



MODUL PERKULIAHAN ELEARNING
MATA KULIAH - MCM 205 – ECOMMERCE (3 SKS)

PERTEMUAN 9 – *ELEARNING*

CRM (*Customer Relationship Management*) dalam eCommerce

Dosen
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Sumber penulisan modul:

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Customer Relationship Management (CRM) Systems

Customer relationship management systems are another important Internet marketing technology. A **customer relationship management (CRM) system** is a repository of customer information that records all of the contacts that a customer has with a firm (including Web sites) and generates a customer profile available to everyone in the firm with a need to “know the customer.” CRM systems also supply the analytical software required to analyze and use customer information. Customers come to firms not just over the Web but also through telephone call centers, customer service representatives, sales representatives, automated voice response systems, ATMs and kiosks, in-store point-of-sale terminals, and mobile devices (m-commerce). Collectively, these are referred to as “**customer touchpoints**.” In the past, firms generally did not maintain a single repository of customer information, but instead were organized along product lines, with each product line maintaining a customer list (and often not sharing it with others in the same firm).

customer relationship management (CRM) system a repository of customer information that records all of the contacts that a customer has with a firm and generates a customer profile available to everyone in the firm with a need to “know the customer”

customer touchpoints the ways in which customers interact with the firm

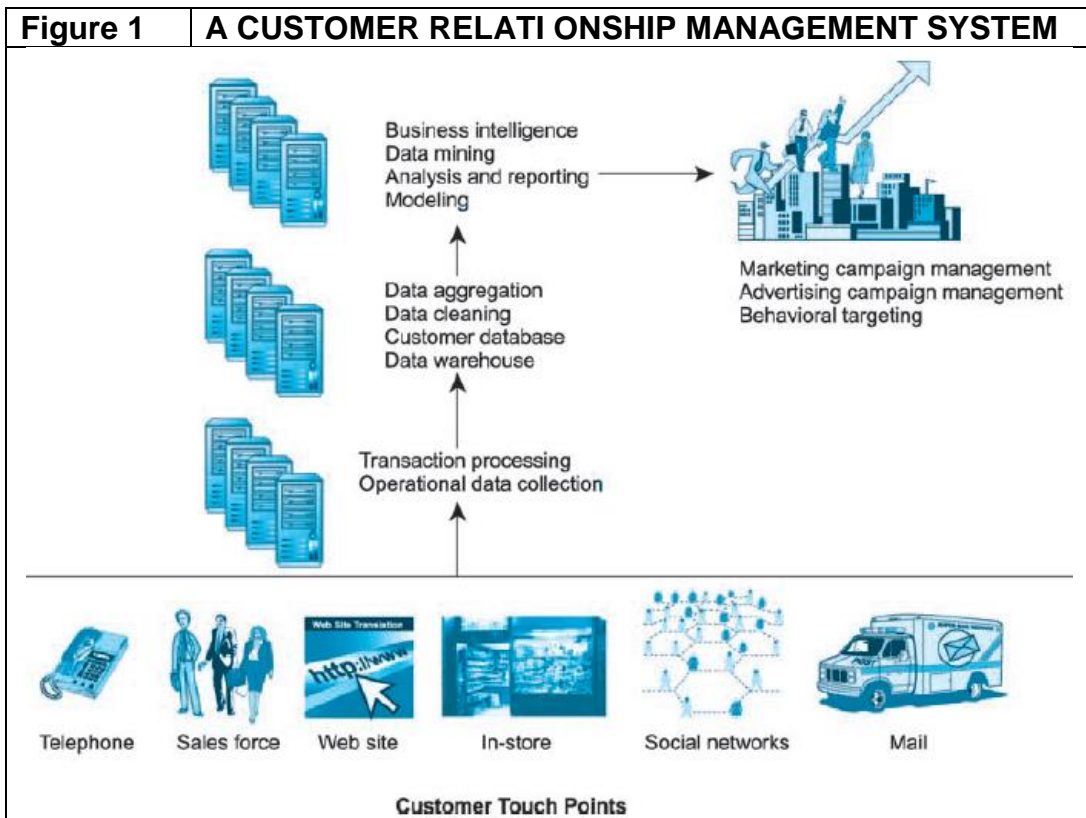
In general, firms did not know who their customers were, how profitable they were, or how they responded to marketing campaigns. For instance, a bank customer might see a television advertisement for a low-cost auto loan that included an 800- number to call. However, if the customer came to the bank’s Web site instead, rather than calling the 800-number, marketers would have no idea how effective the television campaign was because this Web customer contact data was not related to the 800-number call center data. **Figure 1** illustrates how a CRM system integrates customer contact data into a single system. CRMs are part of the evolution of firms toward a customer-centric and marketing segment-based business, and away from a product-line-centered business. CRMs are essentially a database technology with extraordinary capabilities for addressing the needs of each customer and differentiating the product or service on the basis of treating each customer as a unique person. Customer profiles can contain the following information:

