THE IMPACT OF E-COMMERCE ON CUSTOMER RELATIONSHIP MANAGEMENT IN THE FINANCIAL SERVICES INDUSTRY

MICHELLE VILJOEN

SHORT DISSERTATION

Submitted in partial fulfilment of the requirements for the degree

MAGISTER COMMERCII

in

BUSINESS MANAGEMENT

in the

FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES

at

RAND AFRIKAANS UNIVERSITY

STUDY LEADER: PROF. J.A. BENNETT

NOVEMBER 2000
## CONTENTS

### CHAPTER 1: INTRODUCTION TO THE STUDY

1.1 INTRODUCTION .................................................. 1  
1.2 PROBLEM STATEMENT ............................................. 5  
1.3 OBJECTIVES OF THE STUDY ...................................... 6  
1.4 METHODOLOGY OF THE STUDY .................................. 7  
1.5 DIVISIONS OF THE STUDY .................................... 7

### CHAPTER 2: CUSTOMER RELATIONSHIP MANAGEMENT

2.1 INTRODUCTION ................................................ 8  
2.2 CUSTOMER RELATIONSHIP MANAGEMENT DEFINED .............. 8  
2.3 THE IMPORTANCE OF CRM ...................................... 11  
  2.3.1 Customer profitability ...................................... 11  
  2.3.2 Customer retention ......................................... 14  
  2.3.3 Customer acquisition ...................................... 16  
2.4 COMPONENTS OF CRM .......................................... 17  
  2.4.1 People .......................................................... 17  
  2.4.2 Technology .................................................... 19  
  2.4.3 Processes ..................................................... 21  
2.5 ADDITIONAL CONSIDERATIONS WHEN IMPLEMENTING CRM .... 23  
2.6 THE INTEGRATED CRM FRAMEWORK .......................... 25  
  2.6.1 CRM strategies revolving around customers .............. 27  
  2.6.2 CRM strategies revolving around channels .............. 28
2.6.3 CRM strategies around the back and front office

2.7 A METHODOLOGY FOR IMPLEMENTING CRM

2.7.1 Cap Gemini's methodology for implementing CRM

2.7.2 Dimension Data's methodology for implementing CRM

2.7.2.1 CRM objectives

2.7.2.2 Customer research

2.7.2.3 Market analysis

2.7.2.4 Data analysis

2.7.2.5 CRM rationale and business case

2.7.2.6 Business requirements

2.7.2.7 CRM architecture

2.7.2.8 Implementation

2.7.2.9 Quick wins

2.7.2.10 Support

2.7.2.11 Development

2.7.3 Mody's methodology for implementing CRM

2.7.3.1 Evaluate and categorise customers

2.7.3.2 Analyse the customer experience chain

2.7.3.3 Learn customer's expectations and perceived performance

2.7.3.4 Use customer knowledge to align and tune the providing system

2.7.3.5 Engage and lead all employees

2.7.4 Peppers, Rogers & Dorf's methodology for implementing CRM

2.7.4.1 Identify existing and potential customers

2.7.4.2 Differentiate between customers

2.7.4.3 Interactions with customers
CHAPTER 3: THE DEVELOPMENT OF E-COMMERCE

3.1 INTRODUCTION

3.2 E-COMMERCE DEFINED

3.3 THE HISTORY OF E-COMMERCE

3.3.1 The IT system function chain

3.3.2 The major IT megawaves

3.3.2.1 First megawave: written word

3.3.2.2 Second megawave: computerisation

3.3.2.3 Third megawave: the death of distance

3.3.2.4 Fourth megawave: hypermedia mania

3.3.2.5 Fifth megawave: lots of robots

3.4 CHARACTERISTICS OF E-COMMERCE

3.5 E-COMMERCE STRATEGIES WITHIN ORGANISATIONS

3.6 E-COMMERCE BUSINESS APPLICATIONS

3.6.1 Information sharing

3.6.1.1 Customers

3.6.1.2 Business partners/suppliers

3.6.1.3 Staff

3.6.1.4 Cost savings

3.6.2 Transacting
3.6.2.1 Sales in new markets  
3.6.2.2 Improved supply chain  
3.6.2.3 Cost savings  
3.6.3 Service and support  
3.6.3.1 Retention of the customer  
3.6.3.2 Internal focus on the customer  
3.6.3.3 Cost savings  

3.7 NEW DEVELOPMENTS IN E-COMMERCE  
3.7.1 Virtual malls  
3.7.2 Portals  
3.7.3 Virtual cash  
3.7.4 Wireless application protocol  
3.7.5 Secure electronic transaction  
3.7.6 Call centre technology  
3.7.7 Smart card technology  
3.7.8 Digital certificates  

3.8 FACTORS CONSTRAINING THE GROWTH OF E-COMMERCE  
3.8.1 Management appreciation of e-commerce  
3.8.2 Infrastructure and bandwidth  
3.8.3 Security issues  
3.8.4 Secure payment methods  
3.8.5 Cost of investment  
3.8.6 Legal and regulatory issues  
3.8.7 Linguistic and cultural issues  

3.9 E-COMMERCE IN SOUTH AFRICA  
3.10 E-COMMERCE AND BANKING
CHAPTER 4: THE IMPACT OF E-COMMERCE ON CUSTOMER RELATIONSHIP MANAGEMENT

4.1 INTRODUCTION

4.2 CRM AND E-COMMERCE

4.2.1 Multi-channel integration

4.2.2 A single view of customers

4.2.3 Marketing automation

4.2.4 Sales force automation

4.2.5 Price and product customisation

4.2.6 Mass customisation

4.2.7 Changing dynamics of human interaction

4.2.8 Disintegration of departmental silos

4.2.9 Ease of customer switching

4.2.10 Business intelligence

4.2.11 Appearance of value added economies

4.2.12 The explosion of self service

4.2.13 Speed and immediacy

4.3 STRATEGIES

4.3.1 Customer strategies

4.3.2 Channel strategies

4.3.2 Front and back office strategies

4.4 THE FUTURE OF E-COMMERCE AND CRM

4.4.1 E-commerce

4.4.2 CRM
LIST OF FIGURES

FIGURE 2.1: THE 80/20 CUSTOMER PYRAMID 12
FIGURE 2.2: THE EXPANDED CUSTOMER PYRAMID 12
FIGURE 2.3: WHY CUSTOMERS ARE MORE PROFITABLE OVER TIME 15
FIGURE 2.4: ELEMENTS OF AN INTEGRATED CRM FRAMEWORK 25
FIGURE 2.5: CAP GEMINI’S METHODOLOGY FOR CRM IMPLEMENTATION 31
FIGURE 2.6: DIMENSION DATA’S METHODOLOGY FOR CRM IMPLEMENTATION 32
FIGURE 2.7: MODY’S METHODOLOGY FOR CRM IMPLEMENTATION 36
FIGURE 2.8: PEPPERS, ROGERS & DORF’S METHODOLOGY FOR CRM IMPLEMENTATION 38
FIGURE 3.1: THE IT SYSTEM FUNCTION CHAIN 48
FIGURE 3.2: THE FIVE MEGAWAVES OF THE INFORMATION REVOLUTION 51
FIGURE 4.1: CRM DATA WAREHOUSE DESIGN 97
CHAPTER 1
INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

'These are turbulent times in the world of organisations' (Miles & Snow in Peck, Payne, Christopher & Clark, 1999: 1). Factors contributing to turbulent times for organisations are environmental factors, technological advances and the deregulation of markets – all leading to intensified global competition. These forces continue to change the dynamics of the marketplace, raising the profile of time-based competition and causing shifts in distribution channels for financial products. Distribution channels in the financial services industry have changed from traditional brick-and-mortar branches with tellers, brokers and agents to more virtual distribution channels like point-of-sale devices, call centers, automated teller machines, PC banking and the Internet.

South Africa has been a global player for the last 10 years. Nowadays, international trading, exporting and importing are very much an everyday phenomenon. At the same time international organisations have entered the local market offering innovative products and services, focussing on the needs of customers. The financial services industry is no different. Changes in the marketplace and new technology have opened up a new battlefield – one in which consumers have easy access to comparative data and one in which switching between financial service providers can be as easy as clicking a mouse. One of the greatest challenges South African financial institutions faces is the growing number of competitors from non-financial institutions – such as like Pick ‘n Pay, Edgars and Woolworths. Previously, these organisations focused only on the retail market, but they have expanded their offerings to include financial products to customers at a much lower price than the traditional bank is able to offer. Previously such competition was not even a possibility because of regulatory
barriers and consumers' mindsets. The new non-financial entrants are more threatening to tradition financial industry players than any other entrants because these organisations have established brand names and loyal customers (Ernst & Young, 1999: 16).

