



# The Music Shed

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## & The Business Shed

*- A Creative Initiative*

### Managing Your Customer Database

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**Organisations are increasingly finding that by using databases to manage customer relationships they increase both sales and customer satisfaction.**

In an ever increasingly competitive world, it is often customer service that sets you apart from your competitors.

A database can help you identify important information – such as your least profitable customer and your most profitable. It can also help you identify key trends in sales.

A good customer database is essential to maintaining good relationships with customers.

This customer relationship management (CRM) plays an important role in many small business' sales and marketing strategies. All too often businesses don't know who their customers really are – they are often just dealing with an email address, a shipping address, a printed order.

Working through this guide you will hopefully come to understand how to use a database for marketing and the concept of CRM. In particular, you will learn what kind of information your business should collect in a CRM database and how to integrate it with other systems in your business.

The seven areas covered in this guide are:

- [The benefits of Database Marketing and CRM](#)
- [Cost-to-serve](#)
- [Setting up your CRM](#)
- [Compiling your data](#)
- [Developing your database](#)
- [Keeping the database accurate](#)
- [Choosing a CRM system supplier](#)

#### The benefits of Database marketing and CRM

It is essential to the ongoing health of your business to develop a CRM system which will help you understand what and how your customers buy from you. When the word "product" is mentioned, please take this to mean, goods, services, products – anything that you sell.

The benefits of this are:

- Increased sales to existing customers
  - Better timing
  - Identifying their needs more effectively
  - Cross-selling other products
- Effective marketing communications
  - More personal approach
  - Development of new and improved products
- Enhanced customer satisfaction
- Enhanced customer retention
- Increase value from your existing customer
- Reduced Cost-to-Serve (see following section)

A really effective database will enable you to analyse the data and find out who your most profitable customers are – and most importantly what characteristics they might share. It might be possible to group customers by product, geographical area, or average order size – anything that can give you an edge.

You will also be able to communicate with your customers most efficiently – some may prefer email others

telephone, some may insist on a rep calling on them. You may want to know who hasn't brought from you in a while.

The database will also enable you to measure the strength of your marketing campaigns so that you don't waste time, effort (therefore money) on customers who don't respond to promotional campaigns.

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### Cost to Serve Cycle

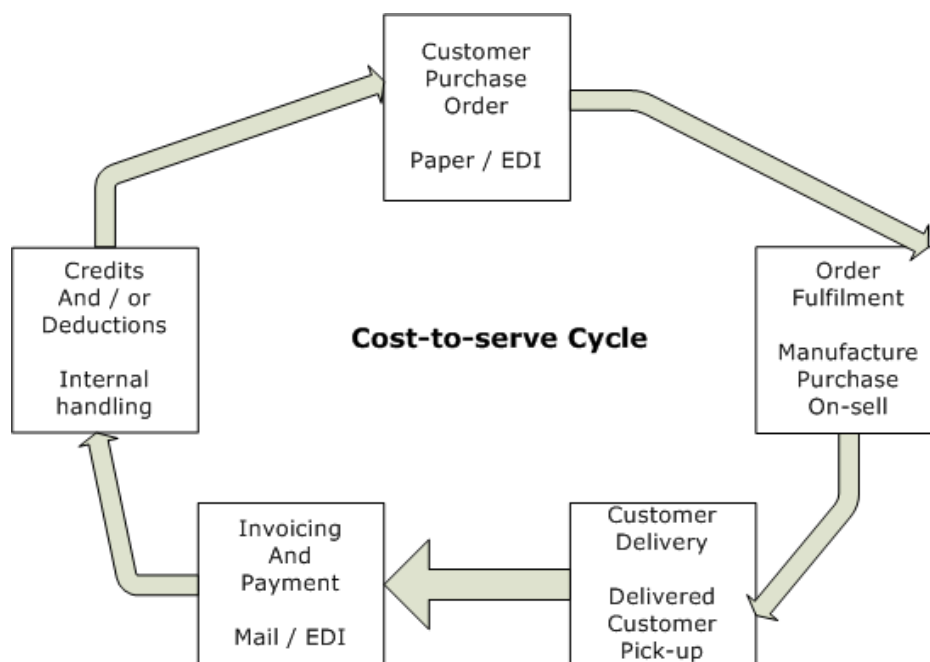
Cost-to-serve is the complete cycle from purchase order through to funds reconciliation – by which we mean that the customer has paid for the order and their account reconciled after money has been received. It is NOT simply fulfilment through to delivery!