- 1) A map of the customer’s relationship with the institution
- 2) Product and usage summary data
- 3) Demographic and psychographic data
- 4) Profitability measures
- 5) Contact history summarizing the customer’s contacts with the institution across most delivery channels
- 6) Marketing and sales information containing programs received by the customer and the customer’s responses
- 7) E-mail campaign responses
- 8) Web site visits

With these profiles, CRMs can be used to sell additional products and services, develop new products, increase product utilization, reduce marketing costs, identify and retain profitable customers, optimize service delivery costs, retain high lifetime value customers, enable personal communications, improve customer loyalty, and increase product profitability.

For instance, Home Depot saw increased competition from online hardware stores and decided to emphasize e-commerce as part of its business strategy. The company sought a comprehensive CRM solution that could organize and analyze information from both clicks and mortar. They used a CRM software package called Epiphany Insight to gain a better understanding of which Home Depot products were selling on the Web and enabled their customer service focus from their stores to exist on

the Web as well. Epiphany has since been acquired by Infor. Other leading CRM vendors include SAP, Salesforce.com, Oracle, Kana, and eGain.



This is an example of a CRM system for a financial services institution. The system captures customer information from all customer touchpoints as well as other data sources, merges the data, and aggregates it into a single customer data repository or data warehouse where it can be used to provide better service, as well as to construct customer profiles for marketing purposes. Online analytical processing (OLAP) allows managers to dynamically analyze customer activities to spot trends or problems involving customers. Other analytical software programs analyze aggregate customer behavior to identify profitable and unprofitable customers as well as customer activities.

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 acquisition. The importance of customer retention to long-term profitability is well known, but research summarized by Reichheld and Schefter (2000) shows that acquiring online customers is so expensive (20–30 per cent higher than for traditional businesses) that start-up companies may remain unprofitable for at least two to three years. The research also shows that by retaining just 5 per

cent more customers, online companies can boost their profits by 25 per cent to 95 per cent. These authors say:

but if you can keep customers loyal, their profitability accelerates much faster than in traditional businesses. It costs you less and less to service them.

Note that the relationship between customer loyalty and profitability has been questioned, notably by Reinartz and Kumar (2002), who discovered through analysis of four company databases that:

there was little or no evidence to suggest that customers who purchase steadily from a company over time are necessarily cheaper to serve, less price sensitive, or particularly effective at bringing in new business.

They have suggested that companies that base their marketing focus on the simple assumption that loyal customers are the most profitable will miss opportunities in targeting other potentially profitable customers.

Customer relationship management (CRM). An approach to building and sustaining long-term business with customers.

This chapter evaluates different techniques to both initiate and build relationships with customers by using a combination of online and offline techniques. The chapter is structured around the different stages of the classic **customer lifecycle** of **Select, Acquire, Retain, Extend**, as is shown in **Figure 2**. The figure emphasizes the importance of integrating customer relationship management activities across the appropriate channels.

Customer lifecycle. The stages each customer will pass through in a long-term relationship through acquisition, retention and extension. There are more detailed stages within this.