As a result of the intense market competition South African banks are losing market share, (Ryan, 1997: 1). Banks therefore have to change the way they operate in order to retain existing customers and attract new customers. Customers are becoming more discerning and demanding. Banks have to cater increasingly for sophisticated customer bases, which are able to switch accounts from one bank to another, for very small or no apparent reasons. More and more South African banks are therefore changing their strategies to that which focus on the customer. This is not surprising, as estimates have shown that it costs up to eight times more to gain a new customer than to keep an existing one (Ernst & Young, 1999: 2). The better businesses know their customers, the easier it is for them to retain their business. At the same time it is much easier to cross sell products to existing customers than to a new one (Bidoli, 1999: 119). Banks are therefore becoming increasingly customer-centric; building their services around the needs of the customers, rather than providing products for mass markets.

In today's business world, organisations interface with their customers in many different ways: face-to-face, by telephone, via fax machines, via the Internet, through third parties and with traditional mail. Today, product excellence is a prerequisite rather than a differentiator, and many organisations have already evolved to world class best practices in their internal processes. The key to profitable growth is firstly to increase the loyalty, and hence the profitability of existing customer relationships, and secondly to cut costs in terms of acquiring new customers.
Customer relationship management (CRM) achieves profitable growth through ensuring consistent excellence across all potential points of customer contact, recognising that a customer's perception of a given supplier is only as good as the worst experience he or she has had in dealing with that supplier (Softworx, 2000: 42).

The principles of CRM go back to a time when the shop on the corner was the primary place to buy goods and services. During this era customers had a personal relationship with the organisations they did business with. Whether it was the bank manager, the telephone operator or the grocer – not only did customers know the individual who served them, but the organisations also knew what their customers needed and wanted.

However, when the customer base swelled into thousands of millions and when people were scattered around the country shop owners concluded that such a goal was no longer possible. Today, with the help of technology and a carefully developed customer relationship management strategy, organisations can again strive to do just that. Organisations that know their customers, where they live and what they prefer, are organisations that are succeeding in the new competitive global environment (Harvey & Marshak, 1999: 1).

In essence the aim of CRM is to align marketing, selling and servicing activities to meet customer needs, while yielding a greater share of customer and ensuring higher customer retention. CRM is therefore concerned with how organisations identify, attract and retain the most valuable customers to sustain profitable growth. The key principles of CRM is:

- understanding the customer,
- finding and keeping the right customer,
- building a customer relationship management capability, and
channeling the significant intangible aspects important to the customer (Muller in Andersen Consulting, 2000: 14).

Other objectives for focusing on a CRM strategy are to:

- reduce operating costs,
- increase the average value of customer,
- gain competitive advantage through market knowledge and management information (Dimension Data, 2000: 25),
- increase customer satisfaction,
- more accurately match products and services to meet the wants and needs of an organisation’s best customers,
- improve communication with customers by using their preferred channels, and
- achieve higher return on investment by increasing profitability per customer and transaction (EDS Sentrobe, 2000: 32).

Developments in the field of electronic commerce have changed the way many organisations do business. The electronic medium is transforming the fundamental nature of products, and is causing dramatic shifts in the manner in which products and services are priced, promoted and distributed to customers. So-called e-commerce increases the availability of information as well as the speed and distance at which transactions and communications can occur. As customers gather more information, they can shop competitively for financial products and service, often eliminating the middleman function and forcing organisations to compete on price. E-commerce is also making it easier for customers to shift from a current provider to a new one. E-commerce and specifically the Internet, enable an organisation to build relationships by creating personalised interactions, without maintaining expensive physical infrastructures.
1.2 PROBLEM STATEMENT

One of the fundamental assets of any business is its relationship with customers, and financial service organisations have always excelled at developing customer relationships. Relationship management skills have traditionally rested on the shoulders of sales and service personnel, including brokers, agents and bankers. Though there is nothing new about customer relationships, the development of e-commerce and its enabling technologies are changing the way banks are doing business (Ernst & Young, 1999: 1).

In the case of financial institutions, e-commerce provides the customer with greater flexibility in his/her interactions with the organisation. E-commerce is an attractive proposition because it enables transactions to occur at a reduced cost while at the same time offering the customer greater convenience. A major challenge facing financial institutions is to integrate traditional business channels with new channels such as the telephone or the Internet (Ernst & Young, 1999: 5). The impact of e-commerce on the organisation is however reaching far wider than just affecting channels. E-commerce changes the organisation’s business processes. And this is not as simple as just digitalising current business processes. Organisations need to rethink all of their business processes and apply innovation, or else they’ll just become another industry player. The *raison d'être* must be to offer more value and charge less (Weintraut & Davis, 2000: 149). In line with this Bonfield (2000: 17) states that e-commerce is "...not just about doing what we’re doing now only a bit quicker and a bit more cheaply, it’s about taking the opportunity to rethink what we do, why we do it and how we do it." Examples in the last year have shown some of the impact e-commerce has on business processes. Commission that travel agents get by selling air tickets fell by 80 percent, commission that brokers can charge for private dealings in stocks and shares has fallen in some cases to 90 percent. When customers can communicate directly with suppliers and manufacturers, who
wants to be the middleman? This is only the starting impact of e-commerce, and what happened in these industries can happen in any business (Bonfield, 2000: 17).

The Internet has brought down all barriers – not only between technology, between industries and between customer and suppliers, but also between people. Everyone is affected by it. Those who will be successful are organisations that can offer much more than just commodities. Successful organisations, are ones that can deliver value to their customers, whoever they are, wherever they are (Bonfield, 2000: 17).

South Africa is still in its infancy with regards to the application of CRM principles in the financial industry. Most organisations in South Africa still need to assess developments in e-commerce and the implications on their customer relationship management strategies (Dicey, 2000: 3). Current channel strategies and CRM focuses need to be adjusted to gain optimum benefits from the latest technology.

1.3 OBJECTIVES OF THE STUDY

Customer relationship management is a sophisticated marketing technique, which is transforming the way institutions generate revenues from customers. Organisations are increasingly under pressure to pursue CRM strategies. In the light of the problem statement the aim of this study is to analyse the components of CRM, and to study the methodology of a CRM program in order to identify the areas which will be impacted the most by e-commerce in the future.

The specific objectives of this study are:

- to determine a framework for integrated CRM in the organisation,
- to identify different methodologies for implementing CRM,
• to explore developments in the e-commerce field,
• to assess the impact e-commerce will have on CRM strategies,
• to review strategies South African financial industry players can utilise to maximise the benefits gained from implementing CRM strategies.

1.4 METHODOLOGY OF THE STUDY
The study takes the form of a literature study. Books and articles as published in journals are used, but the main sources of information are articles published in electronic journals and data gathered from Internet sites.

1.5 DIVISIONS OF THE STUDY
This study consists of five chapters. Chapter two focuses on exploring the concept of customer relationship management. Components of an integrated CRM framework and methodologies to implement CRM strategies are discussed.

Chapter three focuses on the aspects of electronic commerce. These include a discussion on the history of e-commerce and its application in the financial industry. Emphasis is placed on new developments in the e-commerce arena, which may impact on the organisations CRM strategies.

Chapter four considers the impact of e-commerce developments on CRM strategies in the financial services industry. Emphasis is on the development of new strategies for integrating e-commerce in the CRM arena.

Chapter five consists of the summary, conclusions and recommendations of the study.
CHAPTER 2
CUSTOMER RELATIONSHIP MANAGEMENT

2.1 INTRODUCTION

Customer relationship management is not a new concept. In the marketing industry it is better known as relationship marketing or one-to-one marketing (Stone & Woodcock, 1995: 11). This chapter considers the importance of CRM. The objectives are to identify an integrated CRM framework and methodologies for implementing CRM. Further objectives are the listing of considerations affecting CRM strategies, as well challenges facing organisations implementing CRM. The impact of CRM on the financial services industry will be discussed in the final part of this chapter.

