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The Customer Resource Management in the Internet Age

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Abstract

The fiercer and fiercer competition and the change of competition model make the customer more vital than before. In order to keep up with the changing situation, the competition-orientation turns from “product-center” to “customer-center” and there appears subsequently some new ideas such as “relationship marketing”, “customer relationship management” and etc. The customers’ status has been enhanced in the web age and the old ideas about customer management become out of date. So the author presents a new idea of customer management ----- customer resource management, which requires the enterprises take the customer as their own resource and make use of this resource to get competition advantage. The paper mainly discourses the following three aspects: the evolution of customer management ideas, the strategic analysis of customer resource and the strategic value of customer resource management.

1. Introduction

The customers’ status is promoted gradually during the fiercer and fiercer commerce competition. Meanwhile, the competition focus turns from products to customers and what is the key—point of a enterprise’s success is the manage-skill on those recognizable customers who buy a large amount of goods at one time and transact more times. Especially when there comes the web age, the economic-running model and the competition methods both changes greatly. The main cause is consumers’ demand going quickly on that way of individuality and diversity. Internet entitles consumers the dominant power----they can get much information by means of modern technology. So, companies can’t gain the leading position unless they can satisfy consumers’ demand fastest and best. This capability is the most important competition advantage in the e-commerce. Therefore, companies must put enough emphasis on the consumer (especially those customers) study and try to improve customer management level. It is of strategic meaning to each company.

There is close connection between the development of marketing theories and customer management ideas. In 1985, Babala Jackson put forward the concept of “*Relationship marketing*”. This new idea discarded the traditional idea of “*transaction marketing*” and denoted the marketing aim should be “trying to get, establish, maintain” the close and long-term relationship with customers. Once presented, the idea of “*Relationship marketing*” is popularly accepted and applied in a quite

wide range.

When time comes into 1990s, the internet-economy makes consumers a more important and active role in the e-commerce. We even can say it is consumers, not enterprises, that is the dominator now. Only trying to maintain the good relationship with customers with traditional tools (such as good product and other marketing endeavors) is hard to obtain customers or their praises, the current competition advantage is built on the capability of meeting customers’ personality-and-differentiation-demand fastest. In the web age, the unique method to gain long-time competition advantage is satisfying customers with high accuracy and rapidity; those who can’t do this will come to failure certainly. For this, there comes the new idea of “*Customer relationship management*” Which is based on the database technology and guided by the “*one-to-one marketing*” theory. “*Customer relationship management*” acquires demand information of customers by means of many kinds of web technology and other modern tools, such as the Emails, call-center, automation sale system and etc. Through analyzing the information having been collected by so many channels and combined with the traditional marketing instruments, “*Customer relationship management*” strives to supply the most rapid and excellent individualized service.

Compared to the marketing ideas based on the products and brands, “*Relationship marketing*” and “*customer relationship management*” both have great progress, but there is still much weak points in them. “*Relationship marketing*” regards customers as a fixed and passive factor and the quality of the “enterprise---customer” relationship which is decided by the enterprise’s endeavor in building relationship, what the customers have done and what they are doing have little influence. In other words, “*Relationship marketing*” treats customers as a passive receiver of all the enterprises activities; only the enterprise’s behavior can influence the relationship. This is the distinctive defect of “*Relationship marketing*”.

Although “*customer relationship management*” realized it is of great importance that customers imitatively show their demands in the process of relationship maintaining. Customers are still treated as a external factor----they are seen independent or even against to enterprises Both sides intend to gain more benefit: customers wish to meet their demand at the least cost, and enterprises wish to gain the greatest profits from customers. Obviously, the relationship built on this thought is quite unstable. Once either side can’t meet it’s own needs, it’ll be entirely hopeless in relationship

maintaining. Then, what the enterprises have done is in vain.

