

Application of E-business for the Effective Customer Relationship Management (CRM) Practices

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Abstract

☞ We had already seen electronic businesses (e-Business) like Google, Amazon & E-bay, Yahoo different giant business models have emerged but practicing almost the same rule of business and became successful.

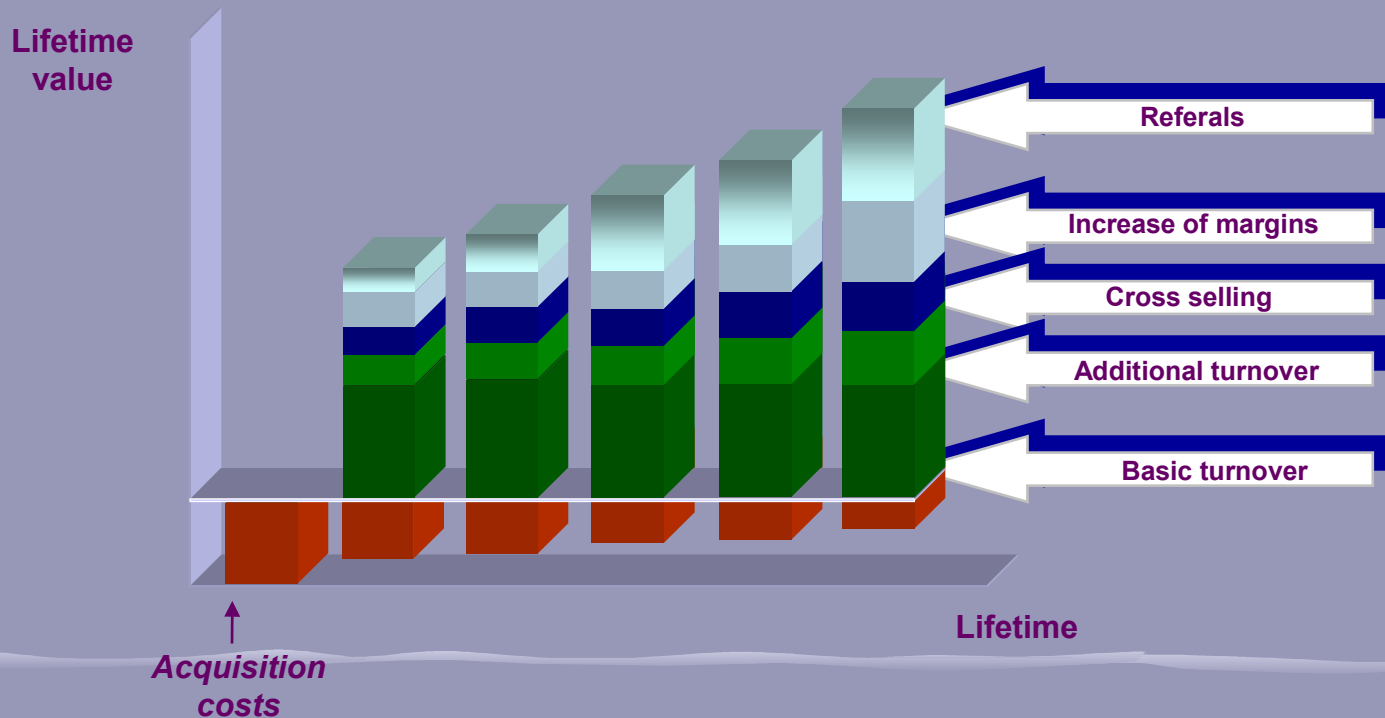
☞ E-bay could give birth of a community who live on only buying and selling on E-bay full time.

☞ The areas of online vendor management for the procurements, supplier relationships, customer service and customization of product lines and contents as per the demand of the consumer behavior and building knowledge base across the organization to sustain and competing with this open market situation.

☞ Due to the vastness of the research area, let us focus to the part where we will review two Electronic Business Models and their effective CRM practices.■

Customers: The Overall Benefit Equation

Over the customer's life span, acquisition costs decline and revenues and margins increase