2.2 CUSTOMER RELATIONSHIP MANAGEMENT DEFINED

CRM can be defined as the use of a wide range of marketing tools, sales initiatives, communication and most important customer care to: (i) identify the individual customer, (ii) create a relationship between the organisation and customers, and (iii) manage that relationship to the benefit of the customers and the organisation (Stone & Woodcock, 1995: 11). Peppers, Rogers & Dorf (1999: 1) see relationship marketing as treating your customers differently. The META Group (1998: 2) define customer relationship management as a set of processes that continually listen to and extract knowledge about customers, enhancing an organisation’s understanding of their needs, expectations, and behaviours thus enabling it to dynamically respond to opportunity (new products or services) or change (i.e. when, where, and how the customer wants to conduct business).

The basics of a CRM strategy consist of understanding the various ways customers are different and how these differences could affect the organisation’s behaviour towards
particular individual customers. CRM, however, goes a lot deeper than just sales and marketing. The organisation must, amongst others, be able to change the way products are configured or services delivered, based on the individual needs of individual customers.

A true CRM organisation considers the cultivation and management of its relationships with customers as the single most critical issue facing the organisation. The organisation should establish a learning relationship with its customers starting with the most valuable customers. A learning relationship is one that gets smarter with each customer interaction. The customer expresses some need, and the organisation customise the product or service to meet it. Every interaction and modification improves the organisation’s ability to fit the product to the particular customer. When a competitor eventually offers the same type of customisation and interaction, customers won’t be able to enjoy the same level of convience without taking some time to “teach” the competitor the lessons the organisation has already learned (Peppers, Rogers & Dorf, 1999: 152).

CRM includes the use of a wide range of marketing tools, sales initiatives, communications and most important customer care to:

- identify the individual customer,
- create a relationship between organisation and customers, and
- manage the relationship to the benefit of the customer and the organisation (Stone & Woodcock, 1995: 11).

Markets go through different stages and the evolution to relationship marketing is not any different. According to Stone & Woodcock (1995: 16) five stages can be identified:

- Stage 1: Product is king - In this stage, the leading organisation has products or services that are simply better than those of its competitors and this will lead to share gain and
profitability. These products are usually superior and no matter what other organisations do, for example better service and customer care, they will not be able to lure the customers away from the market leader.

- **Stage 2: Competition becomes fierce** - Several other organisations are now producing similar products or services. Organisations try to maintain differentiation through the feature mix and through branding. Usually organisations spend most of their budgets on advertising.

- **Stage 3: The age of customer service and customer care** - At this stage there is little to distinguish products from each other. Market leaders continue to sustain their leadership by high advertising and the occasional improvements to their products. Customer service now becomes the important differentiator. Initially, customer service focuses on aspects like keeping the customer happy and ensuring that they use the product. Eventually it moves into the area of customer care where the aim is to ensure that customer benefits are delivered timeously and reliable. This is not yet relationship management, because no one organisation view of the customer exist yet, for example different departments in the organisation might approach the customer to sell the same product.

- **Stage 4: The age of relationship marketing** - In this stage the organisation aim to manage all aspects of their relationship with the customer in a coordinated way. This may however not be feasible if the organisation attempt to do this with all their customers. Different segments of customers are thus identified, with different relationship strategies. The most important aspect of this stage is that the organisation has one organisation-wide view of its customers and true customer care and service are possible (Stone & Woodcock, 1995: 18).

The idea behind CRM is to have a single, organisational view of the customer for the purpose of growing relationships that lead to improved loyalty and profits. This entails being able to
identify all the products, services and relationships customers have with the organisation, as well as know about all the interactions that have taken place between the customer and the organisation since the start of the relationship. CRM also entails provision and maintenance of 'consistency of experience' for the customer through all forms of interactions, for example inquiry, order, delivery and service. The most important feature of CRM is the emphasis on an organisational view of the customer, not just a departmental view (3com, 2000: 2).

2.3 THE IMPORTANCE OF CRM

The primary focus of any business is to create and keep profitable customers. Most strategies evolve around three aspects, namely customer profitability, customer retention and customer acquisition.

2.3.1 Customer profitability

Customer profitability encompasses the ability to better understand and manage one’s customers. The focus is the discrete and potential value that each customer represents. Not all of an organisation’s customers are profitable. Most business, however treat all their customers the same, regardless of their individual profitability. Usually, a large proportion of an organisation’s customers may actually be unprofitable, costing more to service than they are actually worth to the bottom-line. Organisations that want to treat all their customers with superior service find that is not profitable or even practical to follow this approach.

Traditional segmentation can be used to identify tiers of customers that differ in profitability to the organisation (Zeithaml & Bitner, 2000: 470). This approach keeps track of the current as well as future costs and profits – thereby calculating the financial worth to the organisation. Almost all organisations are aware of the fact that a small proportion of their customers is generating the biggest amount of profit. This is known as the so-called 80/20 rule – 20
percent of the organisation’s customers are responsible for 80 percent of the profit. This 80/20 rule is illustrated in Figure 2.1.

FIGURE 2.1: THE 80/20 CUSTOMER PYRAMID

[Diagram showing a pyramid with Best Customers at the top and Other Customers at the bottom.]


In Figure 2.1 20 percent of the customers represent the top tier of the customer segmentation model, while the other 80 percent are indistinguishable from each other. Most organisations utilise this model, as they don’t have sufficient data or analytical capabilities to identify the differences. If the organisation has the capability to analyse data more fully, more customer tiers can be identified. These are displayed in Figure 2.2.

FIGURE 2.2: THE EXPANDED CUSTOMER PYRAMID

[Diagram showing a expanded pyramid with Platinum, Gold, Iron, and Lead tiers.]

The four-tier system consists of:

- **Platinum tier** – consisting of the organisation’s most profitable customers.
- **Gold tier** – consisting of customers where the profitability levels are not as high as with the platinum tier. This might be because the customers require discounts that may affect margins or because the customers are not loyal.
- **Iron tier** – consisting of essential customers who provide the volume needed for full capacity utilisation. Customer loyalty and spending are not sufficient to warrant special treatment.
- **Lead tier** – consisting of customers who are a cost to the organisation. They may be customers who demand more attention than they deserve given their spending habits or are problem customers.

The organisation must either focus to change customer behaviour for example to move customers up to more profitable channels of service, as well as increase their up-sell and cross-sell activities, or change the organisation’s cost structure (Zeithaml & Bitner, 2000: 471). An organisation’s goal should be to move unprofitable customers into a profitability segment.

When focussing on customer profitability, the following are important considerations:

- It is six times more costly to service a customer through a call center than through the Internet.
- A 5 percent increase in retention rate can increase profits from 60 – 100 percent.
- It is up to 10 times more costly to generate revenue from a new customer than an existing one (NCR, 2000: 1).
An organisation which focus on customer profitability should be able to answer the following questions:

- Which customers are the most profitable customers?
- What products or services are they buying?
- Which customers are not profitable?
- What strategies can the organisation employ to improve a customer’s profitability?
- What is the profile of the most profitable customers? (NCR, 2000: 1)

2.3.2 Customer retention

The impact of customer defection on the organisation’s bottom line should not be underestimated. As a customer’s relationship with the organisation lengthens, profits rise substantively. Organisations can increase their profit with up to 100 percent if they boost their retention rate by 5 percent. Organisations would think twice if they knew how much it really costs to lose a customer. If served as desired, customers generate increasingly more profits over the years. This is true in all industries, the longer the organisation keeps a customer, the more money it stands to make. Customers generate more profits over time because as purchases rise, operating costs decline. The organisation also gains experience in dealing with customers, enabling it to become more efficient. Organisations with long-time customers can often charge more for their products and services. Customers who receive excellent service remain loyal and provide free advertising by talking about the organisation’s products and services (Reichheld & Sasser, 1990: 107). This is illustrated in Figure 2.3.
Retention of customers is about understanding the current and past behaviours of customers so that the organisation can identify the customers who are most likely to switch to competitors. When focussing on customer retention, the following are important considerations:

- It costs 5 – 10 times as much to acquire a new customer as it does to retain an existing customer (NCR, 2000: 1).
- Studies show another manifestation of the old “80/20” rule: most organisations find that roughly 20 percent of their client base generates 80 percent of the profits. Customers, with whom the organisation has constructively established a relationship, are those customers who return, time and again. They are the customers who are more profitable in the long run (3com, 2000: 2).

An organisation with a primary focus on customer retention, should be able to answer the following questions:

- What is the customer retention rate?
How does this retention rate translate into growth?

What is the competitors' retention rate?

What are the events that trigger customers to desert the organisation?

What value can the organisation provide to customers to retain them?

