Managing Customer Relationships in the e-Business Economy

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Old business practices built around traditional product marketing and sales are being rapidly modified or replaced by customer-centric relationship marketing in which share of customer is the economic driver. Technology has reached a state where quantum leaps can be made toward the ultimate competitive form of relationship building, one-to-one marketing. In this new paradigm, customer data is both a strategic asset and critical success factor. Relationship marketing in its best competitive expression, one-to-one marketing, rests on three very simple ideas about reducing costs and increasing long-term profitability: customer loyalty, scope and efficiency. ECRM, i.e., Customer Relationship Management at the convergence of e-business is a discipline as well as a set of discrete software and technologies which focuses on automating and improving the business processes associated with managing customer relationships in the areas of sales, marketing, customer service, and support. ECRM software applications not only facilitate the coordination of multiple business functions (sales, marketing, customer service, and support) but also coordinate multiple channels of communication with the customer—face to face, call center and the web—so that organizations can accommodate their customers’ preferred channels of interaction.

The Internet is significantly reshaping the way companies do business. As businesses hop on to the Internet bandwagon and launch new sales, marketing and service support initiatives—they are opening a new channel of 24x7 interaction with their customers. The Internet is breaking boundaries between buyers and sellers. With geographical barriers disappearing, a customer is today able to compare products from various manufacturers, and make a more informed choice. This has resulted in a scenario where customer loyalty has decreased and there is a higher imperative to improve service and support.

Today, customer interactions happen through—telephone, fax, e-mail, Internet and face-to-face. In every interaction, whether directly with a corporate in a business-to-business transaction or with a consumer in a business-to-consumer interaction, customers expect instant recognition and personalised high-quality service. Unfortunately, with interaction touch points increasing, companies are creating disparate silos of customer information. A customer thus goes through an identity crisis due to the phenomenon of “corporate amnesia”, whereby a customer is not consistently served, or even recognised, across multiple channels.

The bar for customer satisfaction is being continuously raised, regardless of the type or product category. For example, when a customer has a high-touch, customised experience with company A, his/her expectations are now raised for any other transaction, regardless of the company or category. In fact, there is a new, more savvy consumer who is being educated through her collective consumer experience to be more demanding by companies who are not necessarily in the same competitive set. As a result, companies engaged in consumer businesses are under increasing pressure to meet these rising expectations.

For long, economies have thrived on mass marketing. However, mass marketing is expensive with the high cost of mass media and distribution, the inefficiencies of approximate targeting, and the tendency of mass marketing practices to churn customers through an endless cycle of product purchase, promotion and repeat purchase. Also, frequently chasing new customers results in little or no growth as either the wrong customers are targeted or the cost of acquiring new customers is too high. So, in this new networked marketplace, what competitive strategy should businesses adopt?
<table>
<thead>
<tr>
<th>Mass marketing</th>
<th>Relationship marketing</th>
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<tr>
<td>Expensive</td>
<td>Cost effective</td>
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<tr>
<td>Inefficient</td>
<td>Efficient</td>
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<td>Customer attrition</td>
<td>Builds loyalty</td>
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Old business practices built around traditional product marketing and sales are being rapidly modified or replaced by customer centric relationship marketing in which share of customer is the economic driver (Table 1). Technology has reached a state where quantum leaps can be made toward the ultimate competitive form of relationship building one-to-one marketing. In this new paradigm, customer data is both a strategic asset and critical success factor.

Corporates need to focus resources on the most valuable customers, shifting media and distribution to micro-channels, where there is less waste, and creating a fertile environment for cross selling by building loyalty. Relationship marketing in its best competitive expression, one-to-one marketing, rests on three very simple ideas about reducing costs and increasing long term profitability: customer loyalty, scope, and efficiency.

- **Loyalty**—It is less expensive to keep an existing customer than to acquire a new one.
- **Scope**—It is easier and more profitable to sell to a satisfied customer.
- **Efficiency**—Some customers are more valuable than others.

**Loyalty**

Long-term loyalty is a resultant of a range of relationship needs being addressed from a customer’s point of view. To achieve this, businesses need to build an infrastructure that is customer focused and which demonstrates relationship behaviour from the customer’s viewpoint, across multiple contact points. Table 2 illustrates loyalty specific behaviour.

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<th>Specific behavior for loyalty</th>
<th>Deliverables with customer centric technology</th>
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<tr>
<td>Recognition</td>
<td>Recognition of name/address</td>
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<tr>
<td>Know habits and preferences</td>
<td>Recall history of interaction</td>
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<tr>
<td>Respond accordingly</td>
<td>Customise offerings</td>
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<tr>
<td>Communicate</td>
<td>Receive and store information</td>
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<tr>
<td>Anticipate needs</td>
<td>Predict new needs</td>
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**Scope**

Once you have a customer’s loyalty, you need to leverage that loyalty. Scope is a result of leveraging a customer’s loyalty by addressing his/her practical needs. In a one-to-one world, companies must be able to provide each customer the opportunity to create a unique menu of products and services. Furthermore, they must recognise the customer in every configuration on an on-going basis. Dell has demonstrated this by moving their ordering process to the web, and shipping computers in line with the customer’s requirement.

From being product-centric, businesses that succeed will be customer-centric. Customer loyalty and the competitive edge will come by anticipating and exploiting the differences and not similarities among customers, and being able to cater to these differences. Customising offerings based on customer information, ordering patterns, ordering requirements, etc., will lead to long-term relationships on a one-to-one basis with millions of customers. Amazon.com started by selling books and today also sells music, chandeliers and will adapt to changes desired by their customers.