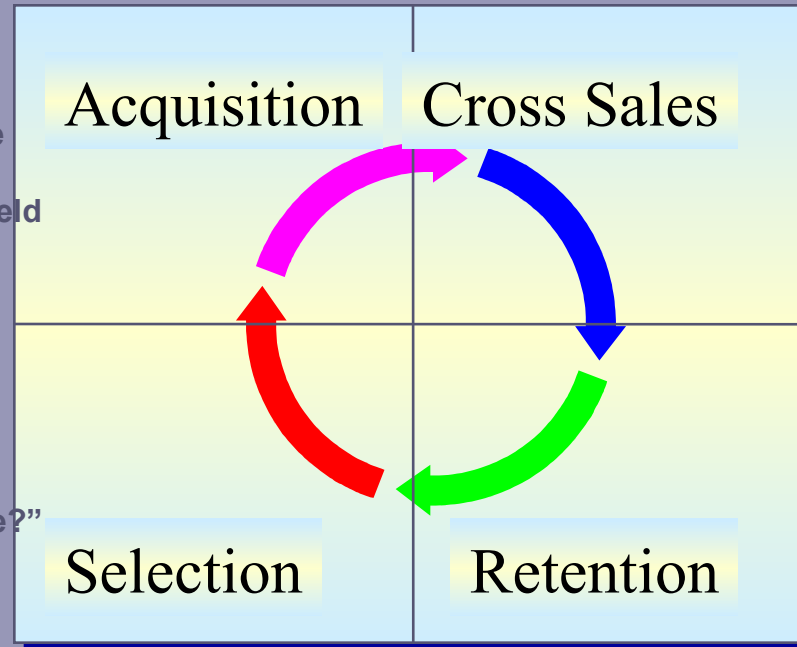
Background

Research: The usage of modern application of e-Business could bring profits to business operations specially a developing country like India, where retailing had not yet seen the shift to e-business models so far. To recognize the significance, the companies fully on e-business models have to understand that, it could be a source of competitive advantage while practicing the effective Customer Relationship Management (CRM) and integrating consumers.

Purpose: The purpose of this thesis is to conduct both the theoretical and an empirical study of two fields of research:

- 🍌 The theoretical study has got two main stages : RBV describing the application benefit of practicing effective CRM as a source of competitive advantage over e-Business model.
- 🍌 In the empirical study the author investigates if the case companies utilize the effective CRM practices that are pointed out as a source of competitive advantage in the literatures.

Without effective customer information management the success of the marketing cycle is compromised



“How can we acquire customers in the most efficient and effective ways?”

“Which methods of acquisition yield more profitable customers?”

“What criteria determine who our most profitable customers will be?”

“What do they want?”

“Who are our worst customers?”

“How can we broaden and deepen the relationship with our existing customer set?”

“Which customers have the potential to be tomorrow’s star customers?”

“Which customers are in danger of defecting?”

“How can we enhance the value proposition, thus reducing the incentive to defect?”

“How will our chances of keeping them alter with a different scale of retention offer?”

- *It costs 4-10 times more to acquire a profitable customer than to retain an existing one*
- *80% of an enterprise’s profits come from 20% of its customers*

Areas of E-business

Advantages & Disadvantages

There are a few advantages and disadvantages when it comes to e-business

Advantages

- Flexible workplace and hours, saves money of renting office/shop place.
- E-business won't have to employ as many staff and this will also save the business money.
- able to do transactions from it 24 hours a day
- larger market of potential customers

Disadvantages

- security - there are still some people who don't think it is safe to do e-business.
- The customer expectations can not be met doing e-business
- Things such as viruses could mean losing the e-business if data protection is not taken care of, also IT spending goes very high than other necessities.

Methodology

- A literature survey has been carried out in order to understand the concepts of effective CRM practices over e-business applications.
- Furthermore a case study had been conducted in two fast growth companies in India practicing e-business and by researching whether the companies utilize the CRM practices suggested in the literature.

(Before the case studies were carried out. Secondary information about the case companies were collected.)

- With this knowledge in mind, interviews were planned and implemented.

CRM: Characteristics

- Based on organization-wide databases
- Allows for segmentation and analysis of customer needs, preferences and behavior
- Focus on high value customers
- Is a long-term business strategy




Will enable a targeted, ongoing, mutually beneficial, profitable relationship with individuals and groups

Research Question

 **Whether effective CRM practices offer competitive advantages to e-businesses?**

The main research question will be investigated within the theories of RBV (Resource Based Views) and the effective CRM practices within E-business applications.

The empirical studies would analyze the question of whether the case companies practice CRM effectively and whether that had given them competitive advantages and/or the CRM practices are in line by virtue of which they've got the competitive edge within e-business framework. To lead the way the main research question is divided into three sub-questions for which this thesis is pursuing answer:

-  **1. What is the effective CRM practices and it's drivers in an Organization and challenges of implementation**
-  **2. How it's being implemented and helped the organization in terms of achieving the higher revenues.**
-  **3. Why effective CRM practices is that important on top of having rugged e-business applications and its value additions like strong supply chain.**

Research Hypothesis

 **Hypothesis 1: There is no relationship between Internet resources and e-business Internet based resources and e-business capabilities.**