Is it possible to analyse customers who are switching to competitors by geography, by product, service provided and by channel (NCR, 2000: 1)?

It is therefore imperative for organisations to increase customer loyalty as profit and growth is stimulated primarily by the extent of customer loyalty. Loyalty is a direct result of customer satisfaction, while satisfaction is largely influenced by the degree of services provided to the customer (Heskett, Jones, Loveman, Sasser & Schlesinger, 1994: 165).

It is clear from the above, that in order to retain customers and increase customer loyalty, the focus should be on the relationship with the customer.

2.3.3 Customer acquisition

Customer acquisition is one of the most costly activities an organisation must embark on. Cost of customer acquisition is often very high with little return on investment. Most organisations underestimate the cost of acquisition by as much as 100 percent (NCR, 2000: 1). As most sales and marketing efforts traditionally have focussed on sales to new customers, rather than relationships with current customers, this has become an expensive cost for the organisation. The cost of attracting a new customer is estimated to be five times the cost of keeping a current customer happy (Kotler, 1997: 47). Kotler calculated that the cost of attracting a new customer is often higher than the customer's life-time value with the organisation. It is clear from the above that an emphasis on customer acquisition without
focussing on the resulting relationship with the customer, is a waste of money to the organisation.

Customer relationship management offers solutions to the typical problems experienced with customer acquisition. The primary focus of CRM revolves around the customer – acquisition, retention and customer profitability. By implementing a CRM strategy, organisations will be able to successfully market their products and services to the appropriate customers and markets – thereby maximising profitability. These organisations are able to identify and quantify their market segments for selected customer profiles and are able to assess the potential profitability of new product introductions and prices of product feature changes (NCR, 2000: 2).

Furthermore, a CRM strategy will enable organisations to identify the customers that are most likely to switch and they are able to align appropriate resources to better address this target segment. By focussing on retention as a key business measure, these organisations have been able to increase profitable customer growth and reduce operations costs (NCR, 2000: 2).

2.4 COMPONENTS OF CRM

The primary components to focus on when implementing customer relationship management are people, technology and processes. The success of any CRM strategy will depend on the organisation’s emphasis on all aspects involved with these components. They will be discussed in more detail in the ensuing sections.

2.4.1 People

The people component is probably one of the most central aspects of a CRM initiative. People must however be supported by technologies and processes in order to multiply their
capabilities and make them even more effective. With customer relationship management, customer information is pushed to the front line where customers and the organisation interact. Staff at the front lines should therefore have the ability to communicate with customers in a manner that recognises them, remembers their contact history, understand the current customer issues, predicts anticipated behaviours and suggests appropriate responses, solutions or suggestions. Staff at the front line is in essence consultants working with customers to add value to the organisation (Gordon, 1998: 27).

Customer centric organisations are very different from organisations focussing on products. Customer centric organisations view their relationship with customers as a mutual experience where value is created and shared between employees of the organisation and customers. This means that staff themselves must work together to define areas where mutual value and benefits can be generated (Gordon, 1998: 59).

Organisations, who are moving towards integrated customer relationship management, need to consider employees in a new light. Organisations should see their employees in the same way they approach their customers, as individuals with whom new value will constantly be created. Organisations need to invest in each employee individually by providing mass customised development both in the functional nature of their current job and in terms of their intellectual and interpersonal development. The organisation can achieve this by focussing on:

- Employee skills – When the organisation is broadening its products and services to cater for the different segments, they will have to make sure that employees have sufficient knowledge. Customers calling should be met by a knowledgeable employee who have a broader scope of knowledge about the organisation and its processes. The relationship
marketing skill of employees must therefore be assessed and the necessary training programs must be developed to ensure that employees are equipped to handle customers.

- Increasing scope challenges and changing traditional job descriptions – CRM will require more scope of knowledge from employees and may challenge the boundaries of the business functions they have previously performed. Organisations will have to adjust job descriptions accordingly.

- Employee trust – Another challenge that organisations face is employees’ response to change. Employees are entering new arrangements on the basis of mutual trust and the organisations must foster this, as trust will be the basis for new value creation in every CRM organisation. Top management should set boundaries within which employees are free to create value. A way to achieve this is to encourage self-managed work teams for key processes.

- Trustworthy leaders – If leaders are to receive trust, respect and commitment, they must give it. Trust can be fostered by understanding personal values and addressing individual requirements of employees (Gordon, 1998: 278).

- Get staff buy-in into the CRM strategy - Resistance to new ideas is unavoidable. The best tool for overcoming this is to create buy-in measurement. Organisations need to think of ways to make the CRM strategy part of the organisational culture. An example of a way to achieve this, is to identify performance standards for staff and include this as part of their key performance areas (KPA’s) that gets measured every year. As aptly stated by Ernest & Young (1999: 7): ‘People do what gets measured’.

2.4.2 Technology

Technology can serve multiple roles within an organisation and between an organisation and its customers. This relate broadly to external communications, internal communications and computing:
• External communications:
This entails facilitating two-way interaction between individual customers and the organisation about every aspect of the relationship, enabling the organisation to adjust its strategy, including product design, customer service and channel preferences. External communications include the provision of new channels to communicate with customers such as Interactive Voice Response (IVR), Electronic Data Interchange (EDI) and the Internet. The enabling of communication with other stakeholders, including investors, board of directors, employees, management, suppliers and channel intermediaries forms an integral part of external communication.

• Internal communications:
It is essential to remove ‘stove-pipe’ functionality from the many individual internal processes and technologies that usually face the customer. ‘Stove pipe’ functionality refers to the phenomenon that exists in most big organisations – that is that each department functions as an entity on its own. This often results in duplication and unnecessary waste of time. This includes call centers, Internet access, order, billing, field sales forces, direct mail and mass advertising. The benefit gained from improving internal communications via technology is that more functions are automated resulting in more time to focus attention on the customer relationship. Diverse communications channels and databases are integrated in order to enable the organisation to become a more informed supplier of services with whom it is easier to do business.

• Computing:
This entails the provision of organisational memory for the customer relationship in order to provide the current content needed to add value to the account. This includes the data warehouse of the organisation where all transactional history and every contact of the customer with the organisation is stored. Data mining is the process of sifting through large amounts of data to find related and useful information. Mined data is often accessed by
management decision-makers through applications called executive information systems (EIS) and decision support systems (DSS). These tools are programmed to provide standardised reports or briefing books to top-level executives (Ernst & Young, 1999: 8). Technological developments facilitate storage and retrieval of huge amounts of data, which provides the history of a number of factors important to the advancement of the customer relationship (Gordon, 1998: 65).

2.4.3 Processes

Relationship marketing requires that processes be engineered around the customer, which may require essential changes to existing service or operational processes. Reengineering, as it has been applied over the last few years, excluded the customer and the individual customer relationship as the core around which the business should be engineered (Gordon, 1998: 31). Customer relationship management necessitates the engineering of processes around customers. This may require extensive changes to existing processes.

The customer centric organisation should focus on building customers into the main processes, and customers should be working together with management in all the processes that are geared to creating mutual value. The development of creating a learning relationship with customers will only add to benefits for the organisation. Organisations should maintain customer involvement at various levels within the organisation, focussing on the key success factors of the organisation. This may mean that customer advisory groups guide senior executives and perhaps even have a customer representative at the organisation board meetings. On lower levels, customer teams can be involved in planning and product development (Gordon, 1998: 75). In this way, the organisation can reap additional gains from customer insights and building deep customer relationships.
The relationship between the organisation and the customer should be viewed as a process. If
the relationship is approached as a process, the organisation will have set procedures and
standards put in place. Employees are then encouraged and incentivised to perform these
processes. Ultimately it will become part of the organisational culture.

The following support processes should further be developed when implementing a CRM
strategy:

- Processes must be put into place to understand customer expectations. Furthermore, the
  organisation’s performance needs to be assessed according to these expectations. This
  needs to be done for individual customers.

- Processes to establish the structure of relationships, with expectations clearly highlighted,
  as well as the different parties’ involvement and commitment to relationships. Relationship
  objectives, strategies and timeframes for achieving these objectives must subsequently be included.

- Processes to manage the relationship itself. This will ensure that strategies are pursued
  and objectives are achieved. Any changes to conditions or directions can be managed by
  this process.

- A process to accommodate the need for arbitration and resolution should conflict or
  disputes occur.

