

## ROLE OF CRM e-BUSINESS IN KNOWLEDGE ECONOMY

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### ABSTRACT

CRM e-Business is a phrase most commonly used to describe electronic business. It means any business that utilizes a computer and carries out its activities through computer and involves in selling products and services online. This enables the business to easily attract number of customers than before. As the traditional trader has very little to offer when compared to the online merchant for e-Business started when in order to increase their customer base and serve customers better. The purpose of this study is to gain a better understanding of CRM in e-Business. Our paper explores, describes and begins to explain how CRM objectives are described, managed, measured and evaluated and the different reasons that help the growth of CRM in e-business. This paper also enlightens regarding how the customer as well as the organization benefits using CRM e-Business in their knowledge economy also. For large companies, it's a saving of millions in upfront investments in hardware, software, integration, and hiring. For growing companies, it's the sophisticated network of a larger competitor at a fraction of the cost.

**Key words:** CRM, e-Business, roped, surpassed.

## 1. INTRODUCTION:

While retaining customer loyalty has been a sales principle for a very long time, Customer Relationship Management (CRM) is actually a tremendous step forward in creating a system that can provide a means for retaining individual loyalty in a world of nearly 6 billion souls (Croteau & Li, 2001). In order to understand CRM, user must understand the changing nature of the customer because customers are not what they used to be (Greenberg, 2001).

Today, customers are more highly educated under higher stress, more specialized, living longer, and more influenced by global culture than those of the 60s and 70s when our view of marketing was formed (Wilson, Daniel, & McDonald, 2002). This as well as emergence of e-Business, organizational dynamics and cultural change issues has dramatically shifted organizations functional units to focus on the customer. Consequently, organizations has recognized the need to develop customer-centered orientations (Romano, 2003). Organizations are learning more about their customers and their preferences, needs and expectations (Jukic, Jukic, Meamber, & Nezelek, 2003). According to Schultz (2000) the practice of planning, creating and managing customer relation ships has nowadays become the heart of organizational strategy and the key to customer retention.

The hype surrounding CRM has only been pervasive within business, technology, media and academic communities since early 1997 (Fayerman, 2002). According to Wilson et.al., (2002) the influential study by Reichheld and Sasser (1990), which showed the large impact on profitability of small increase in customer retention rates, was the start out, making the marketing community more conscious of the need to manage customer relationships in the long term as well as prior to the first sale.

CRM may be used to create a personalized one-to-one experience that will give the individual customer a sense of being cared for, thus opening up new marketing opportunities based on the preferences and history of the customer (Wilson, et al., 2002). CRM is also a customer focused business strategy that aims to increase customer satisfaction and customer loyalty by offering a more responsive and customized service to each customer (Fayerman, 2002).

“CRM is about managing customer knowledge to better understand and serve them. It is an umbrella concept that places the customer at the center of an organization. Customer service is an important component of CRM, however CRM is also concerned with coordinating customer relations across all business functions, points of interaction and audiences” (Bose & Sugamaram, 2003, p.4).

“CRM is an enterprise-wide mindset, mantra and set of business process and policies that are designed to acquire, retain and service customers. CRM is not a technology, though Technology is a CRM enabler” (Greenberg, 2001, p.14).

The emergence of the Internet heralded a new opportunity for customer relationship building (Croteau & Li, 2000). For one thing, search engines made it easier for customers to find online merchants and interact with them. Moreover, the Internet simplified bi-directional communication, for the first time offering a better way for consumers to relay personal information to the merchant. Instead of waiting to be mailed a form to open an account or order by phone, a prospective customer needed only to send an application through cyberspace, resulting in shorter delivery time, improved accuracy and quite often a higher positive perception (Strauss & Hill, 2001). In fact, the Internet is an environment of zero latency, offering real-time information, and often on-demand product delivery (Bradshaw & Brash, 2001).

According to Ragins & Greco (2003) Internet Business-to-Business (B2B) sales will reach \$11.3 trillion by the end of 2003 and by 2004, Business-to-consumer (B2C) sales will reach \$100 billion. The Gartner Group estimate that 75 percent of all e-Business ventures will fail due to lack of technological understanding and poor business planning. Despite the risks, the Internet challenge is intriguing. Successful e-Business today have moved beyond an arm's length transactional view of their customers to forging rich customer relationship (Ibid). The contact strategy includes using past purchase patterns to

anticipate new needs and wants that can be targeted with new offers as well as two-way communication on the Internet that offers more immediate and direct consumer feedback (Wilson et.al., 2002).

