

# CUSTOMER RELATIONSHIP GROUPS MODEL

**Department of Business Administration**

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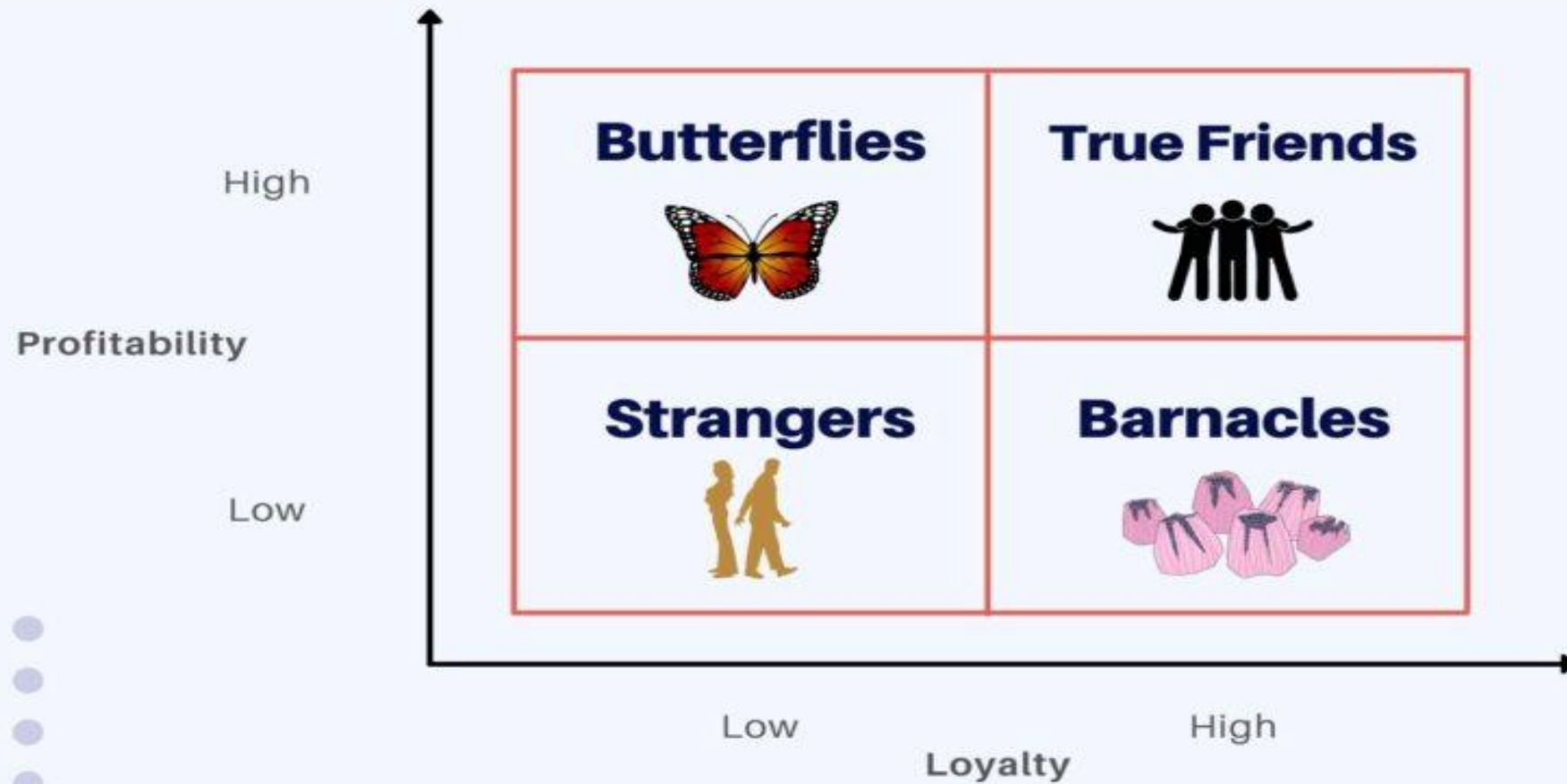
# BUILDING THE RIGHT RELATIONSHIPS WITH THE RIGHT CUSTOMERS

