

**CUSTOMER RELATIONSHIP MANAGEMENT IN THE SMALL BUSINESS SERVICE
SECTOR: DEVELOPING A PROCESS TO ENHANCE
THE CUSTOMER EXPERIENCE**

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ABSTRACT

The goal of this study is to provide a synopsis of innovative CRM concepts that can assist a small business develop a process to effectively communicate with its customer, such as an e-newsletter and CD-ROM direct mail campaign. A practitioner-oriented model is developed that depicts the CRM process of using multiple communication channels, building loyalty, and customer retention tactics to foster the customer experience.

EXECUTIVE SUMMARY

Customer Relationship Management (CRM) are buzz words that question how the firm fosters a '360-degree review' of the customer lifecycle? After reviewing the literature on CRM, one may ask what is really *new* about CRM marketing tactics? The concepts of building loyalty and long-term relationships with a customer have been widely researched for many decades. So, do we really need another study that tells us how to build a better relationship with a client? The answer is 'yes' based on the goal of updating the entrepreneur on truly innovative and affordable CRM concepts in order to develop a better process to effectively communicate with the customer. Thus, this study highlights the pragmatic applications of CRM using Pertzsch Design, a commercial design company with three employees and a marketing budget of \$1,000, to further validate the 'So What?' question.

Currently, the entrepreneur faces a major marketing problem, how to effectively 'mine' new business opportunities through innovative customer relationship management? The majority of the company's business comes from 'word-of-mouth' through previous clients and working as a sub-contractor for a small number of architect firms. Thus, the owner needs to refocus her talent to soliciting future work through providing an exceptional customer experience to these clients.

Overall, in order to implement the CRM tactics, the firm must develop multiple communication channels, build customer loyalty, assess customer retention, and change service offerings to implement this proposed process. Key recommendations for this firm are to develop an effective e-newsletter and to create a CD-ROM direct mail campaign similar to Volvo's recent "For Life" campaign to its dealer network. Pertzsch Design thrives on its image and portfolio of creative projects. Thus, a campaign design will be developed and mailed to the company's customer-base.

SELLING THE INVISIBLE

A manager in the service sector must assess the art of 'selling the invisible.' To illustrate this concept, Harry Beckwith's book, *Selling the Invisible* is an invaluable resource for any manager in the service business. Huling (2004) clarifies the point of this book as follows:

In it (book), Mr. Beckwith explains that professionals' services are invisible products and offers hundreds of tips for selling them. He states that lawyers, doctors, accountants tend to think clients are buying their expertise. However, most prospects for such complex services can't evaluate expertise. They can't tell if a tax return is accurate, a diagnosis is perceptive or an insurance policy appropriate—but they do know if their relationship with you is good, if their phone calls are returned, and if they feel valued. If we're selling a service, we're selling a relationship and an experience.

The current literature is replete with various concepts of Customer Relationship Management (CRM) techniques to further develop customer loyalty. Several of the articles focus on the information technology (IT) tools, such as *NetSuite* and *Business Contact Manager*. However, these software tools may not be feasible for a small business due to both the cost of an IT system and the small size of its customer base. Thus, this study will explore whether a small business, Pertzsch Design, can develop an effective CRM strategy through alternate tools, such as an electronic newsletter, a CD-ROM direct mailing, and various customer retention tactics.

RESEARCH PROBLEM

After ten years of experience working for various commercial architect firms, Kate Pertzsch started a company in interior design three years ago in LaCrosse, Wisconsin. Pertzsch Design (www.pertzschdesign.com) primarily focuses on commercial design projects in the states of Wisconsin and Minnesota. The entrepreneur's portfolio includes distinct projects in health care, education, salon & day spas, churches, retail and corporate offices. (A sample of completed projects can be viewed at www.pertzschdesign.com) Kate also has experience working for several years in the residential side of the design business. In fact, the work with affluent clients in this niche market has spillover effects for the commercial side of the business through word-of-mouth advertising and/or the client simply owns the business and requests work done on his/her home. Figures 1 and 2 represent two design projects that the firm completed for an orthodontist office and hair salon.

Figure 1
Orthodontist Office



Figure 2
Hair Salon



Currently, she faces a major marketing problem, how to effectively ‘mine’ new business opportunities through innovative customer relationship management? Her business has grown to the point where she has hired two assistants to perform the ‘downstream’ tasks of computer-aided design and basic design. The majority of her business comes from cultivating new projects from previous clients, working as a sub-contractor for a small number of architect firms in the area, and referrals from past clients and/or reputable builders in this geographic area. Thus, to grow the firm, the owner must refocus her talent to soliciting future work through providing an exceptional customer experience to these clients. Overall, in order to implement the CRM tactics, the firm must concentrate on developing multiple communication channels; building further customer loyalty, and assessing customer retention tactics that will lead to changing service offerings to each client.