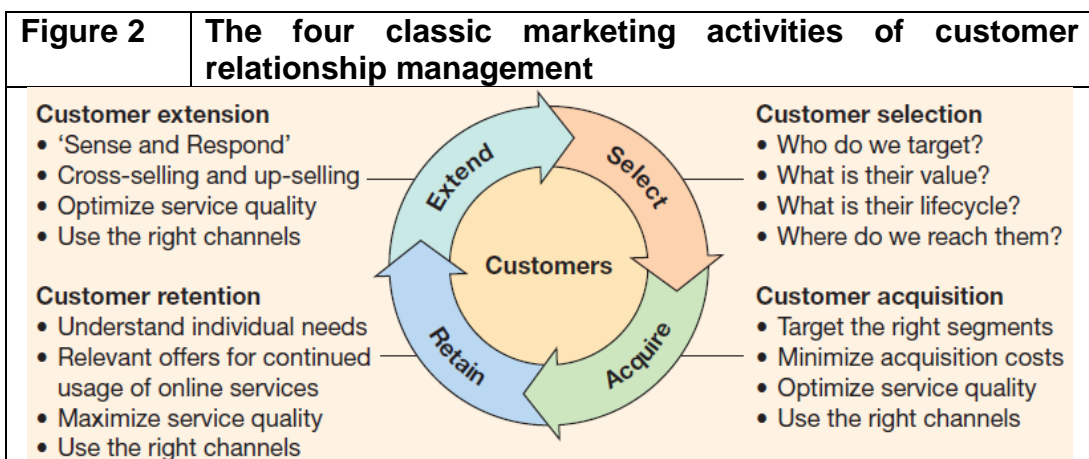
An alternative view of how CRM can be achieved via a web presence (although e-mail is also important) is the approach Yahoo! has used to build a profitable site. The managers of the site reported at industry conferences that an effective web site should have three characteristics:

- **Magnetic.** Acquisition of visitors by promotion and by making the site attractive.
- **Sticky.** Retention – keeping customers on the site once they arrive and encouraging them to engage in revenue-generating activities.

- **Elastic.** Extension – persuading customers to return, particularly for revenue-generating activities.

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. It means identifying different groups of customers for which to develop offerings and to target during acquisition, retention and extension. Different ways of segmenting customers by value and by their detailed lifecycle with the customer are reviewed and may want to selectively target customer types who have adopted e-channels.
- 2) **Customer acquisition** refers to marketing activities intended to form relationships with new customers while minimizing acquisition costs and targeting high-value customers. Service quality and selecting the right channels for different customers are important at this stage and throughout the lifecycle.
- 3) **Customer retention** refers to the marketing activities taken by an organization to keep its existing customers. Identifying relevant offerings based on their individual needs and detailed position in the customer lifecycle (e.g. number or value of purchases) is key.
- 4) **Customer extension** refers to increasing the depth or range of products that a customer purchases from a company. This is often referred to as ‘customer development’.



There are a range of customer extension techniques for CRM that are particularly important to online retailers:

- a) **Re-sell.** Selling similar products to existing customers – particularly important in some B2B contexts as re-buys or modified re-buys.
- b) **Cross-sell.** Sell additional products which may be closely related to the original purchase, but not necessarily so.
- c) **Up-sell.** A subset of cross-selling, but in this case, selling more expensive products.

- d) **Reactivation.** Customers who have not purchased for some time, or have lapsed, can be encouraged to purchase again.
- e) **Referrals.** Generating sales from recommendations from existing customers, for example member-get-member deals.

Note that although the concept of CRM is prevalent in current marketing thinking and provides a valuable framework for tactics to increase loyalty and profitability, it should be noted that it may not accurately reflect the way the customer views their dealings with a company. Consumers may simply see their dealings with an organization as an exchange relationship and will not believe that they are tied to any company, i.e they may say 'I don't want a relationship'. O'Malley and Tynan (2001) note that the concept of a long-term relationship or partnership may be more readily applied to B2B marketing than consumer marketing. They say consumers

do not consider this false intimacy an interpersonal relationship. It is not driven primarily by trust, commitment, communication and shared values, but by convenience and self-interest.

It is useful to remember this consumer perspective on relationships when considering tactics to employ to help build and maintain relationships.