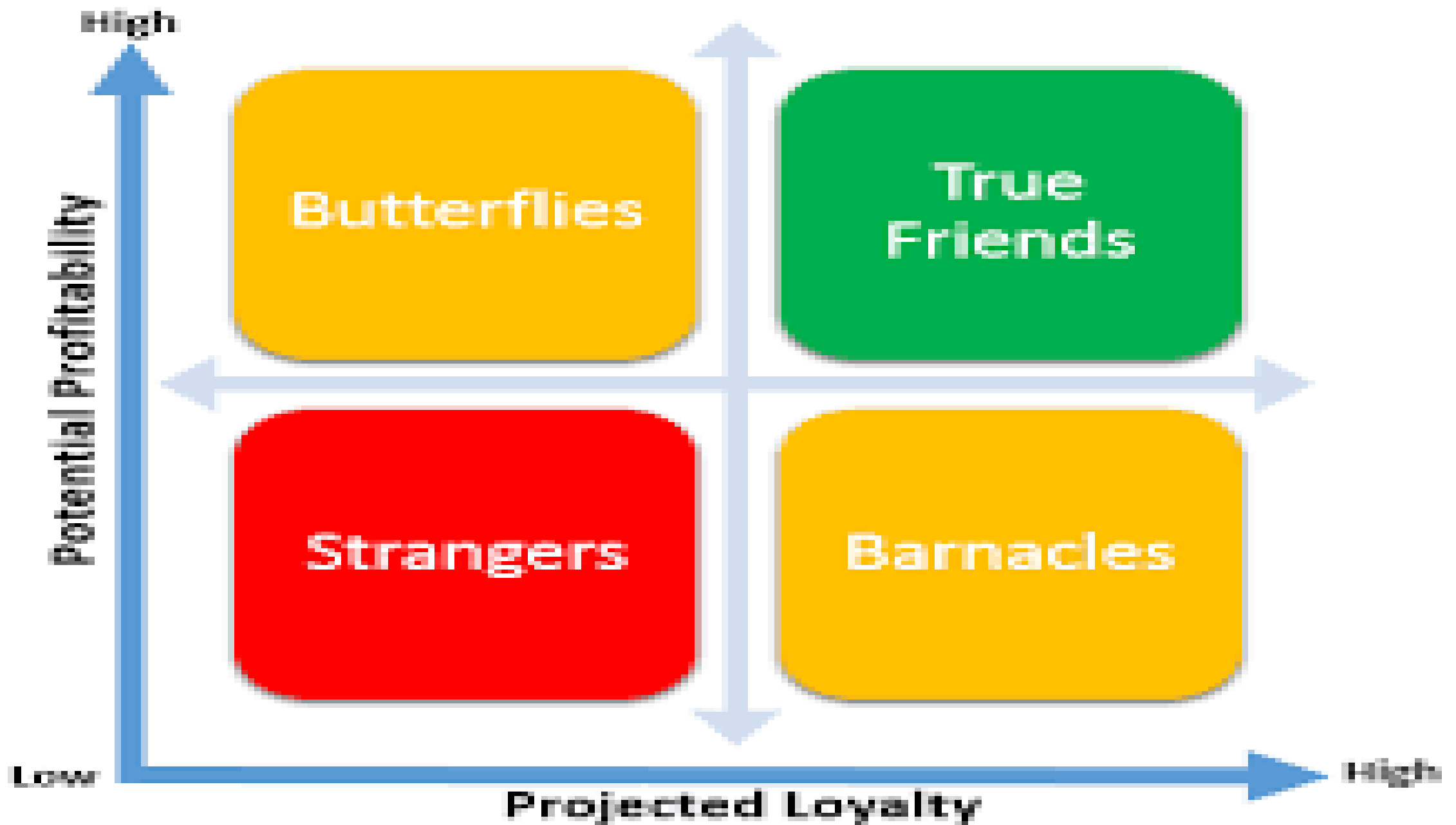
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- Companies should manage customer equity carefully. They should view customers as assets that need to be managed and maximized. But not all customers, not even all loyal customers, are good investments. Some loyal customers can be unprofitable, and some disloyal customers can be profitable. Which customers should the company acquire and retain? The company can classify customers according to their potential profitability and manage its relationships with them.