MULTIPLE COMMUNICATION CHANNELS

CRM Software: NetSuite

An initial overview of the literature on CRM reveals a plethora of different software available to manage a firm's customer through various types of communication channels or 'intercepts.' The concept of CRM is almost synonymous with information technology tools available from different vendors. Thus, a review of one leading CRM software application, NetSuite's CRM Solutions is given in this section. The company states that there are seven key advantages that a firm will incur as a result of using this CRM software. These are (www.netcrm.com):

- **Streamlined Processes.** Give your employees the ability to view and share complete, real-time data across all customer-facing channels. Improve sales knowledge and increase productivity for the entire company.
- **Increased Visibility.** Pinpoint problems, identify opportunities, and proactively address them using real-time key performance metrics and reports.
- **Greater Intelligence.** NetSuite CRM manages all customer-facing data in a single, real-time repository. Continuous data mining provides you with better customer intelligence, so that you know more and sell more.
- **Better Collaboration.** Self-service customer and partner portals keep the lines of communication open 24/7, enhancing both business-to-consumer and business-to-business relationships and lowering your operational costs.
- **Simpler Customization.** NetSuite CRM's NetFlex technology platform gives your company a broad range of customization features that allow you to tailor NetSuite CRM's solution to your specific business and industry needs.
- **Simpler Integration.** NetSuite CRM's NetFlex also provides SOAP standard Web Services to simplify extension of NetSuite CRM to your back office and vertical applications.
- **Lower TCO, Higher ROI.** As a fully integrated, hosted CRM solution, NetSuite CRM offers affordable pricing, accelerated implementation, and comprehensive support to ensure your company's success.

E-Newsletter and CD-ROM Direct Mail Campaign

The value of using CRM software is clearly revealed in the previous section. However, one can question the validity of using CRM software at this time since the firm currently has three employees, less than fifty clients, and a budget of \$1,000 to fund the CRM process. Thus, we had to investigate a more cost-effective plan using CRM techniques through a brainstorming session with the owner regarding feasible communication channels. Of course, one of her most important channels is informal through face-to-face meetings and teleconferences with clients. However, the owner is interested in exploring both an electronic newsletter and/or a CD-ROM direct mail campaign to her small customer base.

The advent of email has created another common problem related to cluttering the e-marketing environment with unwanted messages, the so-called SPAM. A consumer can face a multitude of different types of email newsletters for his/her frequent flyer program, various retailers,

professional organizations, alumni associations, and the like. So, how do you develop an electronic newsletter that is not considered an intrusion on the client's email? John Heineman, managing partner at The LeadGen Group, an organization dedicated to identifying and implementing cost-effective, best of-breed marketing tools and campaigns states (2003):

In the old days, launching an effective e-mail campaign consisted of little more than pulling a list, creating a message, blasting it out and waiting for the response. But with the avalanche of spam, the influx of technology and consumers' dwindling attention spans, it's far more difficult to get results. As rates for bounce-backs (rejected e-mail returned to the sender as undeliverable) rise, and click-through and open rates decline, it's more challenging to get your e-mail delivered, read and responded to.

Another way to intercept with the client by way of communication channels is to provide a direct mail campaign with a CD-ROM that illustrates a strong visual content of Pertzsch Design's recent projects. This type of ad campaign was just successfully used for Volvo to reach its fleet managers in the company's "For Life" promise. The main goal of the campaign was to provide leads for the company's dealer network. A recent article in *Precision Marketing* describes the innovative campaign that was well-received by its recipients as (April 2005):

The outside of the pack carries the strapline: 'Finding the right company cars can be tough. So here's a set of keys.' The pack opens to reveal images of the 'control' and 'escape' computer keys, and features the line: 'The only keys you need to unlock Volvo for business.' The campaign will see 20,000 mail packs sent out over an eight-month period, with 130,000 inserts and press ads appearing in trade publications throughout the year.

The cost of implementing CRM software, such as *NetSuite*, and/or creating a video for Pertzsch Design is way beyond the monetary constraints of the current marketing budget. However, developing an effective electronic newsletter and a CD-ROM direct mail campaign highlighting a portfolio of distinct projects is under consideration.

BUILDING LOYALTY

Many companies have started some type of reward scheme to recompense the customer for his/her repeat business, such as frequent flyer miles, grocery bonus cards, and pay-back rewards for using credit cards. There are currently so many reward programs, that the consumer may find the 'trading stamps of the 21st century' to be overrated—try to redeem the frequent flyer miles for a family to visit Orlando, Florida in the high tourist season. It seems that despite the explosion of reward-based programs, the key is still providing the 'customer experience' to differentiate the product or service. Compton (March 2005) reports in *Customer Relationship Management* that:

Between the explosion of miles-based programs and the expensive telecommunications customer-acquisition wars of the 1990s, loyalty programs providing incentives in exchange for business have been under the microscope for

at least a decade. Loyalty programs have been seen as an attractive alternative, or perhaps simply a necessary evil, during a time when perceived product superiority is difficult to achieve and maintain. Harvey Thomson, author of *Who Stole My Customer?* says that the key of effectively competing for loyalty is ensuring the quality of the customer experience, not the quantity of customer rewards. Although he sees some value in limited applications of loyalty programs, Thompson suggests steering clear of the quick-fix appeal of rewards and looking to improve service.