Furthermore, whether “*Relationship marketing*” or “*Customer relationship management*” regards the customer-satisfaction-level as a important index in evaluating the enterprise-customer relationship, and almost all the enterprises that directed by these two ideas take great endeavor in improving the customer-satisfaction-level. However, chasing only the high customer-satisfaction-level might lead enterprises to a wrong direction---there is huge difference between customer-satisfaction and customer-loyalty, and what is vital to enterprise is customer-loyalty. Firstly, the satisfied customers may not purchase from the same company again. The consumer habits, income, location and other factors will impact their consumer decisions. Secondly, enhancing the customer-satisfaction-level will expend much money and labor, but the possible end is the investment and output is more unbalanced. So, enterprises should know that the satisfied customers aren’t equal to the loyal customers, and only the loyal customers are the resource of their long-term profits--they even help enterprises build their core competition advantage.

Another problem of “*Relationship marketing*” and “*Customer relationship management*” is they both think the money customers pay for the goods or serve is the most meaningful even the unique value that customers bring to them, so they ignore customers’ great contribution on the many other sides.

All in all, it’s necessary to put forward a new idea of customer-management in the web age. Customers should be regard as a resource and even the critical resource (or call it strategic resource) that can determine the enterprises’ fate in competition, and enterprises should comprehend customers’ value comprehensively and manage customers based on this. We name this new idea as “*customer-resource-management*”.

2. The strategic analysis of customer resource management

2.1 The strategic value analysis of customer resource basing on the resource-based theory

The resource-based theory founded by Barney, Rumelt and Peteraf is the linkage of Porter’s competition advantage theory and Prahalad&Hamel’s core capability theory. Resource-based theory regards the enterprise as an ensemble of all kinds of resources, including the capital, capabilities, organization process, the enterprise’s characters, information, knowledge and etc. Only the critical resource but not the common resources can gain competition advantage for enterprises. The critical resource is the fountainhead of the core capability and it uplifts the enterprise to a more high revenue level (Penrose,1959).The critical resource must be of the following five characters: being valuable, being scarce, can not be completely cloned, can not be substituted by other resources, must be obtained at a price lower than its

value(Barney,1991).The study structure of the resource-based theory is “resources → strategic → achievement”, which shows the core notion of this theory: the difference of enterprises capabilities is resulted from their strategies or furthermore , and determined by their different resources. The resources influence an enterprise strategic first, and then the competition ability. Obviously, it is just the owned resources that determine an enterprise’s capability.

In the e-commerce, the material resources are easy to get, the technique can be cloned easily and its life cycle is shorter and shorter. So, it’s difficult for enterprises to build the core capability on these two factors.

Contrary to these, as a resource, customer-resource totally fits for the requirement demanded by Barney and furthermore, it has more value than the common strategic resource and contribute much to the core-capability’s forming and improving. So, treating customers as a critical resource and making strategies, the enterprises will do better in competition surely.

2.2 The strategic character of customer resource

The strategic resources are those resources, which can’t realize its expected purpose unless it enhances the enterprise’s capability at some sides (HengLi&YiLiu, 1996). To make full use of customer-resource, the enterprise must grasp the following strategic characters of customer quite well.

2.2.1 Stability and speciality

The good relationship between customers and enterprises will erect a transferring-barrier. Customers must undertake high cost if they transfer to another enterprise. For this, customers, especially those loyal customers, once generate trust to an enterprise; they’ll be the most stable resource. Study has proved that if the loyal customers increase 5%, in different industries, the profit will increase 25-95% (Reichheld, 1996). Meanwhile, except for buying repeated, the loyal customers also provide much valuable information timely. And the stability transforms into specificity in long run. It builds an entrance-barrier against the latent antagonists, which ensures the company to get the monopolized profits coming from loyal customers. It also sets a quitting-barrier to hold back the enterprise’s quitting from that industry, or else it’ll lose the profits could be gained from current customers and expend more on acquiring new customers. The stable customer resource also can stimulate employers to work hard for the enterprise’s aim.