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', and it is on this we focus in this chapter. Although **Figure 2** refers to the whole customer lifecycle, typically it is used to refer to customer retention and extension activities.

It is difficult to state where CRM ends and e-CRM starts, since today they both make extensive use of digital technology and media. This is what Chaffey and Smith (2008) say:

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 organisations 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.

Electronic customer relationship management (e-CRM). Using digital communications technologies to maximize sales to existing customers and encourage continued usage of online services.

More specifically, we can say that important e-CRM challenges and activities which require management are:

- 1) Using the web site for customer development from generating leads through to conversion to an online or offline sale using e-mail and web-based information to encourage purchase;
- 2) Managing e-mail list quality (coverage of e-mail addresses and integration of customer profile information from other databases to enable targeting);
- 3) Applying e-mail marketing to support upsell and cross-sell;
- 4) Data mining to improve targeting;
- 5) With a web site with **personalization** or **mass customization** facilities to automatically recommend the 'next-best product';
- 6) Providing online customer service facilities (such as frequently asked questions, callback and chat support) that help achieve conversion to sale (these can be triggered automatically so that visitors to a site who show high intent or distress through multiple page visits can be prompted to enter a chat session or a callback (staff resources may limit offering these to all site visitors);
- 7) Managing online service quality to ensure that first-time buyers have a great customer experience that encourages them to buy again;
- 8) Managing the multi-channel customer experience as customers use different media as part of the buying process and customer lifecycle.

To help understand the scope of e-CRM, you may also find **Figure 3** useful. This summarizes different marketing activities that need to be completed by an online retailer, structured according to customer acquisition, conversion and retention activities.

Personalization. Web-based personalization involves delivering customized content for the individual through web pages, e-mail or push technology.

Mass customization. Mass customization is the creation of tailored marketing messages or products for individual customers or groups of customers typically using technology to retain the economies of scale and the capacity of mass marketing or production.

Sharma and Sheth (2004) have stressed the importance of a trend from mass marketing to what is now widely known as 'one-to-one' or '**customer-centric marketing**' (although many would regard this as a tautology since the modern marketing concept places the customer at the

heart of marketing activity). They note that e-channels can have advantages in terms of delivering relevant messages and offers to customers at relatively low cost. It can also be used to support customization of products. These authors give the example of the Dell model where each PC is manufactured and distributed 'on demand' according to the need of a specific customer. This is an example of what they refer to as 'reverse marketing' with the change on marketing execution from product supply to customer need. Another aspect of this transformation is that online, web marketers can track the past and current behaviours of customers in order to customize communications to encourage future purchases. This approach, which is another aspect of reverse marketing and also a key concept with e-CRM, can be characterized as '**sense and respond communications**'. The classic example of this is the personalization facilities provided by Amazon where personal recommendations are provided. Companies can also arrange triggered or follow-up e-mail activity after a customer event such as a quote (as used by insurer MORE THAN, www.morethan.com) or an abandoned shopping basket (as used by Tesco.com) to encourage purchase.

Customer-centric marketing. The approach to Internet marketing function is based on customer behaviour within the target audience and then seeks to fulfil the needs and wants of each individual customer.

Sense and respond communications. Delivering timely, relevant communications to customers as part of a contact strategy based on assessment of their position in the customer lifecycle and monitoring specific interactions with a company's web site, e-mails and staff.

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. For example, a company wishing to acquire new affluent consumers may use postcodes to target areas with appropriate demographics, but within the postal district the population may be heterogeneous. The result of poor targeting will be low response rates, perhaps less than 1 per cent. The Internet has the benefit that the list of contacts is self-selecting or pre-qualified. A company will only aim to build relationships with those who have visited a web site and expressed an interest in its products by registering their name and address. The act of visiting the web site and browsing indicates a target customer. Thus

the approach to acquiring new customers with whom to build relationships is fundamentally different, as it involves attracting the customers to the web site, where the company provides an offer to make them register.

