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Relationship Marketing and CRM Practices for Micro Businesses

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Executive Summary

This report is conducted as part of the MidEx programme in collaboration with the company PlayDNA Ltd, and has as a main objective to identify how the implementation of relationship marketing and customer relation management can have a positive effect on the business performance. The benefits of using selective relationship marketing are mentioned, and some useful *CRM practices are recommended to micro businesses with low levels of brand awareness and limited distribution channels, which aim to reach their target audience on a restricted marketing budget.*

Introduction

PlayDNA is a micro business located in Oxford that offers art DNA portraits with insights into personal characteristics. PlayDNA differentiates itself over the competition as it not only delivers personalised artworks but also unveils the meaning behind them and interprets the genetic traits related to personal characteristics and physical performance. However, the company lacks of brand awareness, and has a very limited budget for marketing activities. PlayDNA looks for the most efficient way to reach its target market, as its visibility in the broad audience is relatively low. PlayDNA or other micro firms with low brand recognition could include Relationship Marketing and CRM practices in their marketing strategy in order to build long-term relationships with their customers, generate more sales and gain significant benefits.

Relationship Marketing

By investing in Relationship Marketing, PlayDNA will shift from transactional exchanges to collaborative exchanges, will gain a greater understanding of the consumer needs and will be able to adapt its offerings to the requirements of its customers. Focusing not only on acquiring new customers, but also on retaining the existing ones is very important, as long-term relations with the customers can lead to higher customer retention and loyalty, greater customer value and satisfaction, and higher levels of trust and commitmentⁱ.

However, micro businesses, due to their restricted budget, could implement selective relationship marketing and only build richer relationships with the most profitable customersⁱⁱ. In this way, time and money are invested in the valuable relations, which have the potential to grow.

Acquiring new customers costs 5 to 10 times more than retaining the existing ones.

(Kotler, Armstrong, Wong and Saunders (2008) Principles of Marketing)

Please the unhappy customers

Eliminating the unhappy customers and improving the loyalty levels of the customers should be the major objectives of the business. An unhappy customer is likely to share his bad experience and influence the other customers (prospects or existing) in a negative way. On the other hand, a happy customer is not so price sensitive, makes repeat purchases and recommends other people to try the firm's offerings.

“There is no better advertisement than a satisfied customer and nothing worse than a dissatisfied one”

(Kotler, Armstrong, Wong and Saunders (2008) Principles of Marketing, p.376)

Firms also need to identify the reasons of customer defection, as by decreasing the defection rate by 5%, a company can increase its revenues at least by 25%. Therefore, the aim is to increase customer retention and minimise customer complaints at the same time. These aims can be achieved by providing great customer and delivery services, superior customer value, and by exceeding the customer expectationsⁱⁱⁱ. The firm must try to surprise its customers all the time.

It is worth mentioning that if a company manages to please its unhappy customers, the loyalty and commitment will be increased in a much higher level than before the complaint happened^{iv}.

CRM Practices

PlayDNA or other micro firms are recommended to create a customer database, which will include geographic, demographic and psychographic information as well as buying behaviour data (customer purchase history, money spent, frequency of purchase, and customer response to any marketing activities). Further customer information can be obtained indirectly, through observing customer-customer interactions on various social networking sites. The firm should combine and analyse the customer data obtained from the different channels; as by gathering all this information, the company will be able to customise its offerings to the needs of the most valuable customers. It is worth noticing that customisation to specific needs represents the 4th most important factor that affects the consumer buying behaviour, while the first three places are covered by quality, technology and design.

CRM is not just the creation of a database, but also the understanding and study of rich information on all aspects of the customer.

Moreover, through the data collected by the CRM database, the company can inform the customers about new products, offers or market news based on their interests.

Exclusive discounts or special rewards can be sent only to 'good' customers. The company can identify those customers, by developing loyalty schemes, such as the clubcard, where regular customers collect points at the time of purchase and get offers that irregular customers do not receive. Even closer relationships can be forged, by sending birthday or Christmas cards and small gifts to the key clients. For instance, PlayDNA could send wishes cards on Mother's/Father's day to customers who have bought a family portrait and a DNA icon miniature, to the most profitable clients; in order to show its appreciation to them and be on the top of consumers' mind.

