

The Customer Relationship Management Process

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Overview

The customer relationship management process provides the structure for how relationships with customers will be developed and maintained. The goal is to segment customers based on their value over time and increase customer loyalty by providing customized products and services. In this chapter, the importance of customer relationship management as a supply chain management process is explained and detailed descriptions of the strategic and operational processes that comprise customer relationship management are given. The interfaces that are necessary with the other supply chain management processes are identified and guidelines for successful implementation are provided. The best overall measure of performance for the customer relationship management process is the profitability of individual customers and customer segments over time and these profitability reports should be generated using revenues minus avoidable costs. The development of these reports is covered in the Appendix to this chapter.

After reading this chapter you should be able to:

- Understand the importance of the customer relationship management process.
- Describe the strategic customer relationship management process.
- Explain how successful implementation of the customer relationship management process affects Economic Value Added (EVA®).
- Comprehend the role of customer profitability reports when implementing the customer relationship management process.
- Describe the operational customer relationship management process.
- Explain why customer segmentation is a critical step in implementing the customer relationship management process.
- Understand why product and service agreements (PSAs) should be developed for key customers and segments of other customers.
- Know what costs should not be included in customer profitability reports that are developed using a contribution approach.
- Recognize the challenges an organization might face when developing profitability reports using a contribution approach.
- Understand what functions need to be involved in the customer relationship management process and their roles.