The implementation of a customer relationship marketing strategy has the following process
implications:

- data and associated guidance are presented as one integrated view of the customer and are
  at the fingertips of frontline personnel, operating in real time,

- decision making changes from occasionally high level strategic decisions to more frequent
tactical decisions that will benefit the organisation in the future,
• teamwork, instead of individual efforts, must become the focus of successful relationship management,

• all efforts and processes that add value to the customers, for example those processes associated with customer planning, innovation and customer acquisition, must be integrated,

• existing technologies to support the newly adjusted processes must be expanded.

These three components need to be developed to become capabilities that will support the CRM initiative and help to achieve a successfully implemented CRM strategy. In addition to this some other considerations must be taken into account.

2.5 ADDITIONAL CONSIDERATIONS WHEN IMPLEMENTING CRM

Organisations should also include considerations like organisation culture and values, leadership, strategy, structure, knowledge and insight. Gordon (1998: 22 – 27) identifies the following considerations:

• Culture and Values - departments with different goals, values and cultures must be taken into consideration when developing a CRM strategy. Departments with dissimilar cultures can create value together, but the similarities and differences between cultures need to be identified and understood at the outset (Gordon, 1998: 22). Extremes in cultural differences and goals can work against the formation and maintenance of a relationship with the customer.

• Leadership – only strong leadership can enable an organisation to focus and implement a CRM strategy successfully. It is important to note that no organisation will be able to implement a CRM initiative as long as leadership in the organisation is focused on winning at the expense of others (Gordon, 1998: 25).
• Structure - relationship marketing impacts on the organisation and usually leads to a change in the structure of the organisation. The ideal structure is one with managers owning a specific category of relationship, such as current customers, new customers, employees, investors and so forth. Each department will then focus on their activity, for example, acquiring new customers or cross sell other products to new customers (Gordon, 1998: 26).

• Knowledge and insight - technology must enable organisations to develop new knowledge and insight about the customer relationship and facilitate action on the information. Software, modeling and reporting tools can help to add value to the underlying data and even act in a predictive way in order to help the organisation to be proactive in customer management (Gordon, 1998: 27). Typical questions an organisation should be able to answer, in order to fully exploit knowledge and insight about customers are:
  - The organisation knows the names of the customers in the organisation who are responsible for 20 percent of the profit,
  - The organisation knows the personal preferences and views on service and products of its primary account holders’ decision makers,
  - The organisation can predict what the primary customers will need from the organisation in the next year,
  - The organisation can determined the value the organisation has created for customers through building relationships (Gordon, 1998: 73).

Knowledge and insight are gained from data on customer interactions, transactions and customer behaviours. This knowledge however means nothing to the organisation, if the right technological infrastructure does not exist to exploit it. Typically the organisation will need the capabilities associated with a data warehouse, data mining and predictive modeling to ask the ‘What if’ questions to predict individual customers’ behaviour. Learning about each and
every customer may be the single most powerful capability that any organisation can have in place (Gordon, 1998: 73).

2.6 THE INTEGRATED CRM FRAMEWORK

Customer relationship management spans across the whole organisation. In the past many organisations have failed in implementing a successful strategy because all aspects were not considered and an integrated approach was not followed. What they need is an integrated articulated vision (Ernest & Young, 1999: 6). A CRM framework involves integration of various aspects. A CRM strategy should integrate the following elements:

- Customers,
- Channels,
- Front office,
- Back office.

These elements are shown in figure 2.4.

FIGURE 2.4: ELEMENTS OF AN INTEGRATED CRM FRAMEWORK

Figure 2.4 indicates that customer elements, channel elements and front office elements should be integrated from the one side and back office elements integrated from the other side, to form a single view of the customer across the organisation. When further considering the integration, it can be broken down into three layers, namely communication integration (customers), channel integration (different channels) and systems integration (front office and back office aspects):

- **Layer 1 – Communication Integration**

  The first layer, on the left of figure 2.4 requires the development of a relevant communication mix between a customer segment and the organisation. Communication content, objectives and channel mix is designed based on the specific needs of the segment. For example, based on the value of the segment, different channels will be used according to the relative costs of the channel (Dimension Data, 2000: 26).

- **Layer 2 – Channel Integration**

  Channel integration aims to integrate all channels to create a single view of the customer and a complete history of communication across channels that can be presented in the front office to all users (Dimension Data, 2000: 26). Customer interaction channels include all channels, for example the Internet, call centers as well as traditional channels like branches (Cap Gemini, 1999: 14).

- **Layer 3 – Systems Integration**

  The primary focus of system integration is to integrate the front office with the back office systems to ensure that all relevant information is available to all the various users. Users include call center agents, mobile sales staff or administration staff (Dimension Data, 2000: 26). Front office software includes sales, marketing after sales and support function...
automation. Back office tools consists mainly of databases, decision-support, marketing
data marts, data mining and query tools and collaborative and workflow solutions (Cap
Gemini, 1999: 13).

2.6.1 CRM strategies revolving around customers

Customer strategies should be aimed at differentiating the organisation from competitors, as well as attracting and retaining customers. The focus should be on providing the ideal customer experience. Organisations must embed a formal on-going business process, as part of the CRM strategy, to monitor and quickly respond to new buying behaviour drivers. The constant change in customer expectations necessitate this (Thompson, 1998: 21).

Dividing the customer base into groups or segments is a fundamental principle of CRM. At the basis of this is the fact that some customers are more valuable than others. An organisation that segments its customers can also tailor its offerings more closely to the needs of each customer segment. Customers can be segmented by products and services, profitability, by total assets, by income, and so forth (Ernst & Young, 1999: 39). For example, organisations can segment according to profitability by creating affluent, middle, mass and business segments.

Sheshunoff (1999: 58) mentions the following strategies that should prevail as an organisation moves towards a CRM culture:

- Measure customer profitability – the organisation needs to know who the high potential customers are. An integrated customer knowledge database will allow the organisation to view profits by profit profile.
- Prioritise customers – by using the customer database, one can distribute profitability information to various customer touch points. Many banks assign numbers to customers
to indicate their level of profitability. Employees have specific instructions as to how the bank’s valued customers are to be treated and what sort of decision-making latitude they have. The ultimate objective is to ensure that the particular customer is treated with the appropriate level of care.

- Devise profitability-based marketing strategies – the type of strategies to incorporate are for example to focus retention and cross-sell efforts on the most profitable customers. These strategies can be tailored to the ‘high value’ customer’s needs and choices.

- Re-pricing decisions – organisations should consider re-pricing less profitable accounts. When all accounts are priced equally, there will be degradation in profits for a certain segment of customers – particular the one-product customers.

- Retool the customer service procedures – many organisations have taken customer calls out of branches, rerouting it to call centers. This usually leads to higher levels of customer service and productivity.

- Employ a customer loyalty program – this can become the cornerstone of the organisation’s CRM strategy. The best customers should be recognised and rewarded with free services and other rewards in accordance with their status.

2.6.2 CRM strategies revolving around channels

New interaction channels like the Internet are key components of CRM technology. However, they do not replace traditional channels. Organisations continue to rely extensively on their field sales force and distribution or retail network. The purpose of these traditional channels is not only sales-orientated; they represent a key customer communication channel and a significant customer support channel. A change in the mission and functions of these traditional channels might occur as a result of the CRM strategy (Cap Gemini, 1999: 17).

The Internet will play an increasingly important role in distribution channels. Organisations can achieve unlimited scale, reach and speed, while at the same time building relationships
with customers through the creation of customised interactions. This can be achieved without having to build physical infrastructures. Mass customisation is becoming a real possibility for organisations. On the other hand, the Internet is providing customers with the power to switch from one financial service to another with the click of a mouse button (Ernest & Young, 1999: 17).

2.6.3 CRM strategies revolving around the back and front office

CRM is associated with front office applications. Examples of these applications are sales force automation, telesales and client support applications (Cap Gemini, 1999: 18). Sales force automation includes critical functions like lead/account management, contact management, quote management, forecasting, win/loss analysis and sales administration (3com, 2000: 4).

Datawarehousing technology, as a back office function, is a key component of a CRM initiative. The true value of a CRM strategy is to be seen when a data warehouse is available, and when data mining and modeling tools are used to identify patterns of behaviour from customer knowledge that can be applied in business. The data warehouse should drive marketing campaigns, cross-selling, customer retention plans and customer acquisition plans, thus requiring coordination with traditional marketing activities (National Data Systems, 1999: 92).

