

# Paradigm of Electronic Customer Management

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## INTRODUCTION

In today's world of business and technology we are constantly barraged with a never-ending series of acronyms; a relative recent addition is eCRM. Like many of its predecessors, eCRM stands for electronic customer relationship management, is a term that is tied to a great deal of hype and confusing messages. This article will attempt to provide a framework for understanding but moreover, also establish a framework for success. A commitment to true CRM implies the ability to analyze customer data and to use a combination of financial and customer based metrics for decision-making. These are database (data warehouse) and analytic type capabilities that are not unique to CRM; back office applications such as ERP and MRP require the same types of tools. Electronic Commerce (eCommerce, i.e. the execution of business processes using Internet technologies) continues to be a significant, pervasive issue for both enterprises and customers. Similarly, mobile commerce (m-Commerce, i.e. the execution of business processes using mobile technologies) is gaining momentum again. Management of relationships between enterprises and customers has often been referred to as Customer Relationship Management (CRM). We define CRM as an interactive process that achieves an optimum balance between corporate investments and the satisfaction of customer needs to generate the maximum profit. Fundamentally, CRM concerns attracting and keeping "economically valuable" customers and repelling and eliminating "economically invaluable" ones. The amount of information relevant in CRM processes can only be handled effectively when information technology is applied. Due to the lack of personal contact, CRM is of particular importance in eCommerce and m-Commerce.

The status and maturity of electronic commerce customer relationship management (ECCRM), an emerging subfield of management information systems(MIS), are investigated through an exhaustive literature review of 369 articles from the first published article in 1984 through conference papers given in 2001 and 2002. The results indicate some trends that should be of interest and concern to researchers in this area and in MIS as a whole. **First**, exploratory surveys dominate the research literature, which in itself may be problematic. More troubling, most of the survey instruments were not validated, and the authors did not mention validation procedures. **Second**, there has been little theoretical development, and few empirical studies use hypothesis testing. **Third**, cumulative tradition has hardly emerged, with each study developing a new conceptual model, new constructs, and new instruments. On the positive side, ECCRM researchers have employed a wide range of methods and studied a broad range of topics. The subfield of ECCRM is young, but is growing rapidly, and professional activity in the MIS research community illustrates its importance. Specific recommendations for further development are provided.

The proliferation of eCRM and its alarming failure rate call for a better understanding of the relationship between eCRM and its immediate objective: customer satisfaction. In this paper, we develop, operationalize and empirically test a temporal model explaining the relationship between three categories of eCRM (i.e., pre-purchase, at-purchase and post-purchase eCRM) and online customer satisfaction at two phases of the customer lifecycle, i.e., attraction and retention. The results of a longitudinal survey of the online customers of hardware retailers provided strong support for the model and revealed the dominant role of pre-purchase eCRM in satisfaction formation at the attraction phase and the prevalence of post-purchase eCRM at the retention phase. Specific eCRM features are identified as satisfaction drivers, providing insights for important paradigm shifts.

## ILLUSTRATIONS

In the today's comparative corporate world, electronic customer management is attracting increased attention from business leaders, the technology is not always well understood by the very companies that use it. It combines so many

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important elements that it's easy for a company to do one or two things right and a slew of other things wrong or not at all. And taking this established business process online has multiplied this complexity, making it harder to get a grasp on at the very time that it is becoming more important to understand it. Companies with histories predating the Net usually have some established platform for handling customer interaction. Now the Internet offers new tools for attracting and retaining customers, but they are based on the same ideologies/principles as before.

So what is eCRM exactly? It consists of a selling platform, a communications infrastructure, and a suite of applications. Infrastructure can include :

(a) online chat, (b) outgoing and incoming e-mail, and even (c) multicurrency support. And the applications can be geared toward self-service, customer service, or data analytics. In other words, eCRM is a profitability barometer, and the mercury is customer sales. "Effective eCRM means knowing my good customers, bad ones, and how can I improve sales point and service". It is all about **customer loyalty, retention, and conversion**.<sup>1</sup>

With so much at stake, you ignore eCRM at your risk. Missteps like leaving e-mail unanswered or barraging customers with advertising can be death. Instead, personalized marketing and quick response is key - "Stop spamming people". It irritates them.

Though the Net has stamped itself permanently on customer relations, you can forget about cool technology being your savior. Instead, success lies in balancing a high-resolution image of your customer with crackerjack measurement standards, which is no easy task. We need a steady plan to take major steps towards the customer and retaining him. The following are six key steps toward initiating or improving your company's two-way relationship with its customers.

## **1. CHOOSE THE RIGHT VENDORS (IN-HOUSE OR OTHERWISE)**

### **OPTION 1 - MAKE [Using Internal resources]**

Developing a custom-built package, specific to the requirements of the organization, with the help of the in-house IT department.

### **OPTION 2 - BUY**

Going for Tailor-made packages available in the market like SAP, Oracle applications, Baan, PeopleSoft etc.

### **OPTION 3 -MAKE [using External resources]**

Developing a custom-built ERP package, specific to the requirements of the organization, with the help of a software solutions provider.