One of the key competitive advantages of Pertzsch Design is its ability to cultivate a loyal client—many of the company’s projects represent multiple sub-contracting alliances with builders and/or a local architect firm in this geographic area. However, the firm has not developed any type of reward program to further cultivate this relationship. The firm cannot offer any type of monetary reward to solidify this relationship, such as a 5% reduction in fees, due to its current financial constraints. However, the firm will need to focus more on the *invisible* aspects of its service business by redefining the *customer experience*. For example, Barrier (1997) provides several pragmatic and relatively low-cost recommendations for ‘ties that bind’ a small business owner to his/her consumer through the following recommendations:

1. ***Communicate constantly and clearly.*** Using informal communication with customers; focus groups; mystery shoppers and the like to monitor customer satisfaction/dissatisfaction.
2. ***Keep in touch between sales.*** Offering free coffee for customers to ‘stop by’ and visit; planning an open house/picnic; toll-free service help lines.
3. ***Remember that small kindnesses can carry a lot of weight.*** Implementing ways to ‘thank you for the business or referral.’
4. ***Using technology as a helper—not a crutch.*** Understanding that databases are not a surrogate for developing a relationship—must focus on developing personal contact, personal trust, personal closeness.

Several of the recommendations in this section are currently under review by the entrepreneur and her staff in order to develop the appropriate customer intercepts to use in the CRM model proposed in this study.

CUSTOMER RETENTION

Currently, the owner of Pertzsch Design has struggled with how to effectively ‘mine’ *new* business opportunities? This leads to a bias of focusing on either new or existing clients, so there has been little, if any, thought given to why did I lose that customer? Barrier (1997) provides insight on customer retention by suggesting analyzing the customers that the business has lost and/or alienated. He suggests:

1. ***Talk to the customers you lose.*** Analyzing why you have lost a customer? Is your front office cordial to clients?

2. ***Reward our best customers—but choose the rewards carefully.*** Using rewards that provide ‘intrinsic value’ to the customer; creating that feeling of being a ‘valued customer’ without alienating less-frequent clients.
3. ***Respect for your front line employees.*** Implementing empowerment techniques with all employees to create a stakeholder interest in the firm. This ‘ownership’ will trickle down to the client.
4. ***Never try to win loyalty through price alone.*** Understanding that your price should be ‘in the ballpark’ but that another attribute, such as personalized service, is worth the additional cost.
5. ***Absorb temporary costs to preserve a long-term bond.*** Deciding the benefit of appeasing a customer's needs versus losing him for future business.
6. ***If you don't want a long term relationship with a customer, don't pretend that you do.*** Offering genuinely sincere customer service that is incorporated into your company's mission and vision.

CHANGING SERVICE OFFERS

The final stage of the CRM process is to analyze all of the previous CRM concepts and develop a plan to continually update Pertzsch Design's service offerings based on these various customer intercepts. Thus, it is premature to speculate at this point what aspects of the service business need to be altered at this stage of the case study. However, an investigation of this final stage of the process will be conducted in future research.

SO WHAT?

Customer Relationship Management (CRM) are buzz words for both academics and practitioners to debate how a firm fosters a ‘360-degree review’ of the customer lifecycle? After reviewing the literature on CRM, one may ask what is really *new* about CRM marketing tactics. The concepts of building loyalty and long-term relationships with a customer have been widely researched for many decades. So, do we really need another study that tells us how to build a better relationship with a client? The answer is ‘yes’ based on the goal of updating the entrepreneur on truly innovative and affordable CRM concepts in order to develop a better process to effectively communicate with the customer. Thus, this study highlights the pragmatic applications of CRM using Pertzsch Design, a commercial design company with four employees and a marketing budget of \$1,000, to further validate the ‘So What?’ question.

CONCLUSION

This study provides a general outline of CRM techniques and offers a pragmatic model for an entrepreneur to use in the development of this process. Overall, the study provides key recommendations on various aspects of the process in terms of using multiple communication channels, cultivating more brand loyalty, and assessing customer retention tactics. Several tactics were discussed in terms of developing an effective e-newsletter and using a more visual and interactive direct mail campaign by way of CD-ROM. One of the overriding constraints of developing the CRM process for Pertzsch Design was a marketing budget of \$1,000. However, after reviewing some of the CRM alternatives, an entrepreneur can make great strides with even

this limited budget. Currently, we are in the planning stage of the CRM tactics for this company. Thus, we cannot offer any generalizations about what CRM tool was most effective? Whether the model accurately depicts the CRM process? These are research questions that will be addressed in a future study.

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