Whilst typically seen as something manufacturers do (or don't), the cost-to-serve cycle applies to any form of business, based on the business model and process documentation. In diagrammatic form it can be expressed like this:

EDI – this refers to any electronic document interface – such as email or direct credit (or debit) settlement. It is where the transaction is handled electronically rather than with physical paper.

Credit / Deductions – this is to account for any "extra" cost which the customer places on to you business, such as a commission deduction, an early settlement discount, etc..

A properly designed cost structure will allow your business to deal with all sizes of orders, whilst still getting the required margins on the products you want to get. Any way a customer chooses to order from you results in the same margin "impact" for your business.



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### Set up your CRM

Your database will not only include those obvious things, such as the company's name and address. It should also include details of the people with whom your staff interact – even down perhaps to their birthdays, their hobbies (you can take them to a tennis tournament or a rugby match as part of your customer sales & marketing budget).

You will also need to think about how your customers might interact with your suppliers – some organisations can be both to you.

There are also some practical things to consider:

- The likely scale of the system
- Balancing between your requirements and your available budget
- Integration with other business systems, such as your accounting system

The good news is that there are consultants who specialise in CRM systems and who will help you through this process.

At the bottom end of the scale, using Microsoft Outlook Business Contact Management, or building your own database within MS Access is an option – this is the least expensive if you have the internal resource capable of writing the databases.

There are some "off-the-shelf" software packages available – Microsoft CRM is one example. Scaled-down versions of off-the-shelf software, offered by most of the major application providers, may be suitable for smaller

businesses.

At the top end of the price range is the customised bespoke software solution – but this really only is affordable if your budget is virtually limitless – or your information can't be managed any other way. This can be very expensive and may be more appropriate for larger and more complex businesses.

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### Compiling your customer data

You already have a lot of this information in your business – whether on existing systems, such as your accounting software, or on manual systems. Much information is also likely to be found on mobile phones and card index systems around the office.

You will need to capture as much information as you can about your customers. Sometimes much of this is on their business cards – this is a really good place to start putting the person with the company you deal with – there is a wealth of information you will already have in your business. It takes time and energy to find it and collate it – using MS Excel is really good for this – but it is a once-off project.

Once you have the information captured, it is then in maintenance mode – much easier.

Your accounts system (computerised and / or manual files) may contain information such as:

- invoices
- letters
- existing customer lists

To repeat a little, consider what kind of information would be useful. This might be:

- contact information, such as company name and addresses (physical and PO Box); telephone, mobile and fax numbers;
- the names and job titles of relevant people; their mobile and DDI numbers;
- customer history - what they bought from you, when, and which sales rep – this will help you identify what their buying pattern;
- complaints;
- service history;
- their payment pattern – do they pay on time, do they have special discounts or "deals";
- when they last bought from you.

This is one of those times when more is good – you can always remove excess information in time from your new database.

Equally, if you're unsure if you're going to need extra fields in the database, put them in as blanks anyway as this is preferable to suddenly finding you needed a couple of extra fields which will cost quite a lot to have implemented.

You should spend as much time as possible in this data collecting phase as you can – remember getting some temporary staff in to help with this clerical task might be a very cost effective of getting the job done quickly. Data entry into an MS Excel spreadsheet can also be seen as a "temp" task, and the benefit is that the data will be entered as is – there will be no interpretation by the sales rep, the receptionist or whatever. Once the data is entered, it can then be "cleansed" – audited by your staff for accuracy – and this also presents an opportunity for one-on-one contact with the customer – "We're just updating our records" type of conversations.

The next important step is to decide on the structure of your database into which you're going to add your data.

For companies, you might want information about:

- Industry sector
- Private or Public
- Location
- Turnover
- Number of Staff

If you're selling to individuals you might include:

- Age group
- Gender
- Occupation
- Hobbies
- Family

When compiling the information, you need to make sure that you're complying with the legislation – you would be wise to check this out with a legal advisor.

Just remember – you're collecting the information to allow you better to deliver and service your clients – to make a point of difference and to let you make money at the margins you want.

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### Developing your database

Now that you have the makings of a good database set up, you can include in it those prospective customers as well as existing ones. Good CRM systems will track prospects efficiently, enabling them to be converted to customers quickly and easily, simply by changing a flag or status record.

Remember, you're not trying to reach the entire world – well maybe you are – but trying to focus on marketing to the people who really want your products. It is much better to spend your budget on them than have a less than quality campaign because the money needed to be spread thinly.

