Sales objective/business objective
- Increasing profitability per customer: Business objective
- Increasing market share: Sales objectives
- Improving responses to campaigns: Communication objective
- Raising customer satisfaction: Business objective
- Improving end-to-end integration of the sales process cycle: Communication objective.

NOTE

Read more about this in the **Data analytics** chapter.

The metrics you select for measurement will depend on these objectives. There are numerous metrics that you can choose from when measuring your performance and the actual metrics you choose are generally referred to as your key performance indicators (KPIs).

14.8.4 Step 4. Develop your CRM strategy and determine how you will implement it

Once you've identified all of the objectives of your CRM implementation, you will need to determine how you are actually going to roll it out. What channels will you use? What touchpoints will you leverage? What data will you need for this?

Next, you need to determine which tools you will use to gather this data and how you will implement your initiatives across these channels. Don't forget that you need to communicate with your internal stakeholders before you launch the initiative to your external ones.

You will need to make choices based on what is available to you, or what you intend to embrace. The digital space offers a range of innovative spaces for CRM delivery; you simply need to get creative in your execution.

14.8.5 Step 5. Choose the right tools

There are lots of excellent CRM tools available, but these are useless without a clear CRM strategy in place. You can only select your tools once you know what your objectives are, what touchpoints and channels you are going to utilise and what data you need to collect and analyse.

CRM systems that gather information on customer preferences and needs, as well as information on competitors and in the industry in general, let organisations focus on providing customer solutions instead of simply pushing products.

We've outlined a host of options in the **Tools of the trade** section on the next page.

14.9 Tools of the trade

Collaborative CRM tools

Collaborative CRM refers to a process that combines customer data across all facets of a company. For example, queries regularly submitted to the technical support or customer service arm of a business can be used to inform product development and website content. Instead of various departments collecting their own customer data and using this in isolation, data is collated so that all channels make informed decisions based on the holistic customer experience.

MindTouch (www.mindtouch.com) is an example of a CRM product that offers collaborative authoring. This means that multiple users can simultaneously edit shared documents while maintaining an audit trail and version control.

Social CRM tools

Social CRM tools perform a number of functions, from standardising the collection of data from social media channels to automatically posting links and accepting friend requests. These tools can also be used to identify customer sentiment within social media channels.

BrandsEye (www.brandseye.com) and Simplify360 (www.simplify360.com) are examples of social CRM listening tools that collect data on brand mentions across social media channels online, in real time.

Operational CRM tools

Operational CRM tools deal with the most obvious channels that relate to customers: the front end of a business and its customer service. From a web technology point of view, operational CRM informs the website a customer sees as well as their entire online user experience.

Two examples of operational CRM tools are OnContact (www.oncontact.com) and Zoho CRM (www.zoho.com/crm).

Sales and marketing automation CRM tools

Sales force automation (www.salesforce.com) uses CRM software to manage sales cycles and to collect customer sales data. The software enables businesses to track leads, schedule transactions and communications with potential and existing customers and generate detailed reporting on the sales process.

Marketing automation tools identify current customers and use their response information to manage email marketing lists. The tools can also identify prospects, as well as unhappy customers.

HubSpot (www.hubspot.com) offers a marketing automation tool that allows companies to generate and send behaviour-driven emails.

Analytical CRM tools Analytical CRM tools allow companies to record, save and investigate customer data to better understand customers through their behaviour. For instance, data collected about the nature of visits to your website can be used to make informed decisions about where to focus attention based on customer behaviour. Past purchasing behaviour of customers can be analysed to predict future purchasing behaviour. Data can be used to segment customers and tailor communications. These tools can help target marketing campaigns at customers and predict future sales and customer spending.

KXEN (www.kxen.com) is a popular analytical CRM tool with the ability to forecast customer behaviour and shed light on customer preferences and spending power. It also allows you to tailor marketing campaigns to specific customers, segmented by various demographics.

14.10 Case study: Amazon Prime

14.10.1 One-line summary

Amazon Prime has become one of the largest and best loyalty programmes in recent years, despite not using point systems and oversimplified projections of loyalty. They provide consumers real value by addressing their needs for instant gratification and exclusivity, while streamlining the customer experience and seeing a substantial financial return for the company.