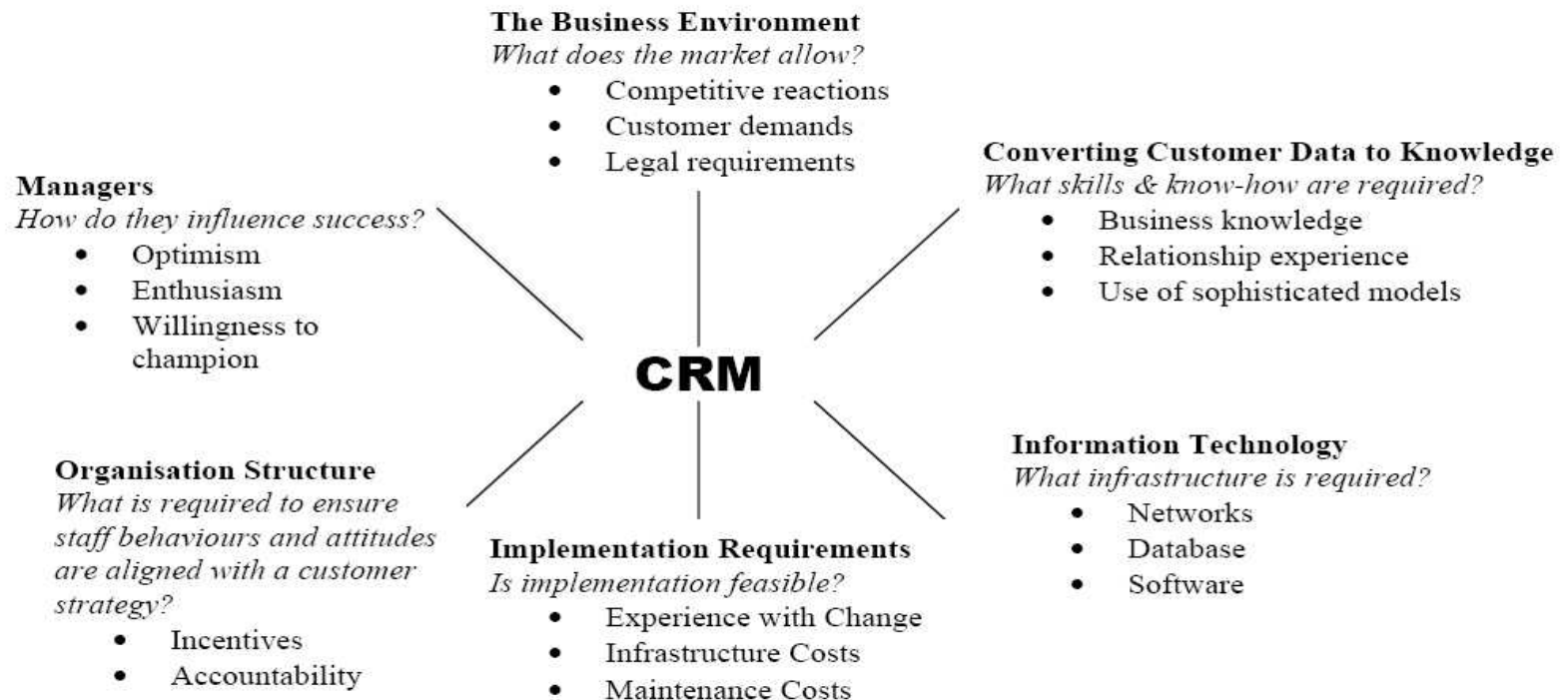
 **Hypothesis 2: There is a positive relationship between Internet resources and external e-business capabilities with customers.**

 **Hypothesis 3: There is a positive relationship between Internet resources and internal e-business capabilities**

Model and hypotheses




According to the existing information systems and e-business literature, states the study's hypotheses. In this sense, three relationships will be explored: Internet resources and e-business value, Internet resources and e-business capabilities, and e-business capabilities and e-business value

CUSTOMER RELATIONSHIP MANAGEMENT: A DEFINITION



RBV Views

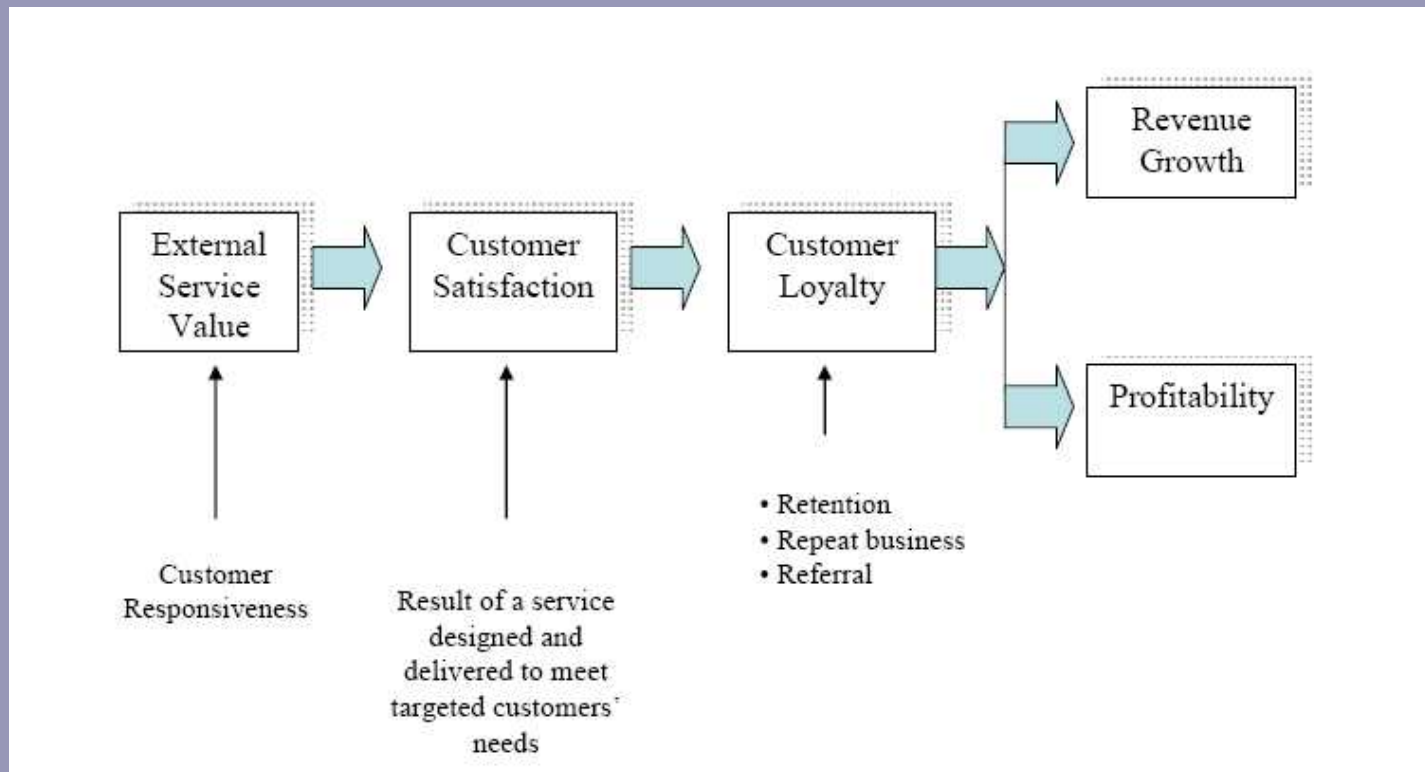
For the purposes of the present study, the above capability definitions allow us to identify three important characteristics:

-  ***a) Capabilities are rooted in processes and business routines, because it is the capability that enables the activities in a business process to be carried out.***
-  ***b) Capabilities are firm-specific, while an ordinary resource is not. Because of this embedded ness, ownership of a capability can not easily be transferred from one organization to another.***
-  ***c) The primary purpose of a capability is to enhance the productivity of the other resources that the firm possesses.***

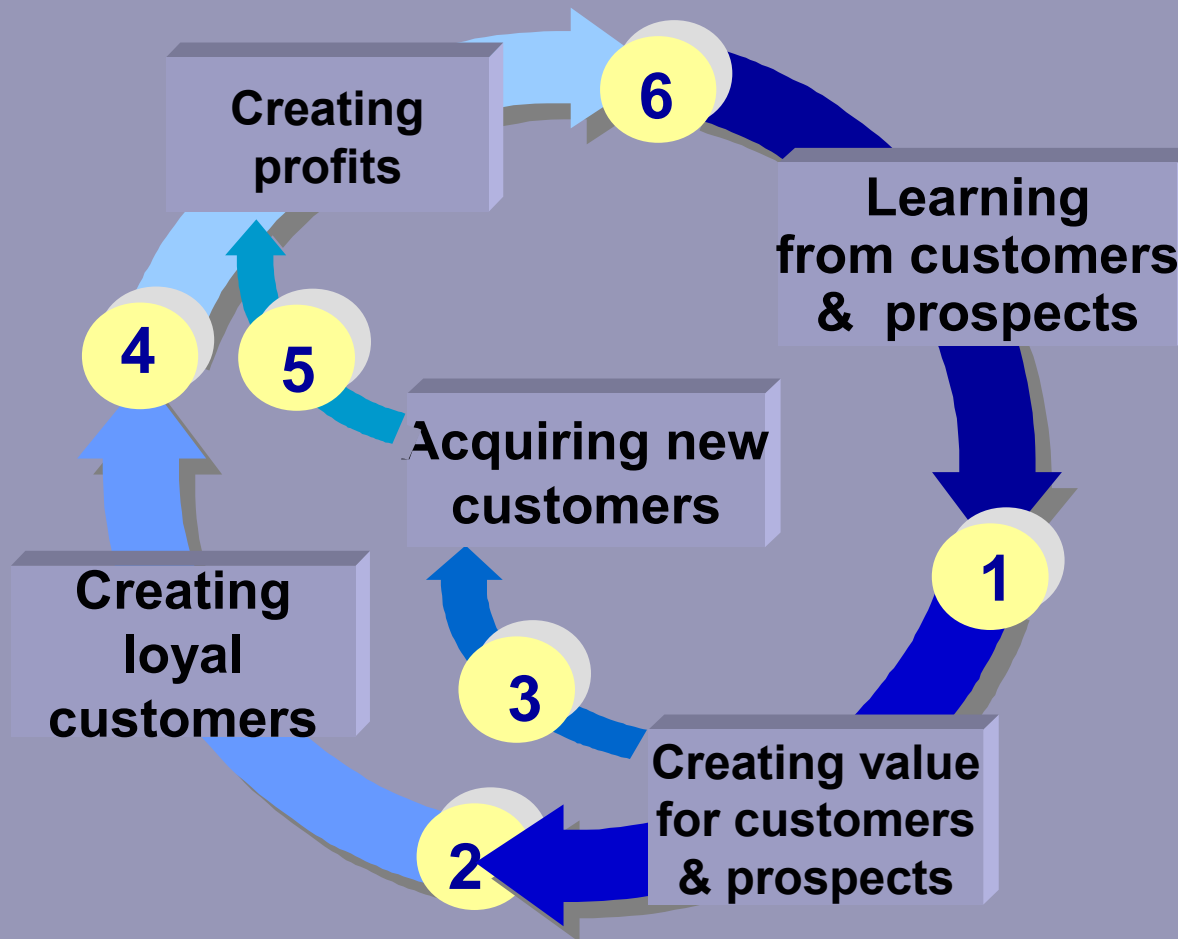
Extending the traditional notion of organizational capabilities to e-business, a firm's e-business capability is defined here as its ability to mobilize and deploy Internet-based resources, in combination or co-present with other valued resources. E-business capabilities are firm-specific (or inter firm-specific) and rooted in processes and business routines. We differentiate between external and internal e-business capabilities. The former refers to the ability to mobilize Internet-based resources and other corporate resources with external business agents (e.g. supplier and customers), while the latter represents the ability to mobilize Internet-based resources and other corporate resources within a firm's boundaries.

