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ELECTRONIC CUSTOMER RELATIONSHIP MANAGEMENT: BENEFITS AND PRE-IMPLEMENTATION CONSIDERATIONS

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Abstract

ECRM has become the latest paradigm in the world of Customer Relationship Management. Electronic Customer Relationship Management (ECRM) is becoming more and more necessary as businesses take to the web. No longer can web-enabled companies rely on the traditional brick & mortar strategies that have gotten them to where they are today. Such organizations have to evolve with the market instead of behind it. This paper promotes the value of ECRM, explores its benefits and outlines the focal points to address prior to implementation.

Introduction

All organizations involved in on-line business to business and/or business to consumer selling need to educate themselves about the phenomenon of electronic Customer Relationship Management. Also known as Electronic Commerce Customer Relations Management, ECRM is concerned with attracting and keeping economically valuable customers and eliminating economically invaluable ones (Romano 2001). Romano is convinced that ECRM will continue to develop as an important area of study in MIS and such relevant referent disciplines as Computer Science, Marketing and Psychology (Romano 2001). What, then, is the relationship between customer behaviors and corporate opportunities to implement ECRM? Customers purchase on-line for a number of different reasons. A Forrester Research study of 70 retailers found that convenience was the number one ranked reason (84%) for purchasing on-line versus off-line. The fact that customer service ranked 7th on the list of reasons to purchase on-line (11%) suggests that customers are willing to trade-off better levels of “off-line” service for the convenience afforded by on-line purchasing. On-line retailers need to acknowledge that first-time purchasers at their sites will not necessarily, or even likely, become repeat customers. A study by the Boston Consulting Group found that 65% of on-line customers who purchase at a given web site will never make a second purchase. These facts should be a wake-up call to web-enabled companies that there is a real service gap to address and that additional profits await those companies who quickly find a way to fill this gap. ECRM can help companies meet this challenge. The convenience of shopping on-line may bring customers in through the virtual door, but what keeps them coming back through that same door is the overall quality of the customer experience. Web-enabled organizations need to understand this, because the cost of marketing to an existing customer is \$6.80 over the Internet versus \$34.00 to attain a new web customer (Karpinski 2001). Investing in ECRM solutions will give companies the tools they need to create, maintain and extend competitive advantage in their market spaces. Having here established the ECRM imperative, this paper will detail the benefits of ECRM systems and discuss the five focal points to consider before implementing an ECRM solution.

Benefits

A recent McKinsey & Co. study revealed that a 10% gain in repeat customers can add about 10% to the company's profits. On the other hand, a 10% reduction in the total marketing expenditures needed to attract new visitors adds only .7% to the bottom

line (Sims 2000). In essence, keeping existing customers happy is more profitable than going after greater numbers of new customers, even when a company is able to pare down the cost of attracting new customers. The best way to keep one's existing customers happy is to deliver value to them on their own terms (Jutla et al. 2000). Anderson Consulting found that as much as 64% of the difference in return on sales between average and high performing companies is attributable to ECRM performance (Sims 2000). Improvements in the overall customer experience lead to greater customer satisfaction, which in turn has a positive effect on the company's profitability. The following benefits can be realized with proper ECRM implementation:

Increased Customer Loyalty

An effective ECRM system lets a company communicate with its customers using a single and consistent voice, regardless of the communication channel. This is because, with ECRM software, everyone in an organization has access to the same transaction history and information about the customer. Information captured by an ECRM system helps a company to identify the actual costs of winning and retaining individual customers. Having this data allows the firm to focus its time and resources on its most profitable customers (epiphany.com). Classifying one's "best" customers in this way allows an organization to manage them more efficiently as a premium group, with the understanding that it is neither necessary nor advisable to treat every customer in the exact same way.

One tool that a company can implement in pursuit of customer loyalty is personalization (Waltner 2001). Personalization software tools generate real-time profiles for each customer using data from many sources including customer databases, clickstream data and transaction systems. The tool selects the best offer each time a particular customer shops the company's web site based on what it "knows" about that customer. As an individual accepts or declines an offer, the personalization engine builds this knowledge of the customer into his/her profile, making it available for better-informed future offers (Greenberg 2001).

More Effective Marketing

Having detailed customer information from an ECRM system allows a company to predict the kind of products that a customer is likely to buy as well as the timing of purchases. In the short to medium term, this information helps an organization create more effective and focused marketing/sales campaigns designed to attract the desired customer audience (epiphany.com). ECRM allows for more targeted campaigns and tracking of campaign effectiveness. Customer data can be analyzed from multiple perspectives to discover which elements of a marketing campaign had the greatest impact on sales and profitability, for example (Greenberg 2001).