A new term for taking care of customers via the Internet, eCRM, is recently applied by some organizational and academic communities (Ragins & Greco, 2003) refers to electronic customer relationship management or more simply, CRM that is web-based (Dyche, 2001). There is a lot of debate even whether eCRM is a real designation or just a marketing ploy by CRM organizations and academics trying to distinguish themselves in the rapidly increasing morass of CRM pretenders (Greenberg, 2001). According to Greenberg (2001) eCRM is CRM and CRM must become eCRM. The problem of the study is how information technology will help the organization to work effectively and what is the different measures organization has to adopt to attract the customers towards their organization. The study is also concerned about the effect of information technology in knowledge levels of the organization.

The present study is based on the secondary data. The objective of the present study is to get the better understanding of CRM in e-business and how CRM objectives are described, managed, measured and evaluated in the organizations and to find out the role of CRM e-Business in Knowledge economy and the reasons for the growth of CRM e-Business.

## 2. CRM OBJECTIVES:

In this section objectives for CRM within an organization will be discussed. Objectives of CRM will be described in order to present different views of the topic.

According to Kim et al., (2003) CRM objectives can be divided into four categories as described below:

1. Customer Knowledge:
  - a. Collecting appropriate customer information
  - b. Analyzing customer data
  - c. Acquiring new customers
  - d. Improving skills of employee
  - e. Improving CRM technique
  - f. Secure service
2. Customer Interaction:
  - a. Appropriate response to customer request
  - b. Integration of business processes
  - c. Improving channels management
  - d. Maximizing the effectiveness and efficiency of organization operations.
  - e. Customizing products and services.
3. Customer value:
  - a. Improving customer retention
  - b. Profits increase
  - c. Improving customer service and support
  - d. Building an attractive virtual community
4. Customer Satisfaction:
  - a. Improving service quality
  - b. Establishing relationship with customers.

To build and maintain relationships is very important to make the customers loyal and it is good to keep the customers and prevent them from leaving the organization and instead purchase the products from one of their competitors. It is also more cost effective to keep the customers instead of having to find new ones all the time.

To improve the organizations knowledge about their customers is also of important objective. By improving the knowledge the organization can offer their customers products that are more in line with the customer needs. This also makes the marketing efforts more effective since the organization will know wants customers wants and searching from. By knowing customers want and will request also improve the organizations own logistics. This makes the stocks smaller and the stock holding becomes more effective. It is important to segment the customers into groups and learn how each group of customers wants to interact. When it comes to issue such as channel management and product preferences.

**3. MANAGEMENT OF CUSTOMER RELATIONSHIPS:**

In this section the theories that deal with the management of customer relationships within an organization will be discussed.

**3.1 The Ideal CRM Organization:**

According to Bradshaw and Brash (2001) to deal with the challenges of customers relationships in the fast-evolving Internet world, even the most customer-focused companies have to understand the three essential insights to getting customer relationships right (Figure 3.1)

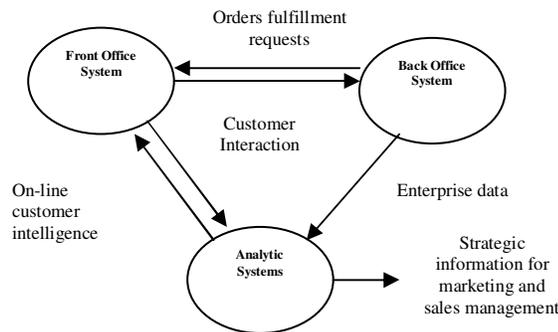


Fig. 3.1: The “Virtuous Triangle” of CRM  
Source: Bradshaw & Brash (2001), pp. 525.

Extending CRM into multiple media means integrating the front office and aspects of the back office with different communication channels. Figure 3.2. This has to be done in a methodical way and organizations that get this part right will have through carefully about the technical infrastructure they need. Standards are rapidly developing in this area and many vendors are building media portals that allow the organizations using them to deal consistently with customers across multiple media.