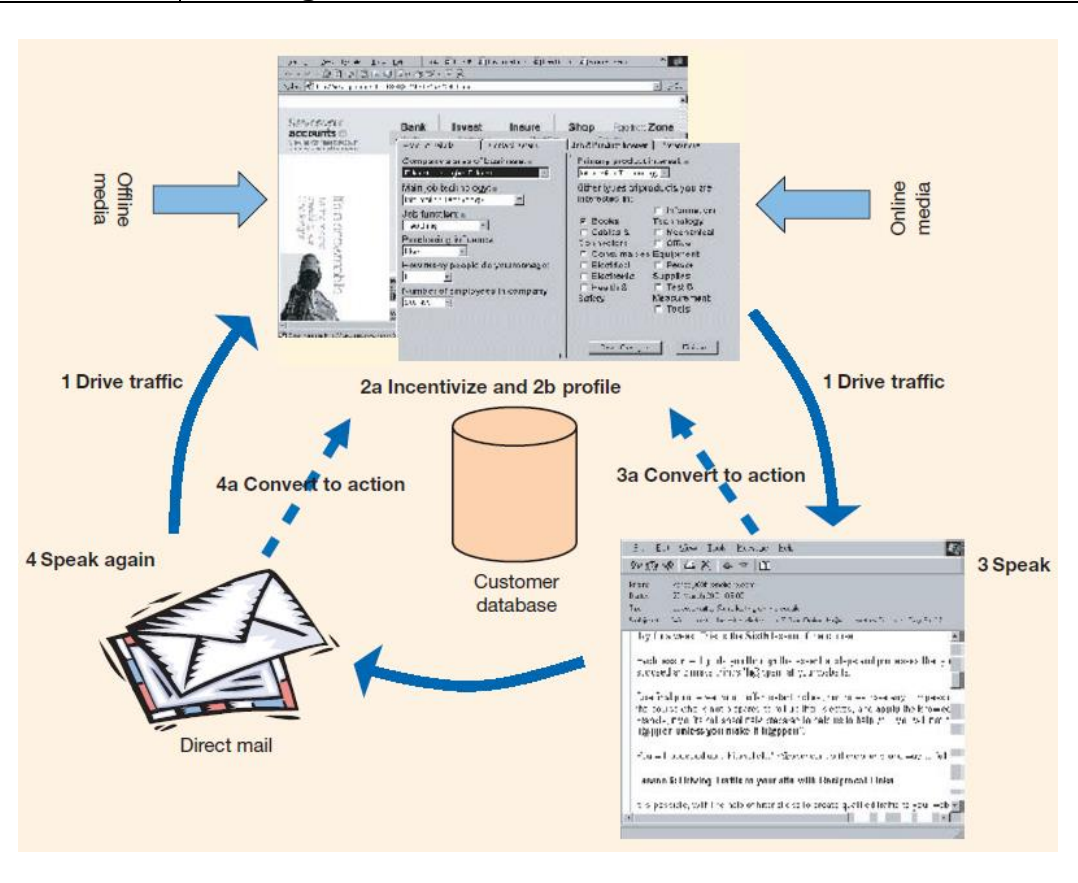
- 2) **Achieve mass customization of the marketing messages** (and possibly the product). This tailoring process is described in a subsequent section. Technology makes it possible to send tailored e-mails at much lower costs than is possible with direct mail and also to provide tailored web pages to smaller groups of customers (micro-segments).
- 3) **Increase depth, breadth and nature of relationship.** The nature of the Internet medium enables more information to be supplied to customers as required. For example, special pages such as Dell Premier can be set up to provide customers with specific information. The nature of the relationship can be changed in that contact with a customer can be made more frequently. The frequency of contact with the customer can be determined by customers – whenever they have the need to visit their personalized pages – or they can be contacted by e-mail by the company according to their communications preferences.
- 4) **A learning relationship** can be achieved using different tools throughout the customer lifecycle. For example, tools summarize products purchased on-site and the searching behavior that occurred before these products were bought; online feedback forms about the site or products are completed when a customer requests free information; questions asked through forms or e-mails to the online customer service facilities; online questionnaires asking about product category interests and opinions on competitors; new product development evaluation – commenting on prototypes of new products.
- 5) **Lower cost.** Contacting customers by e-mail or through their viewing web pages costs less than using physical mail, but perhaps more importantly, information only needs to be sent to those customers who have expressed a preference for it, resulting in fewer mail-outs. Once personalization technology has been purchased, much of the targeting and communications can be implemented automatically.