Sheshunoff (1999: 58) lists the following back office strategies that should be considered as organisations move towards a CRM culture:

- Invest in information technology – a CRM strategy requires an integrated customer database on a technology platform that can leverage the collected information at point-of-sale.
Employ predictive models – these models, together with customer profile data can be used to formulate prospect lists. Data mining techniques can be used to look for non-intuitive sales opportunities within the organisation's own customer base.

Create customer memory – a customer database will enable the organisation to remember customer choices and anticipate customer needs as they proceed through the life cycle.

2.7 A METHODOLOGY FOR IMPLEMENTING CRM

Once designed, a CRM strategy must be implemented. This section reviews a few approaches in this regard.

2.7.1 Cap Gemini's methodology for implementing CRM

The following management steps, graphically shown in figure 2.5, are suggested by Cap Gemini (1999: 4) to bring about the change of emphasis from a product-led business to a customer-led one:

- Developing the strategy – what specific business benefits are expected from the CRM strategy.
- Analysing information – examining information flows between front office, back office, and channels. This will provide information on customers.
- Identifying needs – this process includes the identification of the specific types of information that will reveal something about the customer's needs and expectations.
- Defining change – this entails moving from reactive to proactive involvement with customers. This cultural shift may require a corporate revolution.
- Building the future – this entails constructing and deploying the business and technical structures that will deliver the expected benefits.
- Measuring results – this includes building in value-added benefit measurement systems to check the performance of the CRM system and improve it (Cap Gemini, 1999: 4).
The above-mentioned methodology follows the theoretical approach to CRM implementation. Great emphasise is placed on strategies, definitions and analyses as part of the process with very little attention given to people and technologies.

FIGURE 2.5: CAP GEMINI’S METHODOLOGY FOR CRM IMPLEMENTATION


2.7.2 Dimension Data’s methodology for implementing CRM

The methodology proposed by Dimension Data (2000: 27) identifies milestones to be addressed with CRM implementation. They are, as illustrated in figure 2.6, CRM objectives, customer research, market analysis, data analysis, CRM rationale and business case, business requirements, CRM architecture, implementation, quick wins, support and development.
2.7.2.1 CRM objectives

The planning of a CRM initiative should start with the identification, quantification and prioritisation of objectives. Objectives can be increasing customer retention, improving operating efficiencies, identifying profitable customers or building customer knowledge. It is vital to the success of the CRM initiative to identify how CRM will deliver ongoing business value.

2.7.2.2 Customer research

A CRM strategy should include and coincide the views of both customers and staff. The customer's perspective is needed to ensure that the initiative meets their current and future needs. If this input is not obtained, the needs important to the customer will not be identified, which might lead to the initiative not reaching the stated objectives. Staff, being the organisation’s contact with customers, could make valuable contributions as to what
customers need. Staff can be trained to purposely gather information about customer needs and preferences. Questionnaires can be designed to get feedback from customers and staff can be encouraged to motivate customers to complete them.

2.7.2.3 Market analysis

An analysis of the current market will help the organisation to form a comprehensive map of industry players and competitor activities. The purpose is to identify possible trends as well as the future direction the industry might take. This will also enable the organisation to understand what others are doing, what has worked and failed and the possible reasons for that.

2.7.2.4 Data analysis

The information that already exists within the organisation must be analysed in order to get a clear and complete picture of the customer base. The focus in this regard should be on the profitability and history of individual customers. Many organisations' customer bases are so large that the only way to do this is to use sampling techniques. The quality and coverage of customer data as well as the ability to bring together information from different sources are key factors in this stage.

2.7.2.5 CRM rationale and business case

In this phase, a CRM rationale is formulated based on the comprehensive market and data analysis. The business case highlights the investment and projected returns based on the agreed objectives and activities. Measurable CRM objectives are agreed upon, once the business case is completed.
2.7.2.6 Business requirements

The business requirements include functionality required by the different members of staff, management information requirements, interfaces within the organisation and skill required to achieve the stated objectives.

2.7.2.7 CRM architecture

A systems architecture needs to be generated by mapping existing technologies and areas of integration to the business requirements. Gaps in the existing infrastructure must be identified and the necessary software/hardware products and skills must be acquired to ensure an integrated and robust architecture.

2.7.2.8 Implementation

The implementation plan must include responsibilities and milestones for each component of the initiative. Implementation is often phased, based on a prioritisation of requirements. Implementation should be done according to an acceptable rate of change within the organisation. This phase typically consists of a number of aspects, including a review of the objectives and business case, process, integration, people, software, hardware and testing.

2.7.2.9 Quick wins

Priorities should be specified within the implementation plan. They may be based on urgent needs within the business, the need to illustrate business value, or the ability of the program team to implement the CRM strategy. These priorities are referred to as quick wins. Usually they are quick and easy to implement – thereby illustrating the benefits of the new approach to top management. Quick wins can also be used to demonstrate the benefits of a CRM strategy to staff and customers.
2.7.2.10 Support

A CRM strategy requires multiple technologies and skills and is essential so that the CRM strategy can be supported on a continuous basis. The support requirements must therefore be identified and a support solution must be put in place to ensure that the required service levels can be met. Support for the selected technical components must be agreed with vendors beforehand.

2.7.2.11 Developments

The corporate environment is never static, and changes occur constantly. This is also the case with relationship marketing. CRM strategies are influenced by customer needs, competitor activity and technical requirements. An organisation’s CRM strategy thus never remains static, but needs to develop on a continuous basis. The most important activity in this regard is to identify improvements and calculate the associated economical benefits.

The Dimension Data methodology places outright emphasis on technology and, to a large extent, processing needs. However, the people component of a CRM strategy is not adequately addressed.

2.7.3 Mody’s methodology for implementing CRM

Mody (2000: 2) promotes a five stage approach for creating a successful CRM strategy. These stages are shown in figure 2.7.
2.7.3.1 Evaluate and categorise customers

Organisations must ensure that resources are applied to attract and ‘grow’ the right kind of customer. As explained before, customers are never equal – they differ in terms of their profitability and ultimately, their value to the organisation. It is therefore important that the organisation must find ways to determine the life time value of their current and potential customer base. The organisation then needs to make choices about segmenting their customer base, deciding which segment they want to serve.

2.7.3.2 Analyse the customer’s experience chain

Organisations should analyse every aspect of the customer’s experience with the organisation. Organisations that focus only on improving products or services, or introducing different pricing options, find that competitors catch up in a short time. The organisation must therefore uncover opportunities for differentiating their business in every contact or
experience customers have. This can be achieved by carefully analysing the customer’s experience chain.

2.7.3.3 Learn customers’ expectations and perceived performance

It is not enough for organisations to only know the customer’s needs with reference to the experience chain. Organisations also need to understand their customers’ and non-customers’ expectations outside the ‘product box’. ‘Product box’ refers to everything, besides the actual product, the customer expects from the organisation. Examples include customer service, friendly and helpful staff, after sales care and so forth. In addition, organisations need a system for measuring and tracking how their performance is rated relative to their competitors. An analysis of this information will permit the organisation to focus resources on those areas that will have the biggest impact on customer-perceived performance.

2.7.3.4 Use customer knowledge to align and tune the providing system

While many organisations have customer databases that cater effectively for their information needs, few of them successfully use the data to develop true competitive advantage. There are many reasons why this occurs. There might be too much data and managers may therefore have difficulty identifying useful information. The “right” data needed for strategic decision making might not be available. The important factor is to know what the customer considers as valuable and why. This knowledge must then be utilised to identify and improve those processes and capabilities that will deliver customer-defined value. This often requires seamless integration between the producer, suppliers, distribution channels and customers.

2.7.3.5 Engage and lead all employees

It is often suggested that the best CRM strategies and systems fail because of a lack of true commitment, demonstrated leadership and a misalignment of organisational processes
required to engage the workforce (Mody, 2000: 3). It is clear that strong leadership is necessary to instill a clear sense of vision and strong sense of direction to guide actions and decisions. Engagement of the workforce will align employee practices and will enhance employee loyalty. This in turn will lead to improved customer retention and profit.

The above methodology places most of its focus on the people component, with some emphasis on the technology component. Process changes, however receives little attention.

2.7.4 Peppers, Rogers & Dorf’s methodology for implementing CRM

Peppers, Rogers & Dorf (1999: 22) categorise the implementation of CRM into four phases, namely: identifying existing and potential customers, differentiate between customers, interaction with customers and customisation of products and services. This is shown in figure 2.8 and explained in the subsequent sections.

