

E-Commerce

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MGM ٢١٢

Lecture 8





مجموعة جامعة
الجميع الذكية
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Customer relationship management.

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Lecture 1: Introduction to e-business and e-commerce.

Lecture 2: E-commerce fundamentals.

Lecture 3: E-business infrastructure.

Lecture 4: - E-environment.

Lecture 5: E-business strategy.

Lecture 6: E-procurement.

Lecture 7: E-marketing.

Lecture 8: Customer relationship management.

Lecture 9: Analysis and design.

Lecture 10: Implementation and maintenance.

LECTURE OUTLINE

- 1. Introduction.**
- 2. What is E-CRM?**
- 3. Conversion marketing.**
- 4. The online buying process.**
- 5. Customer acquisition management.**
- 6. Customer retention management.**
- 7. Excelling in Focus on e-commerce service quality.**
- 8. Customer extension.**
- 9. Technology solutions for CRM.**

LEARNING OBJECTIVES

After completing this chapter the student should be able to:

1. Outline different methods of acquiring customers via electronic media.
2. Evaluate different buyer behavior amongst online customers.
3. Describe techniques for retaining customers and cross- and upselling using new media.

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1. Introduction:

The application of technology to achieve customer relationship management (CRM) is a key element of e-business. Building long term relationships with customers is essential for any sustainable business. Failure to build relationships largely caused the failures of many dot-coms following huge expenditure on customer.

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The four marketing activities that comprise CRM involve the following:

- 1. Customer selection.** means defining the types of customers that a company will market to.
- 2. Customer acquisition.** refers to marketing activities intended to form relationships with new customers while minimizing acquisition costs and targeting high-value customers.
- 3. Customer retention.** refers to the marketing activities taken by an organization to keep its existing customers.
- 4. Customer extension.** refers to increasing the depth or range of products that a customer purchases from a company.

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- Marketing applications of CRM

A CRM system to support the four activities is made up of different marketing applications:

1. Sales force automation (SFA). Sales representatives are supported in their account management and phone-based sales through tools to arrange and record customer enquiries and visits.

2. Customer service management. Representatives in contact centers respond to customer requests for information by using an intranet to access databases containing information on the customer, products and previous queries.

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- 3. Managing the sales process.** This can be achieved through e-commerce sites, or in a B2B context by supporting sales representatives by recording the sales process.
- 4. Campaign management.** Managing, direct mail, e-mail and other campaigns.
- 5. Analysis.** Through technologies such as data warehouses and approaches such as data mining, customers' characteristics, their purchase behavior and campaigns can be analyzed in order to optimize the marketing mix.

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2. What is E-CRM?

The interactive nature of the web combined with e-mail communications provides an ideal environment in which to develop customer relationships, and databases provide a foundation for storing information about the relationship and providing information to strengthen it by improved, personalized services. This online approach to CRM is often known as 'e-CRM' or 'electronic customer relationship management',

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What is E-CRM? Customer Relations Management with an 'e'? Ultimately, **E-CRM** cannot be separated from **CRM**, it needs to be integrated and seamlessly. However, many organizations do have specific E-CRM initiatives or staff responsible for E-CRM. Both CRM and E-CRM are not just about technology and databases, it's not just a process or a way of doing things, it requires, in fact, a complete customer culture.

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- Benefits of E-CRM

Using the Internet for relationship marketing involves integrating the customer database with web sites to make the relationship targeted and personalized. **Through doing this marketing can be improved as follows:**

1. Targeting more cost-effectively. Traditional targeting, for direct mail for instance, is often based on mailing lists compiled according to criteria that mean that not everyone contacted is in the target market.

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- 2. Achieve mass customization of the marketing messages (and possibly the product).**
- 3. Increase depth, breadth and nature of relationship.** The nature of the Internet medium enables more information to be supplied to customers as required.
- 4. A learning relationship can be achieved using different tools throughout the customer lifecycle.**
- 5. Lower cost.** Contacting customers by e-mail or through their viewing web pages costs less than using physical mail.

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- Customer profiling

To engage a customer in an online relationship, the minimum information that needs to be collected in an online form is an e-mail address. This was an initial approach taken by the **Peppers and Rogers site (www.1to1.com)**. What we really need, particularly for B2B sites, is a qualified lead that provides us with more information about the customer to help us decide whether that customer is a good prospect who should be targeted with further communications. For B2B this could mean a visit by field sales staff or a follow-up e-mail to arrange this.