2.2.2 Can be used repeatedly

Once be used, the majority resource’s value is completely excavated and can’t be used again, or their value in repeated-use is quite limited. Compare to them, the customer-resource can be used again and again, and most important, acquiring more knowledge about the whole enterprise in utilization, the customer-resource’s value is added at the same time. It can generate greater

effect in the next time utilization.

2.2.3 Network-effect

A resource often has a single utility and can be used at one method only, but the customer-resource gives more contribution to the enterprise, in other word, we can say it has the network-effect

Customers not only bring enterprise money, they also bring much information and by which, enterprise can meet customers' need quickly and exactly. The mouth-recommendation brings many customers and even the customers' customers can become the enterprise's customers. Furthermore, forming cooperate-partnership with their customers, enterprise in finance difficulty might obtain capital from its customers. They are willing to pay for the goods beforehand, even lend money to the enterprise. Except for this, the customer-resource can be shared with other companies and the sharers all can benefit from other' customer-resource. For example, the combined sale of Coca-Cola and Pint can be seen as sharing the two companies' customer-resources, or we can call this the repeated-selling of customer-resource. So, we can say the customer-resource will generate network revenue for the enterprises.

2.2.4 Driving-force

Driving-force means that besides its core-value, customer-resource can push other resources turning towards strategic resources (See Figure 1). From the chart, we know that the critical resources might come from some scattered resources or innovated by modern techniques or purchased from outside. The sources' features never are unchangeable, with time flying; even the strategic resources might be less useful and turn into common resources. Customer-resource lies in all departments and all manufacture-processes, it can help enterprises evaluate, select resources and optimize its business process. Directed by customers information, the human resources, capital, materials all can be allocated effectively and realize their greatest value. Meanwhile,

the inferior resources will be discarded. In fact, the pushing-force really improves the resources' using-efficiency and then, enhances the enterprise's long-time competition capability.

2.2.5 Virtuality

Now, many enterprises have treated customers as their capital and evaluated it with the index of "customer-lifetime-value", which is the profit customer bringing during the whole consume-lifetime. The total profits need to be reappraised into the current value. Because the customers' consumer behavior isn't fixed in future, what we estimated now is quite possibly to change, so, the customer-capital only can be seen as artificial capital.

The same problem lies in the idea of customer-resource. First, customers' personalities, consumer-habits, interests, income, knowledge is changing continuously, especially the predilection. Second, whether the customers have the willing of offering information or not is influenced by their mentalities and technology conditions. Third, considering the ownership, the feature of virtuality is especially distinguishable. Once having got them, enterprises have the ownership of the general resources. However, similar to the human-resource, only the usufruct of customer-resource can be gained, the ownership is still belonging to the customers themselves.

Thinking of these, what the enterprise can do is treating customer-resource as an artificial resource and put enough emphasis on its changeability and virtuality.