The following traits should be considered while selecting the software vendor for building the ERP application:

- ❖ Technical expertise
- ❖ Domain knowledge
- ❖ Adequate manpower
- ❖ Project management skill
- ❖ Long existence in the field

Software or computer Solution for any management is not easy. The software is complicated and some offer only partial technological solutions. According to the experts, as many as 50 different vendors may be needed to put together a full eCRM technology package.

Approximately 400 companies are selling CRM products of one sort or another. Every one of them is surrounded by hype, which confuses people.

Unfortunately, most companies aren't taking the time to get good consulting help. Only 37% (percent) of enterprises will have defined the cost and benefits desired from their eCRM strategies before implementing tactical projects. Consulting experts can help avoid that costly pothole.

## **2. KNOW YOUR CUSTOMERS-BUT DON'T DISTANCE THEM<sup>2</sup>**

Building long-term relationships is eCRM's art. First, however, you must know customers' behavior, such as how they

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<sup>1</sup> Graham Roberts- Phelps (2003), *Customer Relationship Management: (page no 2)*

<sup>2</sup> CSV Murthy (2006), *e-Commerce: CONCEPTS, MODELS, STRATEGIES* : HPH, India (Page no. 710-714)

conduct transactions. "If you don't have it, stop," advises Bob Chatham, a principal analyst at Forrester Research. "Right now, customers call a representative to complain," he says. "Then when they go to the Web site, it doesn't know anything about the complaint. The linkages don't exist. Is this a happy customer?"

Once transactional behavior is understood, do a more sophisticated assessment of customer relationships. What kinds of offers should I make? How do I optimize the value of my relationships? One of eCRM vendor E.piphany<sup>3</sup> says "eCRM is an evolving art." One example of productive restraint would be to avoid sending e-mail more than once every fortnight.

We should not bombard customers with questions. Rather, give out crucial chunk of information one at a time. That is what Monster.com's eCRM system does; generates 30 to 100 questions. But the company only uses three, including the one on customer location. "There's a tremendous amount of information," says Andy Hatch, director of telemarketing at Monster.com.<sup>4</sup> "I have to go to what's easiest to uncover."

Another use of data is to target and provide better service to high-income customers. Treat the Rs. 5,000 customer differently from the Rs. 1 Lakh customer. It will be very critical and effective with business resources.

Finally, don't expect instant results to bargain constant results. Even Wal-Mart didn't build its customer analysis systems-said to rival the Pentagon's database quickly, says Paul Cimino, founder and chairman of New York consultancy Snickelways: **"People assume that it's easier than it is. But it has taken Wal-Mart 25 years."**

### 3. CONSIDER OUTSOURCING

For smaller companies, outsourcing is less costly. Another advantage is speed. It only takes a few weeks-as opposed to a few months to get a site up and running. "You can get your service to customers faster," says Yankee analyst Kingstone. But be careful what you outsource, because it involves two factors: **technology and call centers**. "Hosting software is easy," says Jeff Whitney, senior vice president of product marketing at applications provider Broadbase<sup>5</sup> Software. "The biggest risk is outsourcing people. When customer interactions are critical to companies in fields such as health or financial services, you shouldn't outsource call centers." The advice is to outsource what's simple, high-volume, and repetitive.

Site hosting should be outsourced to same people who built it because they know the architecture of the site inside and out, but be cautious about the outsourced partner; we must manage our outsourced partner closely- having document hours, site testing, and whether they are as per our goals and mission of the company.

The key, for all this, is having a service agreement to make sure agreements are kept. And remember that outsourcing is not a silver-bullet solution.

### 4. PROCESS, PROCESS, PROCESS

Experts say that you should think in terms of a top-down business model, and eCRM is simply an extension of that. eCRM should be for company's long term objectives. Build your infrastructure step by step, including only pivotal functions and services. Adds Forrester's Chatham: "Companies get ahead of themselves in terms of technology rollout. They're thinking of chat well before they are ready for it."

Don't get lost in the latest gadgetry either; this can be costly and eat up valuable time. "We're all guilty of thinking that technology is cool," says Talisma's McClure<sup>6</sup>. "But it's better to have a low-tech solution that you're doing right." After a customer analysis, he says, customize a system to meet your needs. Ask users, Do you like the system or not? How easy is it to use? How easy is it to integrate? Design a system with the end user in mind.

And stick to your established process. Implement e-mail first, then telephone calls. E-mail responses should reach customers within two to four hours. Once that's tackled, move on to the phone. Lots of companies are still stuck in e-mail management, says Jeff Whitney, the executive at Broadbase<sup>5</sup> Software. "Companies are having e-mail parties at night and on weekends just to respond. And the people doing the e-mails struggle to come up with answers."

