

Customer Relationship Management How A CRM System can be Used in the Sales Process

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ABSTRACT

The term Customer Relationship Management (CRM) describes systems and processes within companies which, with the help of customer data, aim to unify and improve customer service in order to achieve higher levels of customer loyalty. Customer Relationship Management brings together various departments, such as sales and marketing, to ensure a uniform approach which ultimately contributes to increasing the company's success. An understanding of how to manage relationships with customers effectively has become an important topic for both academicians and practitioners in recent years. However, the existing academic literature and the practical applications of customer relationship management (CRM) strategies do not provide a clear indication of what specifically constitutes CRM processes. In this study, the authors, conceptualize a construct of the CRM process and its dimensions, operationalize and validate the construct, and empirically investigate the organizational performance consequences of implementing CRM processes. Their research questions are addressed in two cross-sectional studies across four different industries and three countries. The first key outcome is a theoretically sound CRM process measure that outlines three key stages: initiation, maintenance, and termination. The second key result is that the implementation of CRM processes has a moderately positive association with both perceptual and objective company performance.

1. Introduction

CRM is short for customer relationship management. The ideas behind customer relationship management are by no means new. Today it's widely acknowledged that how you understand and treat your customers goes a long way to determining your future success and profitability, and companies are making bigger and bigger investments to do just that. The concepts of customer relationship management have been in the air ever since people started exchanging things, but CRM as a term came into existence in the mid-1990s. Companies are already pouring billions of dollars into CRM solutions—software and services designed to help businesses more effectively, manage customer relationships through any direct or indirect channel a customer might use. Unlike many other corporate guidelines, CRM focuses on the customer and customer relationships rather than on sales or profits. This approach is particularly widespread in the B2B area where it is often very difficult for companies to attract new customers. Although online marketing has made things much easier and opened up new solutions, business-to-business still remains a sector where it is difficult, and above all expensive, for any company to acquire fresh customers.

Customer relationship management is also used in the business-to-consumer area, though it plays a somewhat different role here because CRM for business customers is usually based on processes and solutions that are specifically tailored to individual customers.

Since companies selling their products to end users normally have more customers than companies operating within the B2B sector, a similarly customized solution is hardly practical. Nevertheless, such companies can still use

customer relationship management because if their sales and marketing measures are coordinated through a CRM system, the company can identify relevant target groups. These can then be approached much more individually, which leads to greater customer loyalty, more entrepreneurial success, and a positive enhancement of the company's image. However, any further individual orientation of CRM will demand the adoption of a considerable number of extra measures, which can only be implemented across a relatively small cohort of customers.

Customer Relationship Management is based on consistent and reliable customer data. The company must therefore try to learn as much as possible about its customers so as to be able to assess and influence the development of its customer relationships. This is usually achieved via a CRM system that stores all kinds of customer information and then makes this data available to various departments such as sales and marketing. Generally speaking, CRM systems provide the following data:

- Customer address information
- Order history
- Details of marketing or other measures
- Statistical information about orders, sales, etc.

Using the software information available, all employees can be made aware of the measures taken to improve customer relationships and customer loyalty. The statistical data can also be used to easily verify whether such measures were successful and what goals were achieved.

To make a CRM system easier to work with, most software products include additional features such as the integration of Office programs, email clients, task

management applications and time management tools, plus the ability to import and export data.

Customer Relationship Management

The goal of CRM is to bring together all of the company's relevant departments so they can work together to maintain customer relationships. This, of course, does not mean that departments take on the roles and functions of other departments (e.g. sales will not initiate marketing measures). CRM can be broadly subdivided into the following three areas/ processes:

- Marketing
- Sales/distribution
- Customer service

The task of marketing is to use CRM data to address existing customers individually using various measures. Depending on the size of the target group, this could be via direct contact but may also include, customer brochures, surveys and similar methods. And because new customer data can be collected using CRM software, customer relationship management is, of course, a particularly helpful tool for communicating information in both directions. Marketing is tasked with winning new customers and uses CRM data to do so. This data also keeps the marketing department informed about which measures and which marketing channels are the most promising.