Characteristics of Modern CRM

CRM is described to present the company's external environment with suppliers and/or customers. Literature was used to find characteristics of modern CRM

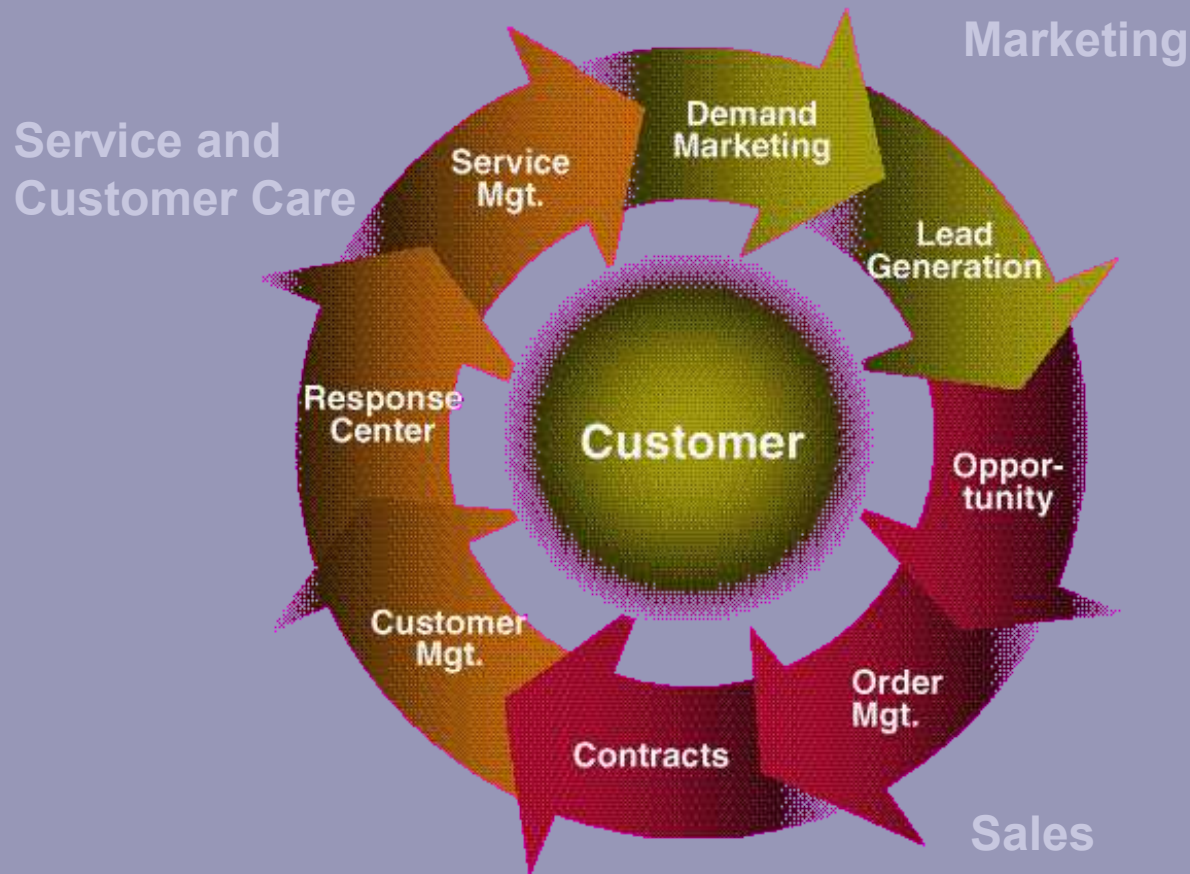


CRM : Summary of Activities



To continue to grow profitably, companies need to manage their customer relations better