Indeed, figures are grim. Less than a third of online retailers acknowledge receipt of an e-mailed question. When there's an e-mail link or click to talk, companies underestimate the amount of traffic they'll get. As a result, they end up with

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<sup>3</sup> www.Epiphany.com

<sup>4</sup> www. Monster.com

<sup>5</sup> www.broadbase.com

<sup>6</sup> [http://articles.techrepublic.com.com/5100-10878\\_11-1033148.html](http://articles.techrepublic.com.com/5100-10878_11-1033148.html)

lots of angry customers. Monster.com, for example, aims to turn around e-mail within four hours and answer the phone within three rings. "We want to deliver meaningful, timely, and memorable service," says Monster's Andy Hatch<sup>4</sup>. Conversely, text chat is ineffective, says Chatham. "According to a Forrester survey, only 2 to 3 percent of those surveyed preferred chat as a way to interact."

Experts say "Lots of industries don't need chat," they point to product-intensive companies like Boeing as an example. "Pick the channels that are appropriate for your business."

Though self-service CRM costs less than full-service, it is less effective, say experts. That's because people appreciate connection with other humans. But don't frustrate customers by attempting to have self-service that dumps information rather than gives answers, and FAQs aren't that effective who advocates voice and e-mail.

So the bottom line is that your relationship needs in the electronic market haven't changed much from those in the traditional one. There's just more power in the hands of customers.

## 5. TAKE A HOLISTIC APPROACH

Look at the bigger picture, Advises Be Free's<sup>7</sup> director of service development, Paul Ringuette. When Ringuette was implementing his company's eCRM, data couldn't be scanned across the organization, which was a big mistake, he acknowledges. There was a lot of miscommunication across verticals, he recalls. His solution was to implement an integrated eCRM package to manage customer relationships.

Integrating a call center with e-mail is crucial, so that a company doesn't appear unknowledgeable about an account. Companies have to unify e-mail, voice, and chat so the customer representative has the whole customer base. At online toy seller KBKids.com<sup>8</sup>, the challenge was to identify customers from all of its 1,300 stores, their biggest challenge facing is having disparate systems where customer data is stored and bringing it into one venue.

An integrated company is efficient, a representative should know if a customer visited a Web and what pages he looked at. For example, Musicspace.com, which sells music compilations, discovered that tracking customers' packages cut down on e-mail drastically. Most of the questions were, 'Where is my order?' says the expert customer representatives. Now, we can have functions that show us when a package / docket was packed and shipped.

Companies decide they want to collaborate online, so they buy a chat package,

**Or**

when they want better customer-facing applications, they run out and get them. That's a lot of point solutions without thinking the system through, such as what are my goals? How do I want to interact rather than being reactionary? Instead, **aim for an eCRM system that's both unified and flexible** - opinion of e-business architects.

## 6. BENCHMARK THE SYSTEM

One should always set quantifiable measurement standards for eCRM system. One method is to test the site by logging on every day/week/month/bi-month as a different customer. **"Service is what customers remember"**. Only 16 percent (According to 2006 Computer Security Institute (CSI) survey)<sup>9</sup> of companies are doing eCRM well. The bottom line is that you should derive more savings from eCRM than you're spending on the solution.

Even more urgent is how to change old-economy mind-sets. There's more technology today than anyone knows how to use. The challenge is to adapt to new ways of doing business. "Technology can trim out clutter," says McClure. But it's a challenge getting people to change towards electronic CRM. Old company structures and incentives don't work. One example is the resistance put up by some company product marketers as their work is seized by software. That's not a technology problem, it is bigger than that - "The people are the problem."

And then there's simply the training needed to use complex technology. You have to look at performance issues such as page loading at Web sites so that you'll get results. Companies don't spend enough time on retraining.

Customers will and are raising their expectations, They're looking for deeper levels of service and customization. It's the question to all eCRM solution holders and provider- **"Can company meet those expectations?"**

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<sup>7</sup> www.beefree.com

<sup>8</sup> www.KBKids.com 2006

<sup>9</sup> Computer Security Institute (CSI) survey

<sup>10</sup> <http://crm.ittoolbox.com/groups/vendor-selection/crm-select/crm-solution-for-retail-banking-2523749>

Example eCRM Solution for Retail Banking<sup>10</sup> that can achieve the following:

### **1) Retaining Customers, loyalty Development:**

- ❖ Defining Profitable customers
- ❖ Working according to Bank rules and business processes that are different for different customer types/segments.
- ❖ Customer Segments Profitability.
- ❖ Customer activity monitoring (with bank systems financial/Operational).

### **2) Cross-selling and Up-selling Management:**

- ❖ Creation of Single information source for all bank Branches/Areas.
- ❖ Finding associations between customers.
- ❖ Improvement of the internal communications between different departments.

### **3) Acquiring the new customers:**

- ❖ Creation of the prospects' database and its segmentation.
- ❖ Improving the campaigns' effectiveness.
- ❖ Using Bank standards for customer interactions.

### **4) Better Marketing and Sales effectiveness:**

- ❖ Integrated customer data in one place.
- ❖ Automatic reports and documents creation.

### **5) Management decisions support:**

- ❖ Customers' migration analyzing.
- ❖ Customer associations analyzing.
- ❖ Customer dynamics forecasting.

CRM Solutions should provide Analytical tools to enhance customer insight, customer segmentation, product and service insight, and profitability.

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