# CUSTOMER RELATIONSHIP GROUPS MODEL

## Customer Relationship Groups

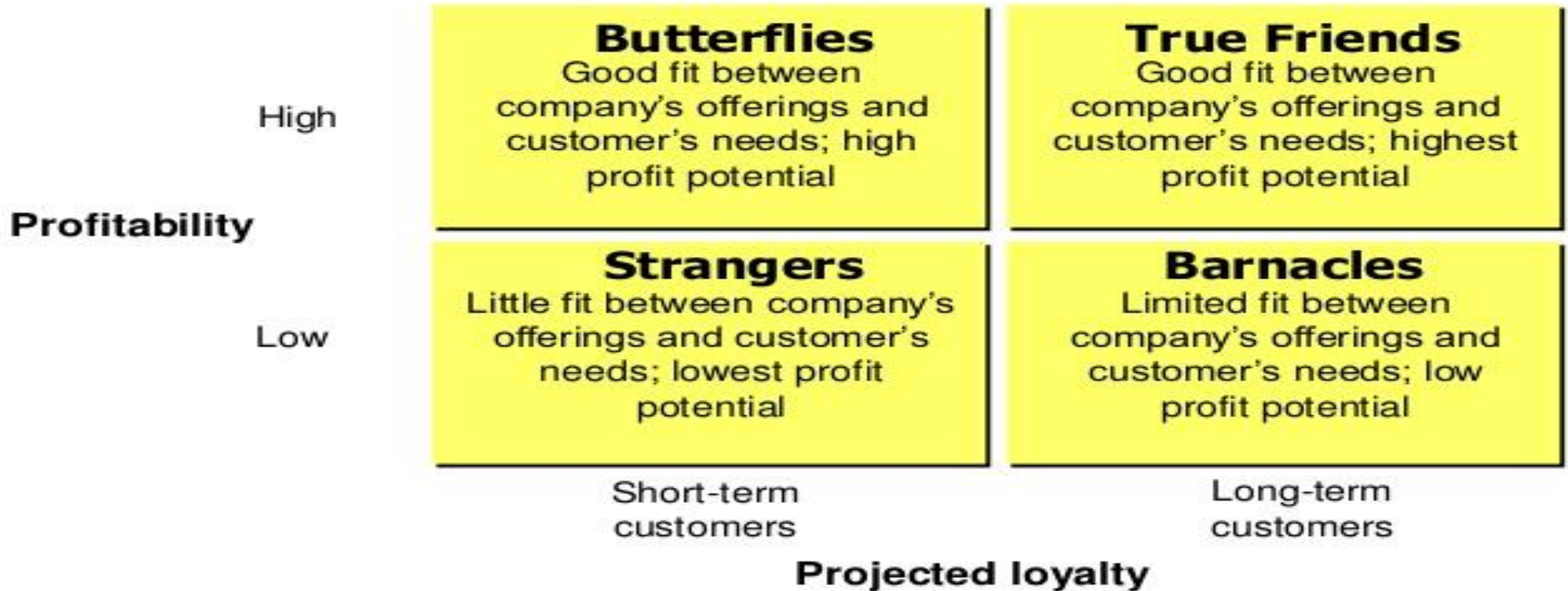




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- companies should focus more on their profitable customers. Therefore companies classify their customers according to their potential profitability and customer loyalty. This classification is called customer relationship groups.

# Customer Relationship Groups

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# 4 CUSTOMER RELATIONSHIP GROUPS & HOW TO DEAL WITH THEM

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- So, What are the 4 Types of Customer?
- Strangers: low loyalty and profitability.
- Barnacles: high loyalty, low profitability.
- Butterflies: low loyalty, high profitability.
- True Friends: high loyalty, high profitability.

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- Before deciding how you want to deal with or approach certain customer types, it's important to understand that your approach to customers as a whole should be as if each relationship is an investment. Achieving loyalty is no easy feat, so you need to invest in your customer relationships and tailor your relationship management strategy for each customer group or segment.

## TRUE FRIENDS

–THEY ARE OUR MOST LOYAL CUSTOMERS AND BRING IN HIGH PROFITABILITY. THIS SHOWS THAT THERE IS A STRONG PRODUCT-MARKET FIT FOR THIS CUSTOMER GROUP WITH THE COMPANY’S OFFERINGS. IDEALLY, YOU WANT TO GIVE YOUR UTMOST ATTENTION TO THIS SEGMENT. LISTEN TO THEIR NEEDS AND BRING IN PRODUCT/SERVICE OFFERINGS TO DELIGHT THEM. IF YOU KNOW PARETO’S PRINCIPLE, YOU WILL REALIZE THIS 20% OF CUSTOMERS WILL BRING IN 80% OF YOUR REVENUE. MAINTAINING GOOD INTERPERSONAL RELATIONSHIPS WITH THIS SEGMENT IS ESSENTIAL FOR YOUR BUSINESS.

## BUTTERFLIES –

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- They are loyal customers that bring in high projected profitability but their loyalty is not as strong as the first group. Their loyalty lasts for a short period of time. Thus the name, Butterflies. Their needs are also different from those of the first group so you need to focus on different product/service offerings for them. If you want to grow your business in the very short term, this is the segment that will help you achieve it. Your marketing efforts will revolve around turning them into true friends.

## STRANGERS –

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- They are customers with little projected loyalty and bring in low profitability. There is a very limited fit with your offerings and their needs. They may be high net worth individuals or tourists who come to your country just for a short period of time and leave without spending much money on products/services offered by the company. The relationship management strategy for these customers is simple. Don't invest anything in them.

## BARNACLES —

Our long-term customers but no profit can be extracted out of them. Therefore periodically you should remove this segment of customers. This will free up space for new customers to enter. Marketing strategies for them are just a waste of time and effort. Segments 3 and 4 require different relationship management strategies compared to segments 1 and 2

Thankyou!