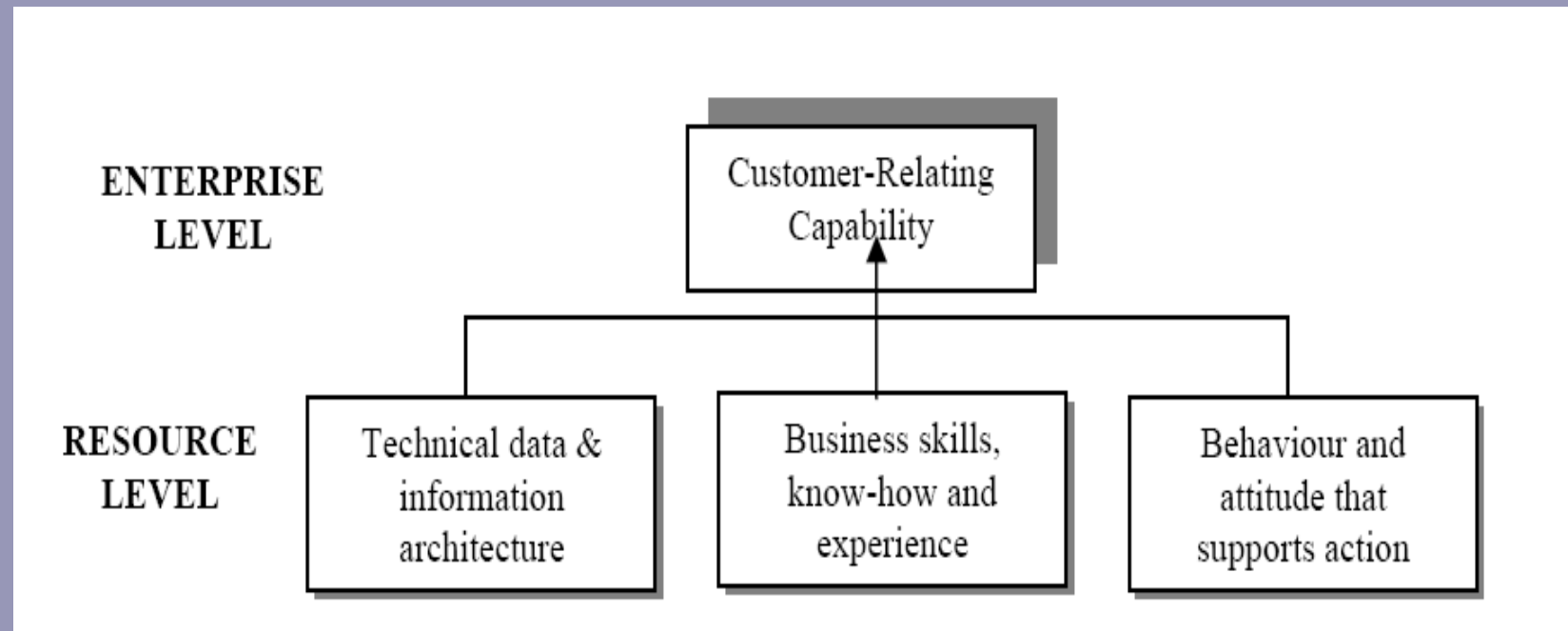
The Customer Oriented Organisation requires a '360 Customer View'



Delivering the '360 view' requires automation to bring together all the data concerning a customer and use it to deliver superior service and maximise revenue generation opportunities

Suggestive Model

The focus has been in the concept of competitive advantage of a fast growing Indian firm, as viewed in the figure. To gain competitive advantage, the company needs resources and the main resources discovered during this thesis is the customer relating capabilities. This is however, is the practices to be the source of competitive advantage according to RBV literature. The author has recognized these practices. Sometimes the valuable resource is an adroit combination of capabilities, none of which is superior alone, but when combined, makes a better package. Then competitive superiority is due to a weighted average effect the business does rank first on any asset or capability but is better on average than any of the rivals.



RBV-Conclusions

Broadly, this research offers several contributions:

- ☛ (1) it shows that Internet technology by itself will rarely create e-business value;
- ☛ (2) it confirms that although Internet resources are not positively associated with e-business value, they play a critical role for creating e-business capabilities;
- ☛ (3) it demonstrates that internal and external customer relating capabilities are key drivers of e-business value.

CRM: Areas of Automation

Field Sales

- Account Management
- Contact Management
- Opportunity Tracking
- Sales Quotas & Forecasts
- Collateral Fulfilment
- Quotes & Orders

Sales Management

- Forecast & Pipeline Reviews
- Sales Analyzer
- Data Warehousing
- Territory Management

Enterprise-Wide Integration

- Order Entry
- Shipping
- Inventory
- HR
- Sales Compensation
- Customer Service

Marketing

- Promotions
- Advertising
- Mailings
- Seminars & Events
- Call Scripts

Internet

- Lead Generation
- Forecasting
- Events & Seminars
- Account Summary
- Partner Management

Tele-Marketing

- Customer Management
- List Management
- Call Scripts
- Order Entry
- Computer-Telephony Integration (CTI)

Theoretical Framework

123Greetings.com

- 🍌 Suite of web-based products and services
- 🍌 Inside sales methodology
- 🍌 Short sales cycle
- 🍌 Low price point, high volume
- 🍌 Subscription pricing model

Problems at first sight:

- 🍌 No proper training had been given for the Sales Team to acquire new customers.
- 🍌 No proper system and process been followed for the field level sales data entry
- 🍌 No proper sales CRM available for the clear data flow and data repository system
- 🍌 IS is available but the Information Systems resources not been nurtured well.