FIGURE 2.8 PEPPERS, ROGERS & DORF’S METHODOLOGY FOR CRM IMPLEMENTATION

Source: Adapted from Peppers, D., Rogers, M. & Dorf, B. 1999. One to One fieldbook: the complete toolkit for implementing a 1 to 1 marketing program. New York, Doubleday.
2.7.4.1 Identify existing and potential customers

In this phase the organisation simply identifies as many customers as possible with the aim to develop a profile of each. Customer identifying information is information that can be used to separate one particular customer from another, track transactions and interactions with the customer over time, or contact the customer individually. Examples include postal address, phone number, e-mail address, position description, title, account number, to mention only a few.

The major steps to consider in this phase is to:

- Collect and input more customer names into the existing database. This can include data already in electronic format or data on file, but not electronically compiled.
- Collect additional information about customers, for example ask customers one or two questions every time they interact with the organisation.
- Verify and update customer data and delete departed individuals.

2.7.4.2 Differentiate between customers

Differentiating customers is an important part of a CRM strategy, because it sets the stage for how the organisation actually behaves towards an individual customer. According to Peppers, Rogers & Dorf (1999: 57), customers are different in two primary ways – they have different values to the organisation and they need different things from the organisation. The differentiation process should thus involve:

- Ranking customers by their value – determining their actual value, strategic value and share of customer.
- Differentiate them by their needs starting with the most valuable customers - one can distinguish between community needs and individual needs.
Once customers are differentiated by value and needs, the organisation will be able to identify the top customers, the costly customers and be able to select the preferred customers.

2.7.4.3 Interaction with customers

Interaction is usually the first and sometimes the only CRM initiative that is actually experienced by the customers. This refers to the actual interaction between the customer and the organisation’s resources when buying a product or service. Identification and differentiation take place beneath the surface of the organisation’s relationship with the customer. Interaction requires the customer’s active participation and involvement.

Organisations often engage in interaction activities without incorporating the customer’s feedback into their CRM strategy. If it is the organisation’s intent with interaction to build a CRM strategy then:

- It should minimise customer inconvenience,
- The outcome should be of some real benefit to the customer,
- It should influence specific behaviour towards that customer.

2.7.4.4 Customisation of products and services

This phase is the key step in the integration of a CRM strategy, from the perspective of the organisations. A ‘CRM relationship’ means nothing if there isn’t some change in the organisation’s actual behaviour towards a single customer. Customising, in most cases, is reserved for detailed services, high priced products or the most valuable customers, because customisation is expensive for a business to undertake. Mass customisation is the answer for organisations with huge customer bases. Examples to customise an organisation’s offering to the customer include:

- Bundling – selling two or more products together,
- Configuration – preconfiguring a system to the customer’s specifications, without changing the physical product itself, for example phones with preset speed dials,

- Packaging – the way the product is presented to the customer,

- Ancillary services – extra services offered to the customer, for example biweekly wash-and-wax for the customer’s new car and, pickup and delivery when it is time for maintenance,

- Pre-authorisation – some organisations offer pre-set authorisations and limits to meet the different customer needs.

This methodology focus solely on the customer and the benefit the organisation can derive from the customer’s business. Neither the technology, nor the process or people component are addressed.

2.8 CHALLENGES FOR CRM

The implementation of CRM initiatives can pose significant challenges in a number of areas like:

- End user-driven methodology – An organisation’s IT department may lack either the knowledge or the power to influence corporate decision-making. The products selected should be compatible with the current organisation architecture. Products should not only be chosen based on end-user considerations.

- Lack of appropriate top management sponsorship – Unlike other initiatives like enterprise resource planning (ERP) top management are not likely to be involved in CRM initiatives, as the business performance activities associated with CRM are not often quantified in the corporate balance sheet.
• Lack of cultural preparation – Investment in CRM and associated technologies, without a customer-orientated cultural mindset, spread hierarchically throughout the organisation from the CEO downwards, will fail to achieve an acceptable return on investment.

• Inappropriate application design approach – If the organisation designs CRM applications to model a single functions view rather than an organisation customer view, this will often result in failure.

• Over-automation – When the emphasis is on making functionality the primary design driver, it usually leads to over-automated business functions. This can be problematic in sales, because the sales process benefits more from minimum automation; and in call centers, where turnover is high and skill-level maintenance is difficult because of minimal staff investment. The implementation of the CRM system should rather follow a phased approach.

• Sufficient consideration for extensibility – The range of activities and functions in a successful CRM initiative requires adaptable application architectures. Organisations should consider component models and other flexible technologies, for example Java to maximise long term success. Java refers to a programming language used mostly to create web sites on the Internet and which are usable with most software.

• Poor support for mobile synchronisation – This is a critical systems requirement for field sales and field service applications. Support should include mobile CRM requirements involving electronic software distribution, database changes, publish-and-subscribe services and security/authorisation.

• Lack of appropriate network infrastructure – The infrastructure must be capable of providing total network availability to support the organisation CRM application. They can include various needs, for example a strong remote access system for mobile sales personnel or a voice-capable network for customer service representatives. No CRM initiative can succeed without a stable, high-performance network solution already in
place. Inadequate infrastructure is a leading cause of failure for CRM implementations (3com, 2000: 3).

- No user ownership – Users must be involved right from the start to ensure that the CRM automation system addresses their needs. This will prevent users from revolting against the system, if they feel it's just another standard system and not customised according to their needs.

- Poor long-term management commitment – A committee should be set up which includes senior staff and users from all the relevant parties. This committee should brief senior management on a regular basis on the status of the strategy implementation (Goldenberg, 1998: 5).

The above challenges must be considered when designing and implementing a CRM strategy.

2.9 CRM AND BANKING

A CRM strategy should be developed according to the special needs characterising the financial services industry. CRM cannot simply be designed onto the multi-product, multi-channel organisation of most banks. The huge amount of information available to banks, coupled with the wide selection of products and services they offer can make implementation of a CRM strategy a complicated and time-consuming task that could entail large institutional change. Based on these challenges, many bankers invest heavily in large databases to market many of their products to all their customers. In the process of doing so, they acquire state-of-the-art statistical models to analyse new data and products and redesign their organisational structures around customers rather than products. Most taken on more challenges than they can successfully handle. Those trying to achieve too much, too fast, are likely to find the payoff elusive at best. Banks who have taken a more modest, gradual approach have made considerable inroads (Adolf & Kie, 1997: 188).
CRM's focus on the customer leads to the assumption that a bank should be organised around customer segments. Reorganising a multi-product and business unit orientated institution around customer segments, while at the same time focussing on building data-driven marketing and customer management capabilities, creates huge complexities for technologies, processes and people. Most banks, which have shown positive CRM payoffs, are focused on products or product segments. The most successful banks respond by viewing their product groups as individual businesses each with their own competitors. They accordingly build and apply CRM capabilities unit by unit. It is important that banks consider the impact of their CRM capabilities on the organisation and how the integration will be managed within their organisation (Adolf & Kie, 1997: 189).

Most of South Africa's financial institutions have adopted CRM as an integral part of their overall business strategy. However, CRM cannot be a 'me too' strategy. McLead (1999: 124) suggests that banks must be clear as to where they want CRM to take them strategically. They must then craft a strategy to get them there.

2.10 CONCLUSION

The focus of this chapter was on customer relationship management. Customer profitability, customer retention and customer acquisition were cited as the most important reasons why organisations need CRM. The main components which should constitute a CRM strategy were discussed, namely people, processes and technology. Additional requirements that should be considered were mentioned. An approach to CRM was suggested through utilising an integrated CRM framework. Different methodologies for CRM implementation were discussed and their ability to address the main components was evaluated. Challenges facing organisations considering CRM implementation were also discussed. Ways to approach CRM in the financial services industry were discussed in the concluding section of the
chapter. This chapter considered the main components of customer relationship management, as well as an integrated approach and possible methodologies for implementation. The next chapter will consider the development of e-commerce.
CHAPTER 3
THE DEVELOPMENT OF E-COMMERCE

3.1 INTRODUCTION
Global opportunities have blurred geographic and political borders, suggesting that the business of the future will have no boundaries of any kind. Organisations who previously resisted this challenge to compete internationally, now find themselves doing so because their customers compete in a global marketplace. For many organisations the message is very clear: "Support our interests all over the world or we’ll find someone who will". Even those businesses who were previously not planning to compete globally, are now responding to the global challenge, in order to avoid being outperformed by competitors (Sharp, 1995: 40).