Customer profiling

To engage a customer in an online relationship, the minimum information that needs to be collected in an online form such as in **Figure 3** 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. The Peppers and Rogers site has now been updated to reflect this approach.

Qualified lead. Contact information for a customer and an indication of his or her propensity to purchase different products.

Figure 3 | A summary of an effective process of online relationship building



To continue the relationship it is essential to build a **customer profile** that details each customer’s product interest, demographics or role in the buying decision. This will affect the type of information and services delivered at the retention stage. For the customer to give this information a company will have to offer an incentive, establish trust and demonstrate credibility. Profiling is also important for selection – to identify potential customers who are likely to be profitable and offer appropriate incentives. Data protection and privacy law sets constraints on what can be collected from the customer.

Customer profile. Information that can be used to segment a customer.

Peppers and Rogers (1999) have applied their work on building one-to-one relationships with the customer to the web. They suggest the IDIC approach as a framework for using the web effectively to form and build relationships. ‘IDIC’ represents the following:

- 1) **Customer identification.** This stresses the need to identify each customer on their first visit and subsequent visits. Common methods for identification are use of cookies or asking the customer to log on to a site.
- 2) **Customer differentiation.** This refers to building a profile to help segment customers.
- 3) **Customer interactions.** These are interactions provided on-site, such as customer service questions or creating a tailored product.
- 4) **Customization.** This refers to personalization or mass customization of content or e-mails according to the segmentation achieved at the acquisition stage. Approaches for personalization are explained in the section on customer retention management.

Note that although we are suggesting it is vital to capture the registration information, this should not be too 'up-front' since studies reported by Nielsen (2000) show that having to register acts as a barrier to entering sites. So the advice is to delay customer registration as late as possible.

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.

The simple model of the buying process shown in **Figure 4** 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 (1997) identified five different types of web users who exhibit different **searching behaviour** according to the purpose of using the web.