123Greetings IS Issues

- ☞ ERP system developed in house
- ☞ Sales representatives drive order entry process
- ☞ Sales reps and account managers act as help desk and call center
- ☞ Billing and collections personnel using same system to log activities
- ☞ One database for customer information

123Greetings Solutions

- 🍌 Expand Customer Support group, develop call center, helpdesk, and email management/response capabilities
- 🍌 Purchase Oracle financial system to manage back-office financial functions
- 🍌 Outsource consultants to implement financial system and evaluate potential systems for overall CRM needs

ClickSaltlake.info

- ☞ Client/Server software systems
- ☞ Outside sales methodology
- ☞ Long sales cycle
- ☞ High price, low volume
- ☞ “Per-seat” pricing model

ClickSaltlake Systems Issues

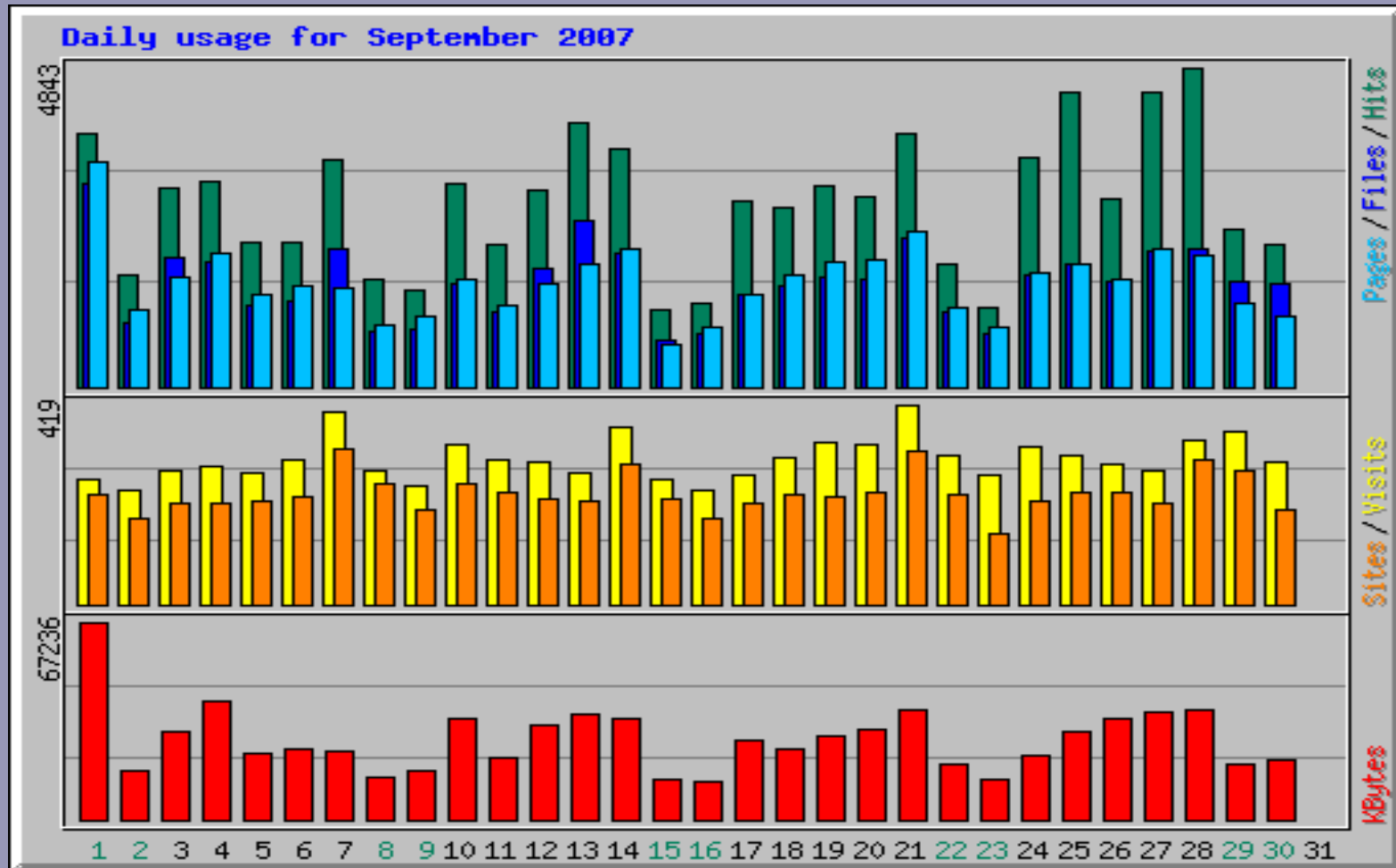
- ❏ Comprehensive customer service organization
- ❏ Call center and help desk activities closely tracked in detail via web-based system
- ❏ Customer “self-service” and training available through online resource center
- ❏ Several systems running, no central repository for customer data, remote access problems