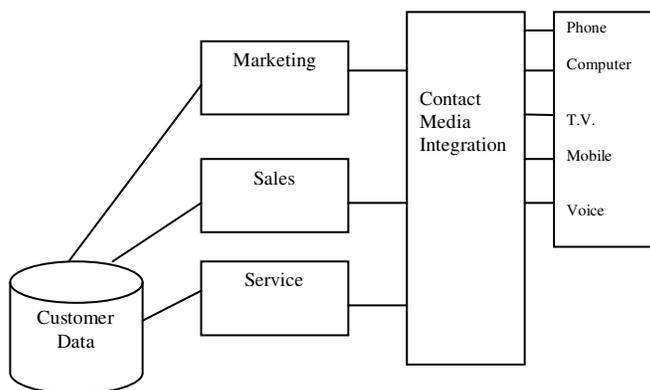
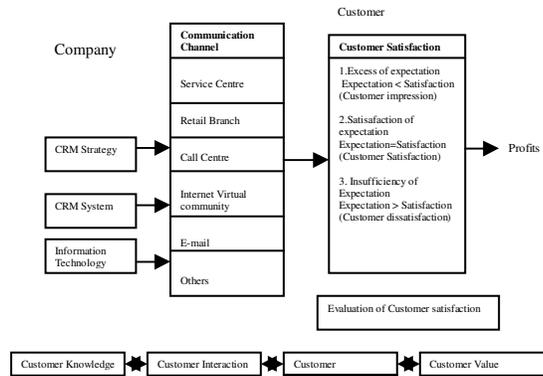


Fig. 3.2 CRM and Multiple Media



Source: Bradshaw & Brash (2001), pp. 526.

In management of Customer relationship top management involvement and staff involvement is crucially important. All members of the staff must have a customer in mind when decisions are made and to make this work the top management must be good role models. It is also important to have a long-term view to retain the customers for a long time.

**4. CRM EVALUATION:**

In this section theories deal with evaluation tools, which can assess both tangible and intangible elements when organizations evaluate the effectiveness of their CRM are reviewed.

**4.1 Metrics of CRM Effectiveness:**

Kim, Suh & Hwang (2003) propose an application framework for evaluating CRM effectiveness. In the framework, Figure 4.1 each perspective is evaluated by appropriate metrics. According to Kim et.al., (2003) there are some reasons why performance measurement is so powerful in enhancing business. First, measurement removes the ambiguity and disagreement that surround high-level strategic concepts. Second, measurement provides the precise language for clearly communicating at all levels what the organization wants to accomplish and how it intends to accomplish it. Third, measurement allows the continual evaluation of organizational alignment on strategic objectives. Last, measurement not only improves the probability but also speeds the pace at which change occurs. The four perspectives are customer knowledge, customer interaction, customer value and customer satisfaction.

Figure 4.1 The Evaluation Process of CRM  
Source: Kim, Suh & Hwang (2003), pp.14.

Customer Knowledge – In order to adopt the current customer-centric business environment, organizations use data mining and data warehousing technology. A major problem is filtering, sorting, manipulating, analyzing and managing this data in order to extract information relevant to CRM activities. Data mining tasks are used to extract patterns from large data sets .With the shift from mass marketing to one-to-one marketing.

Technology learning is also important towards understanding customers. It is required, therefore, to assess employee skills to use customer information effectively. Security is another basic and critical

prerequisite when dealing with customer information. Security, in particular, has been a serious issue concerning online purchases and an impediment to the acceptance of the e-channel. Many customers are concerned about the amount of personal information that is contained in databases and how it is being used. Customers perceive safety of transactions and seller empathy as important. Table 4.1 shows the metrics of customer knowledge.

**Table 4.1: Measures for Customer Knowledge**

<b>Objectives</b>	<b>Measures</b>
Collecting appropriate customer information	Customer acquisitions (No.)
Analyzing customer data	Number of customers (No.)
Acquiring new customers	Web marketing
Understanding customer needs	Page views per day (No.)
Improving skills of employee	Visits per day (No.)
Improving CRM techniques	Net sales employee (%)
	Technological capacity (No.)
	Frequency of hardware upgrade (No.)
	R & D investment (Rs.) <b>Support R &amp; D</b> Data Warehouse, Data mart, Data mining, Multi-dimension analytical <b>Service R &amp; D</b> Customer segment personalization Recommendation Web service
	Customer profile research (Rs.)
Secure service	Security level (%)

**5 REASONS FOR THE GROWTH OF CRM e-BUSINESS:**

As per the secondary data is concerned the following are the various reasons with which the CRM e-business has grown drastically throughout the world. The reasons are