Another suggestion is to provide special offers to the social media followers as a reward for their support, as more than 25% of consumers follow the brands that they like in social media and almost **22% of the consumers seek for getting discounts or special offers from the brands that they follow^v**. Another way for the firm to involve and interact with its customers is to develop a game/competition on Facebook. In the case of PlayDNA, a competition can be organised only for people who have bought the products. Customers could be asked to share a creative photo of their DNA portrait on the corporate Facebook page, while the person that will gather the most 'Likes', will ultimately win a free DNA rug. As a result, the brand awareness will be increased, many Facebook users will get informed about the DNA portraits and their alternative usages, and prospective customers might be motivated to buy the products.

Furthermore, the response time to customer complaints is crucial as

88% of the consumers are less likely to buy a product when they see unanswered questions on the social networking sites of a company.

The firm should try to minimise the waiting time for the customers, especially in the call centres, and simplify the process. Also, when a customer makes an enquiry the company should inform them that their query has been received and that they will respond as soon as possible. The best practice is to respond to customer queries posted on social media within 30 minutes. Moreover, attention should be paid to customer reviews related to the business, because 35% of the consumers rely more on friends' recommendations and customer reviews rather than on information given by the companies, before proceeding to a purchase.

Firms could also conduct online voluntary services through their website or social networks, and ask consumers about any suggestions or comments that may have in order to improve the customer experience. A firm must listen to its customers, learn from them and adapt to their needs and preferences.

The CRM performance can be evaluated through measuring the company-related performance (growth, market share, profitability) and customer-related performance (satisfaction, loyalty, retention, defection rate and regain of lost customers)^{vi}.

Recommendations

In order for the company to leverage the benefits of CRM and Relationship Marketing, continuous communication, customisation and differentiation are required. A micro business should not lose sight of the customer needs, while the amount, frequency and quality of communication must be enhanced in the beginning of the relationship lifecycle. Also, a good practice is to focus on reactivating previously profitable but currently inactive customers, through intensive communication and enticing offers.

In addition, the company should offer personalised products based on the special needs of each customer. PlayDNA works with each customer individually in order to produce a portrait that meets their singular preferences and requirements. The secret is to identify distinct customer needs that the rivals do not serve so well and develop expertise and know-how, in order to reinforce the brand recognition and customer loyalty. Differentiation not only means being different, but also identifying what constitutes value for the target consumers and being able to respond effectively to consumer needs^{vii}.

Finally, it is worth noticing that although relationship marketing and CRM can be very profitable for a company, micro firms should not just focus on making existing customers to buy more. They should also focus on increasing the number of total customers, through expanding their distribution channels^{viii}. For example, PlayDNA, which has just a single point of sale in UK (its corporate website), is suggested to distribute its products through popular deal websites, and department stores, such as John Lewis, House of Fraser and M&S.

ⁱ Ellis, N., 2011. *Business-to-Business Marketing: Relationships, Networks & Strategies*. New York: Oxford University Press.

ⁱⁱ Kotler, P., Armstrong, G., Wong, V., and Saunders, J., 2008. *Principles of Marketing*. 5th European edition, London: Pearson Education Limited.

ⁱⁱⁱ West, D., Ford, J. and Ibrahim, E., 2010. *Strategic Marketing: Creating Competitive Advantage*. 2nd ed. Oxford: Oxford University Press.

^{iv} West, Ford, and Ibrahim, *Strategic Marketing: Creating a Competitive Advantage*.

^v Euromonitor International, 2013. *Top 10 Consumer Trends for 2013*, February.

^{vi} Becker, J. U., Greve, G., and Albers, S., 2009. The impact of technological and organizational implementation of CRM on customer acquisition, maintenance, and retention. *International Journal of Research in Marketing*, Vol. 26 (3), pp. 207-215.

^{vii} Linneman, R. E. and Stanton, J. L., 1992. Making Niche Marketing Work. How to Grow Bigger by Acting Smaller. *Journal of Direct Marketing*, Vol. 6(2), pp. 67-68.

^{viii} West, Ford, and Ibrahim, *Strategic Marketing: Creating Competitive Advantage*.