

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.

Note

See the chapter on [Content marketing strategy](#) for more on the importance of offering customer's value.

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.

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.

$$\text{Relationship value} = \text{Revenue generated by customer} - \text{Cost of maintaining/servicing the relationship}$$

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 14.6.1: An advert for Vitality promising cash back for keeping fit *Adapted From Discovery, 2015*

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: <https://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.

Live chat

Note

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.

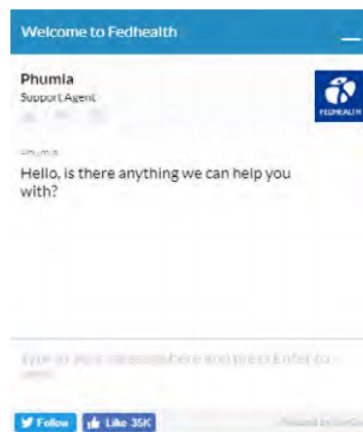


Figure 14.6.2: The Live chat feature on Fedhealth *Adapted From Screenshot. Fedhealth 2017*

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.

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