Once you've got your database working really well, you might consider buying in additional data from those companies who sell marketing databases. Just make sure that these lists are current and not just a copy, say, of Yellow Pages!

You should be able to ask specifically for the type of business or person you want on your list:

- size and type of the organisation - for businesses
- age, sex, income or lifestyle - if your market is individuals

Developing your database should not be confused with keeping it accurate, which is the next topic.

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### Keeping your customer database accurate - Data Cleansing (Hygiene)

This refers to the principles and practices that serve to maintain accuracy in computer data – and is crucial for an effective customer relationship management system.

It should become a regular part of your business life cycle, rather like getting a check-up at the dentist every do often. Why that analogy – because it at times can feel that painful!

It is a good idea to "clean" your database regularly.

Inaccurate data is not only a waste of your budget, but can create the wrong image by:

- wrongly addressed mailings
- wrongly spelt names
- duplicated mailings – there's nothing more irritating than to receive two or more of the same thing
- personalisation errors – the wrong person being sent the information

Badly kept data reduces your ability to communicate what you want to the right customer.

With the new Unsolicited Electronic Messages Act, it is important to ensure that any mailings comply with the legislation – again please seek advice from a legal advisor.

By ensuring the most accurate data is consistently captured, you can:

- improve efficiency – time is often wasted by finding out after say a mail merge that much of the address data is wrong;
- improve effectiveness – the campaign message will still be sent out and you will still bear the costs, but it miss the intended target;
- allow you to react quickly to a sudden opportunity.

Some companies employ data capture software to ensure that all the information is taken from the source document – such as a company's letterhead, but this can be expensive. Having a regular internal control process to audit the data on a regular basis should suffice – and remember the chance to use a temp to assist you with this work.

Keeping your database of customers and prospects up to date will help with marketing costs and will improve response rates. It will not matter which communication tool you use – telephone, fax, email, post – if your data is accurate the message will get through.

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### Choosing a CRM Supplier

When it comes to choosing a supplier, one of the decisions concerns the type of solution required. There are a number of choices:

- general database software – such as found in MS Outlook
- off-the-shelf customer databases – Google CRM to see the possibilities
- consultants – again Google local NZ pages and see the results
- outsourcing – database bureaux are available where they host your data
- major application providers – Sun, Oracle, SAP, Peoplesoft, etc.

If possible try to work out the anticipated benefits of installing or improving your CRM database – it might be possible to do a cost / benefit analysis.

You will want to consider the following when setting your budget through a cost / benefit analysis:

- What is the licence cost – cost per site or cost per user?
- How many licences will you then need;
- What about maintenance of the software and upgrades?
- What about the cost of support / help desk / on-site technicians?

You might want to research what others in your industry / sector have done.

You might also find it useful to prepare a brief – this is what we want to achieve – and ask consultants to propose

solutions. You don't have to go through the whole RFP (request for proposal) routine if you don't want to – your brief can be brief! You could simply target a few known suppliers with this brief.

Basically, though, a CRM database is an investment, not an operating cost – the return on investment is not just measurable in increased sales to new customers, or more sales to old customers, it is in increased customer satisfaction. If customers feel special when doing business with your company, they're likely to come back time and time again. They will also act as agents for you by recommending your business to people in their network – this is advertising you can't buy.

Be ready to invest time and money into the process, but know that it is time and money well spent.

**To finish – a true story:**

A new CEO arrived at a company with 130 staff and a turnover of about \$12million. He asked the senior management team which the most important customers were. A list of the trading history for the past two years was produced from the accounting system. There were over 140 customers, one of who stood out – it accounted for about 30% of the total sales for the company alone and the next one was about 15%.

On investigation the 30% was spurious – it related to items bought on a very small commission margin. A change in the accounting treatment for this operation was put into place immediately.

On further investigation the 15% one turned out to have over 90 different business units placing orders for the services the company provided, but there was only one address for the invoices – a finance office which collated the orders and invoices for the organisation and made large payments once a month.

When the CEO asked for the details of who the people / business units were, he was told that the only way to get the information would be to print out the history order file from the system. This would have taken weeks.

The other reply he got was that the information he needed was in fact kept in someone's head – whenever there was a staff change at one of the business units, this person remembered who to send the delivery note and invoice to as the system could only keep that information on the delivery docket.

That person retired within 6 months of the CEO joining the company! No wonder sales were being lost! No wonder a proposal for a CRM system was high on the CEO's agenda!

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## *Creating Possibilities and Finding Solutions*