Businesses need to adopt a business model that integrates their front office and back office technologies with the web, the call center, the field sales force, resellers and partners—creating a multitiered distribution strategy—to be able to share dynamic real-time information on customer, product and marketing information across all sales channels. The goal—creating one valuable unified database of customer information and interaction.
Efficiency

Efficiency is a critical tenet of success of relationship marketing. Recognising profitable customers and focusing all your energies on making them ecstatic would result in efficiency. Even in a one-to-one paradigm, there will be a need for different levels of service and attention based on the customer's annual profit and lifetime value. Achieving efficiency is the most critical step for the company (Table 3). Companies must shift from product-centric to customer-centric measurements and create an ability to organise and manage their stream of service, products and communications, both in the present and over the relationship's lifetime.

To meet the needs of today's networked marketplace the traditional framework for CRM—the call center for handling customer calls over the public switched telephone network (PSTN)—is no longer sufficient in itself. What is needed is an overreaching customer relationship nerve center, which continually manages and applies the rules that a company defines for applying resources to customer interactions. This amounts to a business rules and workflow engine that spans a company's entire CRM operation, including communications channels, applications, and business functions. Further, in order to adapt to the quickly changing requirements of an e-commerce customer environment, the business rules engine must be easily modifiable by the personnel closest to the various processes. Simply put, this capability requires software tools that simplify the process of adjusting business rules in a rapid and effective manner.

**eCRM** that is customer relationship management at the convergence of e-business is a discipline as well as a set of discrete software and technologies which focuses on automating and improving the business processes associated with managing customer relationships in the areas of sales, marketing, customer service, and support. eCRM software applications not only facilitate the coordination of multiple business functions (sales, marketing, customer service, and support) but also coordinate multiple channels of communication with the customer—face to face, call center and the web—so that organisations can accommodate their customers' preferred channels of interaction. The response on the other hand happens seamlessly and the database is always updated and integrated providing the latest and last contact history to give the same view of the customer to every department in the organisation. (Table 4)

Leveraging real-time operational information among systems creates a customer-centric enterprise. As business processes blend, customer information becomes readily available to all employees. Having access to complete customer information, and using that knowledge to be proactive in customer interactions, is essential for any company that wishes to thrive in today's networked marketplace. As companies become responsive and more cohesive, they are able to promote customer loyalty that enables them to attract new customers.

The Internet makes information gathering cheap, efficient and quick. E-business is the future, and is transforming and redefining businesses, commerce and also doing away with restraints of geography, distance and time. Businesses have no choice—they
have to adapt and compete in this networked economy. Flexible organisations that respond to change, will have loyal customers. Organisations unable to change will perish as they will find their customers searching for new partners, creating local or global competition.

eCRM takes a very customer-centric view of the entire customer life cycle, which means that CRM applications place the customer at the center of the organisation’s universe. eCRM applications facilitate the coordination of multiple business functions (sales, marketing, service support, etc.) and focus them on making the customer ecstatic.

Sales, marketing, and customer service and support organisations work as separate entities in many companies today. Faced with divisional silos and inter department conflicts, it is difficult for these different business functions to focus on their customers in a coordinated fashion. Sales is often unaware of the fact that the customer has several unresolved service issues. By providing a single window for customer communication and interaction, CRM solutions aim to eliminate the organisational ‘walls’ that allow problems like this to exist. CRM solutions that can interface with ERP systems are particularly attractive because companies can take prospects and existing customers through a closed-looped set of well-defined steps and processes to satisfy their needs, as shown in Figure 1. While CRM applications provide the framework for embodying, promoting, and executing best practices in customer-facing activities, ERP provides the backbone, resources, and operational applications to make organizations more efficient in achieving these goals.

**Conclusion**

The CRM market has been experiencing explosive growth worldwide since 1997, and it will do so in India from its debut in 1999 (see www.vtplex.com). The reason is simple: Faced with widespread global-economic, technological, and cultural change, organisations worldwide are looking to enhance the value and profitability of their existing customer relationships, while attracting new and profitable customers. As organisations begin embracing e-Business in earnest, these driving forces behind eCRM will become even stronger.

**About the author**

Dr. Jayanta Chatterjee, the Chief Knowledge Officer of vtPlex is a renowned entrepreneurial manager with rigorous academic involvement. His 27 years of general management career spans work experience in different countries with distinct competence in marketing, sales and customer support in the high technology arena. Starting with Siemens, he went on to pioneer the introduction of programmable automation to Indian industries at Debikay Electronics and Allen-Bradley India, where he rose to the position of President and CEO in 1990. Jayanta was nominated for Rockwell (A-B’s parent company) global awards during 1993, 94 and 95. He was chosen as the ‘Manager of the Year’ by Delhi Management Association in 1994. In 1996, Chatterjee was promoted to Rockwell International (Costa Mesa, California) as the Executive Director for South Asia and the Regional chief Representative for technology and business development. This is where his early romance with the Internet and e-commerce started which ultimately led him to be a founder director of vtPlex, India’s first eCRM infrastructure service. He did his graduation in Electrical Engineering from Jadavpur University (best graduate of the year) and his MTech. as well as Ph.D in Management Systems from IIT, Delhi. Jayanta is a Senior Member of IEEE, USA and an alumnus of Rockwell’s Global Leadership Programme and the Aspen Institute Leadership programme. He has been a visiting faculty at IIT, Delhi and Kanpur since 1994, teaching Strategic Management of Knowledge, Creative Problem Solving, Cyber Marketing and Management of Innovation. Jayanta Chatterjee can be contacted at jayanta@vtplex.com or in India at 91-11-6291150/6294905, fax at 91-11-6294907 Ext: 207 or in USA at 310-251-2564.