3. The strategic value of practicing the customer-resource management

agement

3.1 Optimizing the organization structure and business process

Customer-resource management will help enterprise

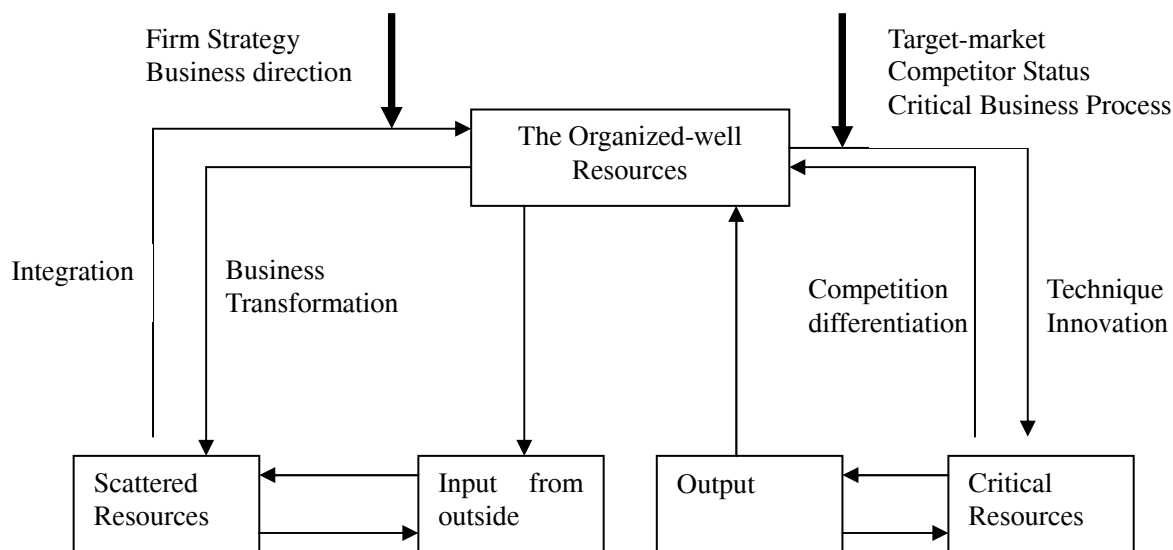


Figure 1. The process of common resources turning into critical resources

optimize its structure and business processes, and make it react to the market fast. In order to include customers into their resources and form close customer-enterprise relationship, enterprises must have the capability of collecting customers' information timely; which requires them provide convenient communication channels. So, except for realizing the manufacture and management automation, enterprises must do some adjustment to become a new flexible organization. According to this, the traditional line-produce and line-information-transferring are outdated. Manufacture and information communication should be accomplished simultaneously now, and all departments can cooperate and share information synchronously. This will improve the manufacture efficiency and management level, and most important, which will induce the beneficial circulating between structure optimizing and efficiency-improving in long-time.

3.2 Building and enhancing the core competition capability

The resources which can't enhance the enterprise's capability neither can generate monopoly profit nor build core competition advantage in the free competition. As a strategic resource, customer-resource has unequalled benefit on innovating technology and optimizing resources-allocation. It's useful in selecting premium resources and pushes them into valuable critical resources, which does great contribution to strengthening the core capability. Just as saying before, customers can provide market information, help resources selecting, allocating and technology innovation, optimize structure and manufacture process and etc. All these are the fountain of building and improving the core capability. Furthermore, because customer-resource is renewing and adding value to itself continuously, it causes all the activity above be carried out persistently. In this meaning, customer-resource not only from the core capability, it also improve it on and on, so, the core capability is strengthening screwing, which is the most precious situation that each enterprise chases after.

3.3 Strengthening the general competition advantage

The applying of customer-resource can improve the enterprise's general competition capability. Customer-resource brings direct and indirect benefits to each company. Direct benefits mainly mean customers' consume-behavior will provide money and profit. The indirect benefits are as the following: First, the information provided by customers is the most critical factor for forming competition advantage. Second, the mouth-recommendation has great influence, especial, the

loyal customers' opinions and behaviors will provide a learning-model and enlarge the customer-group (or call it customer extension). One research on 7,000 consumers in seven Europe countries has proved that relations or friends influenced more than 60% purchases (Kiely, 1993). In fact, each company can enlarge its customer-group by means of this mouth-recommendation. Third, the collaboration-relationship between customers and enterprises will prevent customers' output to other companies, or it will cost them a lot. And in order to get more from the relative enterprise; customers might be willing to help enterprise cope with all kinds of crisis, besides the finance-crisis mentioned above. For example, when enterprises are in crisis for their own mistakes, customers are easier to forgive them and the expenditure of compensating on loyal customers is much less than on the common consumers.

4. Conclusion

Above all, we can know that customer-resource have huge contribution to the new-product development, products (sever) sale, customer extension, enhancing intangible assets (mainly referring the brand-equity and the enterprise's image-value), collecting money, saving marketing expenditure, overcome crisis and etc. So, if any enterprise can manage and handle the customer-resource well, it'll erect a secure-effective-all-round-barrier against the antagonists, which is the source of the general competition advantage for long-time.

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