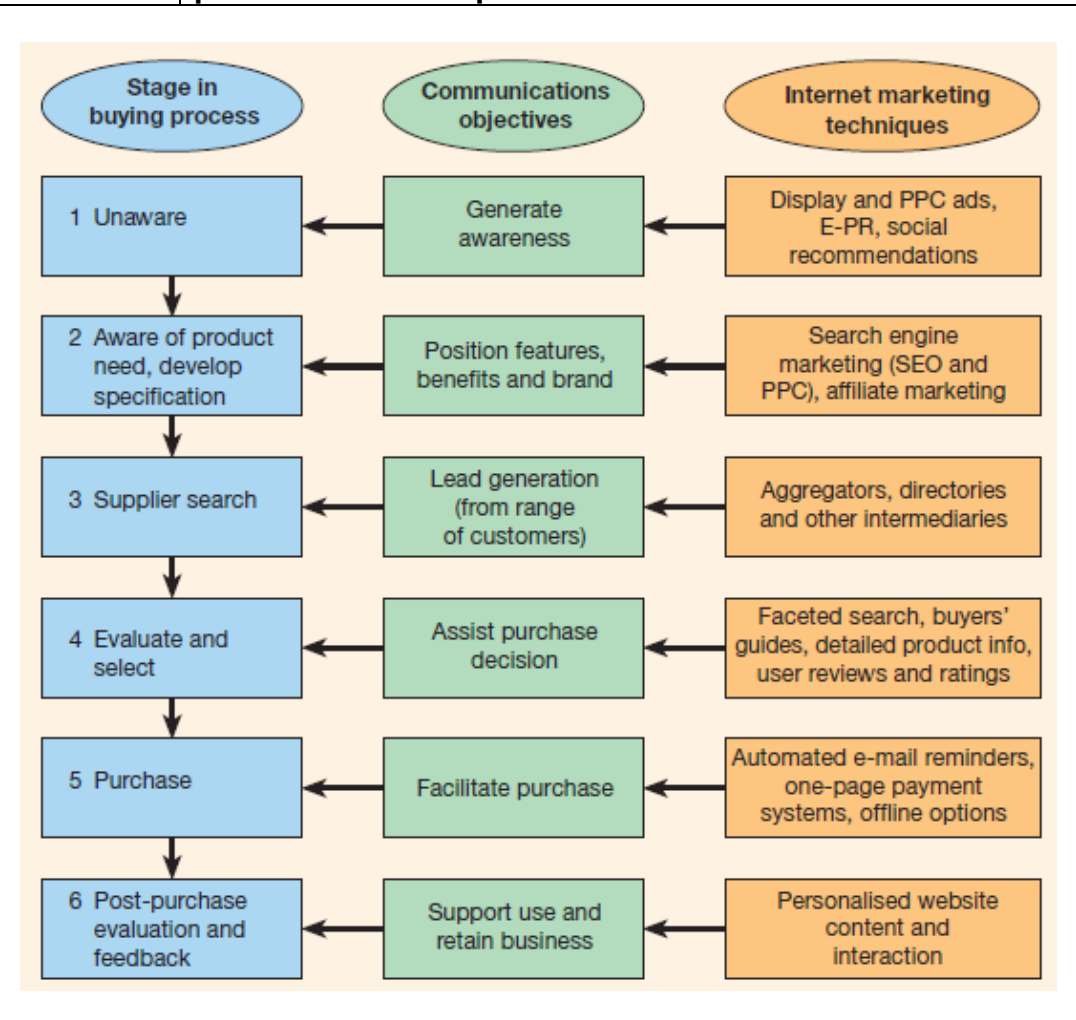
- 1) **Directed information-seekers.** Will be looking for product, market or leisure information such as details of their football club's fixtures. This type of user tends to be experienced in using the web and is proficient in using search engines and directories.
- 2) **Undirected information-seekers.** These are the users usually referred to as 'surfers', who like to browse and change sites by following hyperlinks. This group tends to be novice users (but not exclusively so) and they may be more likely to click on banner advertisements.
- 3) **Directed buyers.** These buyers are online to purchase specific products. For such users, brokers or cybermediaries who compare product features and prices will be important locations to visit.

- 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.

These different types of behaviour could be exhibited by the same person in different sessions online, or, less likely, in the same session.

Searching behaviours. Approaches to finding information vary from directed to undirected.

Figure 4 | A summary of how the Internet can impact on the buying process for a new purchaser



Marketing communications for customer acquisition including search engine marketing, online PR, online partnerships, interactive advertising, e-mail marketing and viral marketing

E-commerce managers constantly strive to deliver the most effective mix of communications to drive traffic to their e-commerce sites. The different techniques can be characterized as traditional **offline marketing communications** or rapidly evolving **online marketing communications** which are today referred to by those working in online marketing as **digital media channels**. From an e-commerce context, the objective of employing these techniques is often to acquire new visitors or 'build traffic' using the techniques summarized in **Figure 5**. In **Figure 5** the diversity of marketing communications that can be used to encourage site visitors is highlighted.

Offline marketing communications. Traditional techniques such as print and TV advertising used to generate web site traffic.

Online marketing communications. Internet-based techniques used to generate web site traffic.

Digital media channels. Online communications techniques used to achieve goals of brand awareness, familiarity, favorability and to influence purchase intent by encouraging users of digital media to visit a web site to engage with the brand or product and ultimately to purchase online or offline through traditional media channels such as by phone or in-store.

The characteristics of interactive marketing communications

To best exploit the characteristics of digital media, it is important to understand the different communications characteristics of traditional and new media. In this section, we look at eight key differences:

- 1) From push to pull.
- 2) From monologue to dialogue.
- 3) From one-to-many to one-to-some and one-to-one.
- 4) From one-to-many to many-to-many communications.
- 5) From 'lean-back' to 'lean-forward'.
- 6) The medium changes the nature of standard marketing communications tools such as advertising.
- 7) Increase in communications intermediaries.
- 8) Integration remains important.

Figure 5 | **Online and offline communications techniques for e-commerce**