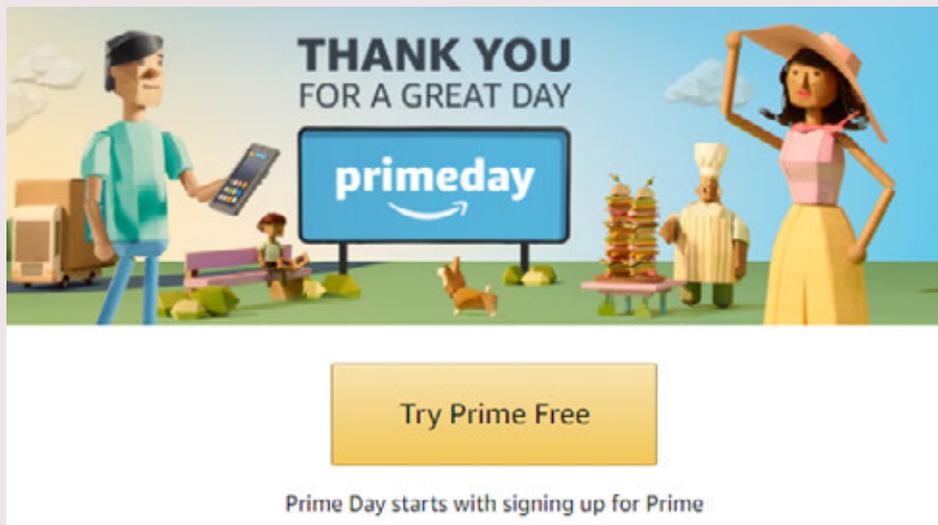


Figure 14. Call to action to sign up for Prime on Amazon's home page.

14.10.2 The problem

Amazon noticed that shipping was often a stumbling block when it came to completing purchases. If shipping took too long, users would drop out of the purchase. Similarly, if users purchased an item that was less than the minimum to receive free shipping they would also abandon the purchase. They needed to somehow streamline this process, so that customers would complete their purchases.

They considered a loyalty program that would address these two aspects, but knew that customers are inundated with loyalty programmes that offer cash-backs and promotions. Every retailer, bank and service provider all provide some form of loyalty programme that is very similar to all the others.

Amazon noted that many loyalty programmes fail because they don't meet the needs of the customer and promise delayed gratification. They offer customers nothing new nor anything they

can derive any real benefit from in the short term. Customers have to build up points and cash-backs and wait to receive their reward. Many customers have become wary of loyalty programs and see them as just another way to extort more money from consumers.

Customers need something that offer real benefits and that they are willing to pay US\$ 99 a year for. They want real value immediately and not something they need to wait months or years to see any benefit from.

14.10.3 The solution

Amazon Prime provides its customers with what they really want and need from the brand. It has created a program that is designed to meet customer's need for instant gratification and removed the stumbling blocks in the purchase process. Prime members receive next day delivery on all items and do not need any minimum value in their shopping carts to receive free shipping. They reap the benefits of the program immediately and every time they shop online.

Instead of making these shipping features free, Amazon Prime made the service part of an exclusive loyalty programme that users had to pay a yearly fee to benefit from. So, in addition to tapping into instant gratification, Amazon Prime also made use of customers' want to be involved in something exclusive, that would set them apart from general customers. As well as shipping benefits, Amazon Prime users would get access to exclusive deals and discounts, as well as first option on new products. Prime members get to see and purchase products before they are made available to other customers.

To ensure they provided perceived real value, Amazon also included access to their entire library of Amazon Prime videos in the Prime membership. Although the fledging library cannot rival Netflix, offering the content free enables it to gain an audience to test out content and gain insights for future content development. This means that the customer receives great value in the form of online viewing content and the brand gains invaluable input that it can use to fuel further development.

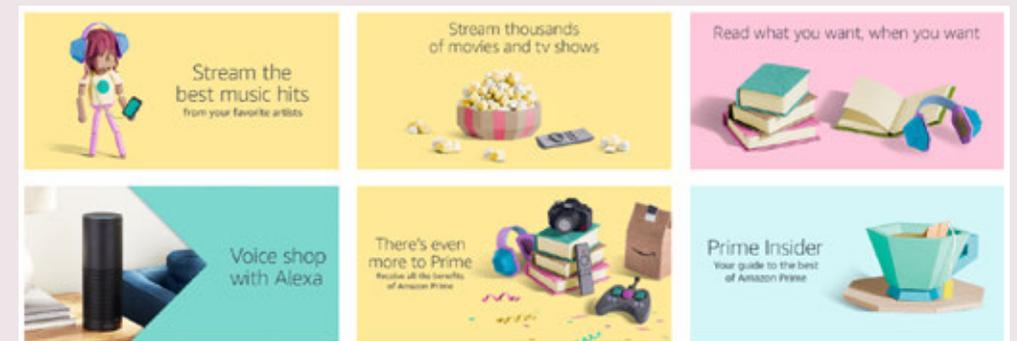


Figure 15. The highlighted benefits of Amazon Prime on Amazon's home page.

Amazon Prime is more than a loyalty or a rewards program, it is a privilege program that taps into customers' need for feeling important and special, as well as addressing stumbling blocks in the purchase process and meeting our growing need for instant reward (YourStory, 2017).