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3. Conversion marketing:

For managers to assess and improve the effectiveness of their customer relationship management implementation, evaluation using the conversion marketing concept is useful. In an online context, **this assesses how effective marketing communications are in converting:**

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- Web browsers or offline audiences to site visitors.
- Site visitors to engaged site visitors who stay on the site and progress beyond the home page.
- Engaged site visitors to prospects (who are profiled for their characteristics and needs).
- Prospects in to customers.
- Customers into repeat customers.

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4. The online buying process:

Companies that understand how customers use the new media in their purchase decision-making can develop integrated communications strategies that support their customers at each stage of the buying process. Considering mixed-mode buying or how a customer changes between an online channel and an offline channel during the buying process is a key aspect of devising online marketing communications since the customer should be supported in changing from one channel to another.

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The simple model of the buying process shown in Figure 9.3 is valuable in developing the right online marketing tactics to support each stage of the process for each business. Individual preferences for using the web will also differ. **Lewis and Lewis, identified five different types of web users who exhibit different searching behavior according to the purpose of using the web.**

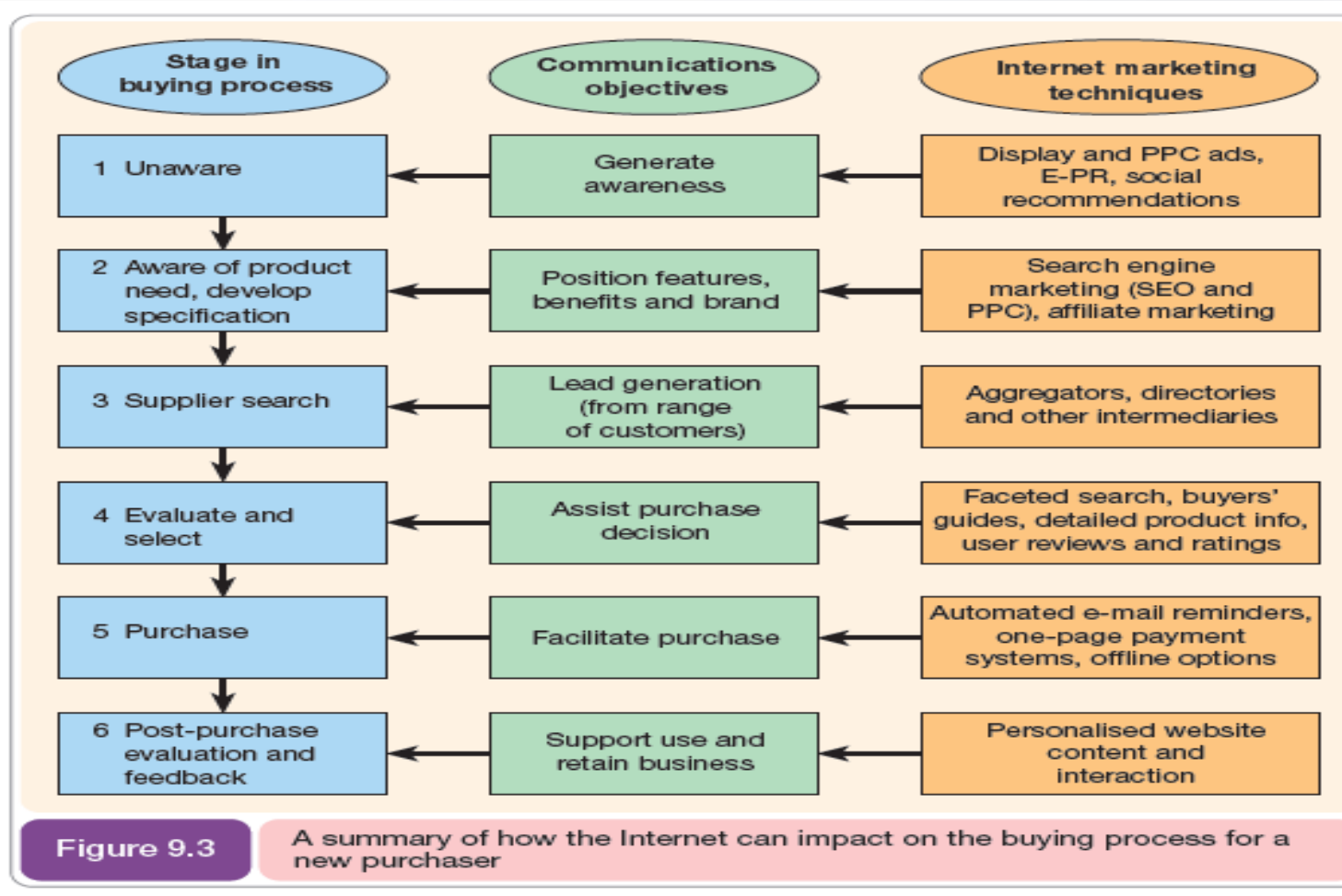
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- 1. Directed information-seekers.** Will be looking for product, market or leisure information such as details of their football club's fixtures.
- 2. Undirected information-seekers.** These are the users usually referred to as 'surfers', who like to browse and change sites by following hyperlinks.
- 3. Directed buyers.** These buyers are online to purchase specific products.
- 4. Bargain hunters.** These users want to use the offers available from sales promotions such as free samples or prizes.
- 5. Entertainment seekers.** Users looking to interact with the web for enjoyment through entering contests such as quizzes.