Following these marketing efforts, the sales department is committed to selling to new and existing company contacts through direct and individual communication. This can be achieved, for example, by means of a conversation in which the exact needs and wishes of a customer are established, but custom deals and special conditions for certain orders are also possible.

In customer relationship management terms, customer service can only apply to existing customers, but it can make a significant contribution to customer loyalty. During after-sales service, employees can demonstrate that they are truly interested in a customer's needs or problems, which can thus show that the company is not just focused on sales alone.

CRM software also plays an important role here because the customer data collected during the marketing and sales phases enables customer service to deal with customers as individuals. If the customer had expressed any particular wishes during earlier (sales) negotiations, the customer service department can now inquire as to whether these have been implemented to the customer's satisfaction. This gives the customer the feeling that his or her needs are being handled by a genuine partner.

The Elements of Customer Relationship Management

CRM can be divided not only into different areas, but also into four components, each used by each department as required. These components are:

- Analytical CRM
- Operational CRM
- Communicational CRM
- Collaborative CRM

The analytical component of CRM is where customer data is collected and evaluated. CRM software and the options it makes possible play a central role in this function. What data can your software collect? In what ways can this

data then be analyzed and evaluated? These questions must be taken into consideration when selecting CRM software because effective customer relationship management cannot be achieved without reliable data evaluation. Methods borrowed from the field of business intelligence are used for this purpose, especially data mining – i.e. the systematic statistical evaluation of large volumes of data. This helps to identify trends and can verify whether certain measures have been successful while also reporting on whether there were any (perhaps unexpected) side effects.

The task of operational CRM is to translate the findings of analytical CRM into concrete measures. Among other things, this includes sorting customers into different categories. This helps to evaluate the relative importance of each customer to the company, the market sector in which the customer is active, whether the customer could be interested in any other aspects of the market, whether the order potential in the identified core sector has yet been exhausted, and more. In addition, operational CRM also gathers further data which, in conjunction with the software, helps to give a more precise picture of each customer.

Communicational CRM manages various communication channels so that a coordinated contact with the customer can be maintained. If, for example, a customer has been contacted via newsletter, this can then be followed up with a personal call. This coordination of communication methods means the company can build upon the groundwork performed by each successive measure. In the absence of such coordination, some of these measures would presumably be in vain, or perhaps even counterproductive if the customer then feels harassed or poorly looked-after.

Just like communicational CRM, collaborative CRM serves to coordinate. However, this task is not about coordinating external actions but concerns coordination across the company. Thanks to CRM software, all departments involved in customer relationship management work with the same data, but this does not necessarily mean their efforts are coordinated. Collaborative CRM allows a company-wide approach, which determines clear goals and responsibilities.

In a nutshell, sales people but the more time these two spend together – the stronger the attraction between them becomes.

If adopted and used correctly, CRM is going to boost the performance of any sales team, and will help sales people to excel in 4 areas that are critical for them:

- follow up on sales opportunities systematically and on time;
- prioritize and rationalize follow up activities; and
- Increase target reach rates faster.

The improvements that CRM brings, however, don't come without effort, understanding and determination from the sales people's side. Sales reps have to unanimously understand that updating. Also, sales teams need to synchronize their activities and base them on best practices. This will enable a better sharing of information and will secure more effective work with CRM.

More so, sales teams should embrace the idea that by registering all activities and following the established sales routines they are more likely to reach their sales goals. It is also important to realize that sales people are going to

benefit a lot by being able to update and share the newest information on prospects and customers – all in one place that is easy to access.

2. Conclusion

Customer Relationship Management enables a company to align its strategy with the needs of the customer in order to best meet those needs and thus ensure long-term customer loyalty. However, in order to be successful in these

aims, the different company departments have to work together and use measures in a coordinated fashion. This purpose is achieved via a customer database which is analyzed and updated using CRM software.

This approach will be of particular interest to companies operating in highly competitive markets where it is difficult to attract new customers.

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