



5 Reasons Why CRM is Even More Important During a Recession

By Rick Cook | August 25, 2008

In a recession, you need to work smarter, not just harder. With CRM, your business can become more strategic — and more profitable — by applying its resources more efficiently to serving and developing customers.

Here are five ways in which CRM can boost your customer relationships during an economic slump:

1. Get more out of your established customers. Even when money is tight there are opportunities to sell more to some of your existing customers. The trick is to use effective techniques and offer the right merchandise at the right time.

One of CRM's greatest strengths is that it collects and organizes information about your customers and lets you analyze the data for future opportunities. For example, you can use CRM data to do a needs-based segment analysis of your various classes of customers. Needs-based analysis involves taking the customers' perspective and identifying what they need but aren't buying. Using this information, you can develop a sales strategy that will let you offer products in an appealing way even in economically difficult times. Often this involves packaging new goods and services with products your customers are already buying and offering them at an attractive price or with other incentives.

In the same way, CRM can help you identify the most productive items to sell to your customers. These aren't necessarily the highest-margin items — not if those high-margin items have long sell cycles and require a lot of sales effort.

One additional useful metric that is easily derived from CRM data is the profit produced per hour of sales effort for each class of items. Armed with this information, you can craft sales programs which emphasize the products which have the most effect on your bottom line.

2. Identify and concentrate on your best customers. While every customer is important when business is slow, some are worth more than others. By allocating your sales efforts accordingly, you can produce more revenue per sales hour and higher average sales.

CRM systems contain tools for analyzing your customer base so you can categorize your customers. Sometimes the analysis will turn up surprising, even counterintuitive, results. The customer who gives you an order on every sales call may not be worth as much as the customer who orders infrequently but buys larger quantities of high-value merchandise, for example.

You can also use CRM analytical tools to slice and dice your customer base beyond simply ranking by revenue. For example, you can look at the return per sales hour for each customer. Or you can see which lines are most profitable and which customers are more likely to purchase them. In fact, with a good CRM system and a properly populated sales and customer database, you can find all sorts of not-so-obvious but important relationships.

3. Target your customer development efforts. Just because the economy is in a slump doesn't mean that you should stop trying to attract new customers. However, like everything else in a

recession, you want to do it more efficiently. This implies paying closer attention to lead analysis. Which leads are most likely to become customers? What are they likely to purchase?

Since in a recession you want to go hunting where the ducks are, you can use CRM information to determine where a lead is in the buy cycle. You may want to concentrate your efforts on the potential customers who are closest to making the buying decision to reap more immediate rewards of your sales efforts.

4. Keep your existing customers loyal. In a recession, existing customers are gold. You want to keep them happy.

Customer satisfaction covers a lot of ground, but basically it involves two ideas: keep your promises to customers and also meet their demonstrated needs. CRM can help you with both of these.

The most common reason for not keeping promises is forgetting they were made. If you stress to your sales force the importance of entering all agreements made with customers into your CRM system, it's easier for your organization to execute on its promises.

Even minor mistakes can make a difference in an economic downturn. If you promise to contact a customer on Tuesday and don't get back to him or her until Thursday, you not only haven't met the customer's expectations, but you have subtly implied how much you value that customer. Enough incidents like that, trivial though they may seem, and the customer is likely to be receptive to a competitor even if he or she can't beat you on price.

Likewise, CRM can be used to ensure you're meeting customers' needs as fully as possible. This includes efficient handling of after-sales contacts such as service calls, resolving customer concerns or offering the customer the right mix of products at the right prices.

5. Work smarter, not just harder. Finally, CRM lets your sales and customer support reps work smarter. With better information at their finger tips and best practices codified into your business policies, you can optimize service for your customers and maximize revenue.

*Copyright **InsideCRM**
<http://www.insidecrm.com/>*