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5. Customer acquisition management:

In an online context, 'customer acquisition' can have two meanings. **First**, it may mean the use of the web site to acquire new customers for a company as qualified leads that can hopefully be converted into sales. **Second**, it may mean encouraging existing customers to migrate to using online for purchase or service. Many organizations concentrate on the former, but where acquisition is well managed, campaigns will be used to achieve online conversion.

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6. Customer retention management:

For an e-commerce site, customer retention has two distinct goals:

- 1 To retain customers of the organization (repeat customers).
- 2 To keep customers using the online channel (repeat visits).

Ideally marketing communications should address both aims.

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Maintaining online customer relationships is difficult. **Laurie Windham** says:

That's what's so scary about customer retention in the online space. We've created this empowered, impatient customer who has a short attention span, a lot of choices, and a low barrier to switching.

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To create long-term online customer relationships that build on acquisition, to retain and extend, we need to analyze the drivers of satisfaction amongst these e-customers, since satisfaction drives loyalty and loyalty drives profitability. The objective of marketers is to drive customers up.

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7. Excelling in Focus on e-commerce service quality:

In the virtual world customer service is a key difference between brands. **Jevons and Gabbot**, have stressed the importance of service quality in determining brand loyalty with reference to e-commerce. They say: 'the first-hand experience of the brand is a more powerful token of trust than the perception of the brand'.

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- Improving online service quality

Delivering service quality in e-commerce can be assessed through reviewing existing frameworks for determining **levels of service quality**. Those most frequently used are based on the concept of a 'service-quality gap' that exists between the customers' expected level of service (from previous experience and word-of-mouth communication) and their perception of the actual level of service delivery.

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Parasuraman et al., suggested that these dimensions of service quality on which consumers judge expected and delivered service-quality levels are:

1. **tangibles** – the physical appearance and visual appeal of facilities;
2. **reliability** – the ability to perform the service consistently and accurately;

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- 3. responsiveness** – a willingness to help customers and provide prompt service;
- 4. assurance** – the knowledge and courtesy of employees and their ability to convey trust and confidence;
- 5. empathy** – providing caring, individualized attention.

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8. Customer extension:

Customer extension has the aim of increasing the lifetime value of the customer to the company by encouraging cross-sales, **for example** an Egg credit card customer may be offered the option of a loan or a deposit account. When a customer returns to a web site this is an opportunity for cross-selling and such offers can be communicated.

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Direct e-mail is also an excellent way for informing a customer about other company products and it is also useful in encouraging repeat visits by publicizing new content or promotions. E-mail is vitally important to achieving online CRM since the web site is a pull medium which the customer will only be exposed to if they decide to visit the web site and they are unlikely to do this unless there is some stimulus.

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Advanced online segmentation and targeting techniques:

The most sophisticated segmentation and targeting schemes for extension are often used by e-retailers, who have detailed customer profiling information and purchase history data as they seek to increase customer lifetime value through encouraging increased use of online services over time. However, the general principles of this approach can also be used by other types of companies online. **The segmentation and targeting approach used by e-retailers is based on five main elements which in effect are layered on top of each other.**

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- 1. Identify customer lifecycle groups.** As visitors use online services they can potentially pass through seven or more stages.
- 2. Identify customer profile characteristics.** This is a traditional segmentation based on the type of customer.
- 3. Identify behavior in response and purchase.** As customers progress through the lifecycle.

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4. Identify multi-channel behavior (channel preference). Regardless of the enthusiasm of the company for online channels, some customers will prefer using online channels and others will prefer traditional channels.