Clicksaltlake Solution

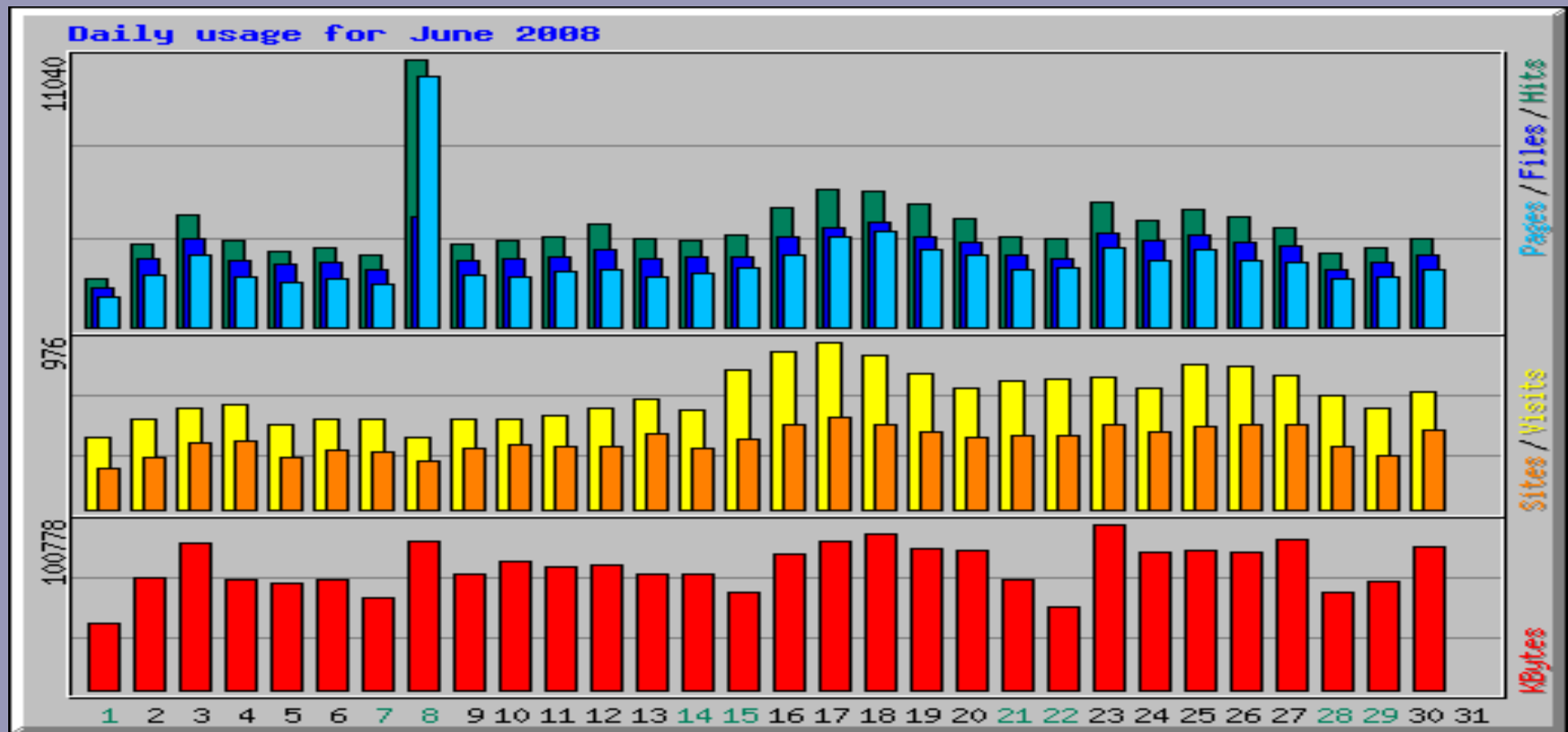
The areas had been improved and implemented

- ✔ The restructuring of Database
- ✔ Internet Marketing
- ✔ Search Engine Optimization (SEO-Organic Optimization)
- ✔ Adsense implementation (Inorganic Optimization)

Results



Improvements



ANALYSIS

Monthly Statistics for September 2007











Total Hits 83834 ,Total Files 47654,
Total Pages 47679 , Total Visits 9112

Improvements Seen:--

Monthly Statistics for June 2008

Total Hits 125767, Total Files 94336,
Total Pages 82441,Total Visits 19895

Summary Of Analysis

	Clicksaltlake.info	123Greetings.com
<i>Strategic Supplier Partnership</i>		
<i>Customer Relationship</i>		
<i>Information Systems</i>		
<i>Co-operation with Competition</i>		
<i>Performance Measuring</i>		
<i>Customer Relating Capability</i>		

Conclusions- Research Questions

What makes the CRM a competitive advantage for a company according to the literature?

Based on the literature survey, the author has found the customer relating capabilities enable a company to be the source of competitive advantage. These could be achieved by the proper CRM practices to be the source of competitive advantage. These practices presented in the theoretical framework and motivated by referring earlier studies in the field pointed as IS.

Can the recommended CRM practices be found in the case companies? If not, what seem to be the reasons?

The analysis has been composed mainly with the empirical studies achieved through interviews with the case companies. In the analysis, the author proves that all the recognized CRM practices are found in the case companies, but only to a certain extent because of ever changing business scenario. The reasons for not utilizing these CRM practices have been also presented.

Conclusions- Research Questions

 ***Can one of the sources of competitive advantage in fast-growth companies be found in CRM practices?***

It seems to the author that companies can find a source of competitive advantage in CRM practices. Therefore, the fast growth of a company could be at least partly explained by the utilization of supply chain practices. While practices discussed in this thesis are on a strategic level, there seem to be many obstacles present in the CRM concepts which must be removed before the firms can fully utilize the strategies.

Suggestions for further study

- 👉 The author thinks that it would be interesting to see the results from a quantitative research style, where a wider sample of companies would be involved. This could be executed for example by a posted questionnaire that could include the concept of CRM practices recognized in this thesis.
- 👉 Another suggestion for further studies is to focus on one of the Customer relating capabilities and include a wider sample of companies in the study. This could provide the possibility of deeper analyses.
- 👉 It could also be inspiring to study one of the case companies more deeply from the resource based view. If the perspective would be broadened from just customer relating capabilities and its subsets, the probable source of competitive advantage could be identified.

Thanks To CRM