14.10.4 The results

Amazon has created a truly extraordinary loyalty programme that users are prepared to pay for. By providing customers with what they need and streamlining the customer experience, Amazon has demonstrated that gimmicks and cash backs are not the solution for loyalty programmes.

Amazon Prime saw rapid adoption in the US and still sees a 40% increase in subscriptions year on year even though the loyalty program is nearly 12 years old. As of early 2017, 60% of Amazon's US customers have a Prime membership, with the total number of Prime subscribers hitting 80 million. Prime members also spend nearly double (US\$ 1 300) what non-Prime members do (US\$ 700) per year (Business Insider, 2017). The programme has been a huge success for the brand, with revenue from Prime alone making up US\$ 6.4 billion in 2016. The programme is so successful that revenue from subscriptions alone is nearly enough to cover the largest cost of the company, its overall shipping costs (Bloomberg, 2017).

Essentially, establishing customer loyalty is about providing users with an experience that is simply better than anything else, so that users change their purchase behaviour to favouring your brand. And that is exactly what Amazon has been able to achieve through Prime (LooseThreads, 2017).

14.11 The bigger picture

Managing customer relationships should be built into every marketing tactic and activity you perform, especially if your organisation has adopted CRM as an ongoing strategy to drive customer retention.

Successful email marketing is built on two very basic customer needs: privacy and permission. The very first step in using email to communicate with a customer is gaining their permission. Data mining and segmenting customer databases allows email marketing to be tailored and personalised. Email is often the primary point of contact for service-related messages.

Online advertising is a double-edged sword when it comes to CRM. It can be a very effective acquisition tool for new customers, but intrusive advertising can attract attention for all the wrong reasons. Effective online advertising speaks to customers' needs and presents solutions to them, attracting attention without being overly intrusive. The key is to be relevant and useful wherever possible.

Search engine optimisation and search advertising start with customer intent. Existing customer data can indicate where to focus search engine marketing efforts, especially when it comes to analysing how well a website caters to the intent indicated by a customer's search term. Social media marketing is based on customer needs and preferences. It is also a powerful tool for turning delighted customers (who are expressive online) into advocates for an organisation. Social media creates new communication channels for an organisation, enabling discussions and customer service to take place where the customer feels most comfortable.

Effective web development and design starts with understanding and catering for customer needs and should focus on the experience of the web user. Designing for customers first and foremost gives web visitors a seamless experience. CRM data can tell you what your customers need and web experiences can support the customer journey. Web designers and developers can also create sophisticated customer service portals to manage CRM, such as the Nike+ support page: nikeplus.nike.com/plus/support.

Through all of the digital marketing tactics, effective analytics is the most useful CRM tool. It allows each channel to be measured on its merits and the customers acquired by each channel can be analysed.

14.12 Summary

Customer relationship management is the cornerstone of your interactions with customers. Digital technology makes the process of discovering key insights seamless, effective and very useful, but CRM cannot be restricted to only digital channels as customer interactions happen offline too. There are many benefits to implementing a CRM strategy from reduced customer service costs to happier customers and quicker, more tailored and effective communications.

Naturally, understanding customers is the biggest outcome of CRM and this understanding leads to meeting their needs much more effectively, which in turn has direct bottom-line benefits for the brand.

There are many facets to CRM that you should consider before deciding how you will approach it. The key ones are:

- Brand touchpoints: How do customers interact with the brand and vice versa?
- The tools you need for your business: Operational CRM, analytical CRM, collaborative
- CRM and sales force automation are the main categories.
- What channels are available to you to communicate with your clients?
- Implementations: CRM can be implemented for sales, marketing and customer support and service fulfilment.
- What are the steps you need to take within your organisation to ensure a successful CRM strategy?
- What cost are you looking at and what return on investment are you expecting?
- Your long-term aims: CRM is never a short-term solution.
- What are your data capabilities and needs: Are you gathering the correct data, storing it correctly, updating it constantly and then analysing it for insights?

14.13 Case study questions

1. Why do you think Amazon Prime has been so successful for so many years, when most other programmes lose their allure?
2. What aspect of loyalty does Prime tap into?
3. What do you think of Amazon's decision to include their video streaming as part of their Prime membership?

14.14 Chapter questions

1. How do you think CRM changed or evolved as social media rose to popularity?
2. Why do customers respond so positively to personalised communication?
3. What ethical problems do you think customers might raise with regards to behavioural tracking?

14.15 Further reading

www.insidecrm.com – This useful website regularly posts white papers and reports breaking down updates and developments in the field of CRM.

churchofcustomer.com – This useful blog regularly features guest writers and experts in the field of social media and CRM.

www.cluetrain.com – Home of the Cluetrain Manifesto, a set of guiding principles geared towards conducting business in the digital world.

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Figure 14. Screenshot, Amazon 2017.

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