5. Tone and style preference. In a similar manner to channel preference, customers will respond differently to different types of message.

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9. Technology solutions for CRM:

Database technology is at the heart of delivering CRM applications. Often the database is accessible through an intranet web site accessed by employees, or an extranet accessed by customers or partners provides an interface with the entire customer relationship management system.

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A workflow system is often used for automating CRM processes. **For example**, a workflow system can remind sales representatives about customer contacts or can be used to manage service delivery such as the many stages of arranging a mortgage. **The three main types of customer data held as tables in customer databases for CRM are typically:**

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- 1. Personal and profile data.** These include contact details and characteristics for profiling customers such as age and sex (B2C) and business size, industry sector and individual's role in the buying decision (B2B).
- 2. Transaction data.** A record of each purchase transaction including specific product purchased, quantities, category, location, date and time, and channel where purchased.

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3. Communications data. A record of which customers have been targeted by campaigns, and their response to them (outbound communications). Also includes a record of inbound enquiries and sales representative visits and reports (B2B).

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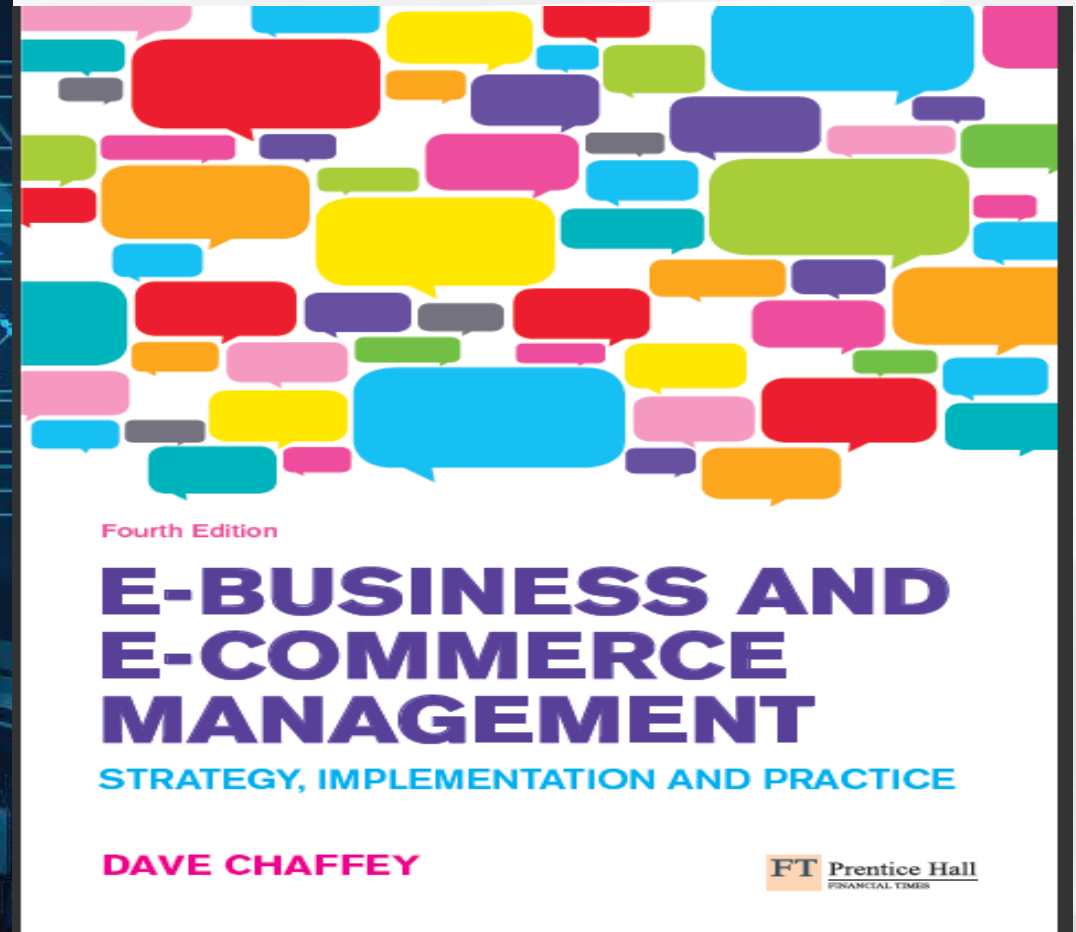
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Chapter 8



Thank You