Improved Customer Service and Support

An ECRM system provides a single repository of customer information. This enables a company to serve customer needs quickly and efficiently at all potential contact points, eliminating the customer's frustrating and time-consuming "hunt" for help (epiphany.com). ECRM-enabling technologies include search engines, live help, e-mail management, news feeds/content management and multi-language support. With an ECRM system in place, a company can:

- more accurately receive, update and close orders remotely,
- log materials, expenses and time associated with service orders,
- view customer service agreements,
- search for proven solutions and best practices,
- subscribe to product-related information and software patches, and
- access knowledge tools useful in completing service orders (peoplesoft.com).

All of these expanded capabilities work together to keep the customer right where s/he belongs: at the center of the company's attention.

Greater Efficiency and Cost Reduction

Automating customer data mining saves valuable human resources. Integrating customer data into a single database allows marketing teams, sales forces, and other departments within a company to share information and work toward common corporate objectives using the same underlying statistics (epiphany.com). Examples of this are identifying unproductive/underutilized

resources, closer tracking of costs, better forecasting for the pipeline and setting realistic project metrics and measurements to quantify return on investment.

Pre-Implementation Focal Points

Once a company has identified the need for ECRM, it can begin to plan for implementation. The following focal points should be considered at the pre-implementation phase:

Developing Customer Focused Business Strategies

The objective of this step is not to try to mold the customer to the company's goals but to listen to the customer and try to create opportunities beneficial to each. It is important to offer customers what they are currently demanding and anticipate what they are likely to demand in the future. This can be achieved by providing a variety of existing access channels for customers, such as e-mail, telephone and fax, and by preparing to provide for future access channels such as wireless communication.

Retooling Business Functions

Starting to do business via ECRM will require disruptive organizational change in order to determine which departments/functions are truly servicing the customer and which ones are only adding to overhead. After identifying and trimming redundant head-count, administrative time and cost should drop. A major factor here is that the changes required during an ECRM implementation will only be possible with buy-in from the top levels of management and with company-wide accountability of all stakeholders. It is the responsibility of senior management to ensure that all employees understand the necessity of the changes, how the new structure will benefit them, and how it will enhance their ability to serve their customers.

Work Process Re-engineering

The departmental role and responsibility changes from retooling business functions will necessitate adopting new work processes. The choices here are to take the traditional step-wise approach or an integrated one toward improving work efficiency. Under the step-wise approach, departments are treated as separate efficiency entities. This rarely produces good results because the goals of each department can become too parochial, and departments tend to compete internally for their own benefit at the expense of what's best for the company. We recommend the integrated approach. It tends to produce superior results because it recognizes the interdependencies among the company's multiple functions/departments and how these create the larger perspective of the entire organization.

Technology Choices

The focus here is to consider the company's industry, the company's position within its industry, and which ECRM configurations are good candidates for the company in particular. Criteria for technology selections include:

- scalability of software
- tool set flexibility for customization
- stability of the existing ECRM application code
- compatibility of ECRM application with legacy and internet systems
- level of technical support available during and after implementation
- upgradable support
- the availability of additional modules (Sims 2001).

We cannot stress enough that an in-depth study of the compatibility of the proposed ECRM system with a company's existing ERP system is absolutely essential. Customer-facing applications must be coherently linked to the transactions that they generate behind the scenes. Without integration of ERP and ECRM systems, organizations risk redundancy of data, increased response times and loss of customers due to delays and botched transactions. With such integration, however, improved business

intelligence is possible by capturing data at every point of customer contact, from order-entry to fulfillment, via multiple media channels (White 2000).

Training and Preparation

This focal point is arguably the most important one in ECRM implementation. Training of employees should occur before the new ECRM system has been implemented to ensure a seamless transition for customers. Anyone who requires access to the system should receive full, appropriate and timely training. Training should be an ongoing, managed activity as systems must continuously change and evolve. All training and tools used should be thoroughly documented for current, new and future employees. Without a documentation management scheme, the value of the ECRM system could degrade rapidly. A firm should plan to spend about 5% of its total ECRM implementation on training (computerworld.com).

Conclusion

ECRM has arrived and whether or not the name remains, the concept is here to stay. We have identified the five critical issues that companies must consider at the threshold of ECRM implementation. We have also explored the customer-centric and corporate benefits of implementing an ECRM solution, with the understanding that ECRM efforts will only succeed when organizations make their customers win. Increasingly, the information age has inspired a new breed of customer who is not willing to take “No” for an answer when the question is: “Will your company use its talent and resources to allow me to pull from it the products and services I need in order to be productive in my professional and private life?”. ECRM solutions give companies the power to say “YES!”. The very survival of these organizations depends on their commitment to this answer.

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