1. The technology, benefits of electronic technology and the easily available software's. Companies find that availing of CRM e-Business facilities boosts them to a great extent. The reason e-Business has succeeded is on account of to provide cost effective solutions that require very little time to implement.
2. Traditional business methods have proved tiresome. Costly and very cumbersome. As a result businesses have been looking around for a better solution. The business solutions proved to be just the strategy that was required. Flexibility and the ability to adapt to a changing environment is CRM e-Business finds easy to do.
3. CRM e-Business includes companies that use the Internet to acquire primary supplies for in-house production. This is known as e-Procurement. It has actually cut down cost considerably making it a good bet for companies achieving cost effectiveness.
4. It also has the added advantage of being able to track purchase and purchasing efforts efficiently. It helps in the buying and selling of products the organization to use electronic chat as a means of technical support. This helps any company to save time and effort and the same time opportunities that the traditional system could not. What's advantageous virtual computer system can be used and with the download of a program relevant information about hardware and software specifications can be downloaded to support the team directly.
5. In addition it manages to maintain a central server or email list as a meeting point to distribute information, rather than having costly and time consuming machines. In the past few years almost all companies have become to some level to adopt e-Business. CRM e-Business is right now increasing the change of building increasing the sales revenue by increasing the area of operation, reducing costs, increasing productivity and thereby hiking the efficiency of the CRM application as well.
6. CRM e-Business solutions give companies a well-planned and easily available business strategy that caters to both the customer needs as well as the business needs. Both these need to be adequately catered to in order that companies to sustain in the market. The net result of implementing CRM e-Business strategies increases the customers and overall productivity.

## 6. CONCLUSIONS:

The market for e-business on demand is growing rapidly. The global opportunity is pegged at \$25 billion for 2002, including hosting, managed services and IT outsourcing, escalating to \$107 billion by 2005. This also includes data storage, Web hosting, and e-procurement. A wide range of e-business services are managed, hosted, serviced, upgraded and delivered to your door without the need for you to worry over the details. With e-business on demand, end-to-end e-business can be as accessible, affordable, and as easy-to-use as water, gas, the telephone or electricity.

E-business on demand is a logical and complementary extension of traditional IT outsourcing. Conventional outsourcing involves the delivery of a dedicated, customized infrastructure, with technologies and services tailored to an organization's unique needs. This model often entails the transfer of human and physical assets from the customer to the service provider, who in turn "leases" those resources back to the customer.

Traditional outsourcing is similar to e-business on demand. In that, IT is provided as a service that leverages the provider's expertise to support a cost-effective, reliable technology platform. E-business on demand adds a number of important innovations to this successful model: essential infrastructure components that include business processes, bandwidth, hardware, middleware & software, managed services and process know-how. These elements are supplied on demand to a well-guarded e-business community whose "residents" can access capabilities as required.

IT managers can apply e-business on demand to help control costs, improve implementation and cycle times, reduce risk and more directly correlate IT spending with business returns. Companies pay for the IT they need. Infrastructure, processes and applications are security-enhanced, automated, pre-qualified and pre-integrated. Systems and skills are best-of-breed. Upgrades, operation and maintenance are furnished via the expertise of the service provider, who is responsible for supporting optimum IT efficiency and desired performance levels. Value accrues exponentially, minus the costs and complexities associated with owning and maintaining a dynamic e-business environment. Basic services are mass-customized, enabling IT organizations to shift their attention to aligning e-business strategies, gaining differentiation and forging new relationships, dynamically. IT becomes an asset, not a liability.

E-business on demand signals the coming age of computing, in which the provision of IT resources will be autonomically administered and dispensed from huge computing grids-strings of servers linked logically on the Internet and supported by open protocols within a security-rich, standards-based environment. Grids can regulate demands and tasks, day and night, without the need for human intervention. Customer needs dictate processing requirements.

E-business on demand, while simple to utilize, requires experience and know-how to deliver. The very practical aspects of delivering this new model are hard-won.

The expertise it takes to administer complex infrastructures and remove capacity constraints is formidable-especially considering the rate of technology innovation and business uncertainties that can alter requirements at any given time. When turning to a service provider, companies should look at people who have extensive experience in addressing business, industry and technological challenges.

By giving up the burden of IT ownership, a company can vastly increase its access to computing power, expertise, and innovation.

From conducting this study some main finds have been found. Firstly, e-Business organizations' CRM objectives exist within three categories, cost saving, revenue enhancement and strategic impact objectives. Secondly e-Business organizations concentrate in three areas when managing their customer relationships. These areas are implementation, initiatives and channel management even through strategies might not be same for the different organizations and that e-Business organizations do not view outsourcing of their CRM as an option. Thirdly, e-Business organizations evaluate the effectiveness of their CRM in four areas, Customer knowledge, customer interaction, customer value and customer satisfaction and that none of the organizations measure and evaluate secure service. Finally, e-Business organizations stat that improved customer satisfaction rates and establishing relationships with customers are of major importance but only measure and evaluate fragments of it.

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