This race cannot be won if one is not on the right track. The right path to follow is e-commerce.

This chapter begins with the definition of e-commerce and then focus briefly on the historical development in this regard. Characteristics of e-commerce, e-commerce strategies and e-commerce business applications are also discussed. The main focus of this chapter is on the new developments in the e-commerce field, as this will impact heavily on the design and implementation of CRM strategies within the organisation. Factors straining the growth of e-commerce are also included because of its possible influence on the future of CRM. Lastly, a brief overview of e-commerce in South Africa and the importance of e-commerce to the banking industry are offered.

3.2 E-COMMERCE DEFINED
At its most basic level, e-commerce is the ability to do business without paper. The subsequent returns it deliver is faster communications, solutions and decisions, rapid response
to customer orders and requests (Sharp, 1995: 40). More formally, electronic commerce is the sharing of information using a wide variety of different electronic technologies in the organisation, and between organisations doing business with one another. It includes procedures, policies and strategies to support the incorporation of these electronic messages into the business environment (Sokol in Dutta, Kwan & Segev, 2000: 2).

According to IBM’s web site, e-commerce encompasses business benefits that go beyond improving processes to leveraging the Internet to bring together customers, vendors, suppliers, and employees. E-commerce therefore enables the business to sell products, improve customer service and get maximum results from limited resources (Baker, 1999: 33).

Despite the different definitions for e-commerce in literature, three things remain clear:

- E-commerce simplifies, streamlines and supports business process by replacing paper documents with electronic means,
- E-commerce enables and facilitates the existence of electronic markets (Nath, Akmanligil, Hjelm, Sakaguchi & Schultz, 1998: 92),
- E-commerce facilitates communication, and organisations benefit from the marketing and branding opportunities provided by the Internet (Gordon, 2000: 66).

E-commerce is really about doing business different. With new technologies come new business possibilities, such as the ability to set up a business with a much smaller physical presence, with more information that is customised to the unique needs of the customer.

3.3 THE HISTORY OF E-COMMERCE

Information technology development can be classified into five primary waves, namely storage/physical level, processing level, infrastructure level, application/content level and
intelligence level. According to Kampas (2000: 8), the world is nearing the end of the third wave, with the fourth developing rapidly. These development waves are best explained with an information system function chain. In this chain higher-level information functions require the resources of lower level information functions in order to perform the work.

3.3.1 The IT system function chain

The IT system function chain can be divided into five levels, each playing an important and unique role, that when linked together, create the total IT system. The five levels and their 12 elements are shown in figure 3.1. These elements are the fundamental building blocks of any IT system.

FIGURE 3.1: THE IT SYSTEM FUNCTION CHAIN

The levels and their elements are:
• Storage/Physical level

Every information system has its origins in the physical world of atoms and electrons, even though the higher level application is in the world of bits. This level consists of storage, power and materials. Examples are memory, disks, tapes, electricity, and batteries, which facilitates the storage of information. As higher-level functions depend on these basic elements, failures here will bring the system to a halt.

• Processing level

The computer processor is the heart of the information system. Recent advances in processing power have had huge enabling effects on the ability to support the functions of the higher levels. This level includes computation and logic. Examples are numerical calculation, symbol manipulation, and Boolean logic operations, which enables better manipulation of information.

• Infrastructure level

Infrastructure provides the essential control and connectivity that bind the many elements together into a unified system. This level can be divided into human interface, internal infrastructure and external interfaces. Examples are graphical user interface, display, keyboard, mouse, microphone and speakers, operating systems, database management software, barcode readers, robots, cameras and sensors.

• Application/Content level

The actual work of the information system is done in these last two levels of the system. In the application/content level, application software operates on data or media of some form to produce results, which can include editing a document, executing a transaction, simulating a product or controlling a device. This level consists of applications and data or media.
Examples range from desktop productivity for example word processing, spreadsheet graphics, enterprise-wide resource planning for example accounting, payroll, logistics to business data, scientific data and semi-structured data.

- Intelligence level

As information technologies develop and advance to simulate complex human capabilities, the last level is reached. This is the function of intelligence – the last frontier. This includes reasoning, learning, inference and creativity. Very limited capability exists here today in computers. In time advances in processing power will enable increasing computer-based capabilities, but not in the near future, for example previous attempts at creating Artificial Intelligence (AI), has failed, because of an underestimation of the degree of complexity involved (Kampas, 2000: 2).

The using of the above systematic approach to explain the building blocks of every information system, provides a conceptual framework for explaining and understanding the implications and overwhelming flood of IT events and advances. The major IT megawaves will now be explained, categorising them in the same way as the levels of the information system function chain. This will enable the reader to visualise the future towards which the megawaves are heading.

3.3.2 The major IT megawaves

Information system developments over time can be explained by mapping it out on the information systems function chain, explaining it along the five levels of the function chain. Five megawaves of developments can be identified as illustrated in figure 3.2 (Kampas, 2000: 3).
### 3.3.2.1 First Megawave: Written word (3,500 BC to 1946)

The most fundamental aspect of any information system is the storage of information. This is important because user requirements necessitate that the information must be stored for future usage and distribution when required. The pen, paper and printing were primarily used during this megawave to change an illiterate world into an advanced and educated one. Before Gutenberg invented the improved printing press, books were expensive and literacy was scarce. Between 1452 and 1500, an immense printing industry sprang up, producing about 50 000 titles, 40 percent of which were about religion.

### 3.3.2.2 Second Megawave: Computerisation (1946 to 1985)

The rise of governments, commerce and science led to a huge demand for automated processing of this large amount of information. Napier’s logarithms (1600), Charles
Babbage's mechanical calculators (1800) and Hollerith's tabulating machine (1890) provided movement towards automation, but it was the arrival of electric power (1880) and the transistor (1947) that enabled the megawave of computerisation. Information was changed from an inactive medium to an active and then interactive medium – thereby establishing the powerful computer platform of business and scientific progress for the future (Kampas, 2000: 4).

During the twentieth century, the demand for automated information processing had become enormous. Growth of populations and businesses was hampered by their inability to process information in a timeous, efficient and accurate manner. The arrival of the digital computer in the 1940's enabled the expansion of IT. The Apple II was the first successful product, followed by the huge growth of the IBM PC. At this stage in the megawave computing became an everyday phenomenon to be found in most organisations, schools and homes.

3.3.2.3 Third Megawave: The death of distance (1895 to ca. 2005)

The next step was the challenge of better ways of linking users to computers, computers to computers and computers to other devices. Local processing by mainframes and PC's increased operating performances, but often the organisation, as a whole did not benefit because of the differences between computer systems. The arrival of improved networking and the graphical user interface bridged these differences, enabling strong links across organisations and increasingly internationally.

The World Wide Web contributed substantially to enable inexpensive and powerful links between consumers and businesses. This huge and quick development will put (and is putting) in place an infrastructure that will create powerful business-to-business, business-to-consumer and consumer-to-consumer communities (Kampas, 2000: 5).
3.3.2.4 Fourth Megawave: Hypermedia mania (ca. 2005 to ca. 2025)

With an infrastructure in place, the ability to create and distribute new and world-changing forms of media is released. Electronic commerce and online trading are only the first steps of changes in the future. This wave will encourage the rise of the ‘Virtual Age’ where most activities will be done electronically. High bandwidths will enable big amounts of physical information delivery.

Inexpensive 3D-enabled hardware and smart hypermedia authorware will make the development of business processes like the creation of web sites, games, graphics, imaging, video, animation and so forth, easier. In this era, the focus will be moving towards the creation of information (Kampas, 2000: 6).

3.3.2.5 Fifth Megawave: Lots of Robots (ca. 2025 to ca. 2060)

The anticipated focus in this era will be on the provision of specialised services, which require little knowledge and complexity and almost no requirements for creativity. It is predicted that robots will increasingly have the ability to replace humans in many areas of traditional work. People will probably be more involved in mass-recreation, continuously identifying new forms of work and recreation (Kampas, 2000: 8).

The development of e-commerce is primarily tied to developments in information technology, as discussed. However, changes in the following business areas also contributed to the emergence of e-commerce:

- changes in the value chain – the economy has moved from one where value lies in physical goods, for example cars and houses, to an economy in which value lies in knowledge and information, for example software programs and marketing data,
• changes in organisational structures – organisational structures changed from large, hierarchically structured organisations to smaller, task-orientated 'virtual' enterprises,
• changes in business trends – this includes a new self-service model, an increasing need for information for decision making and the lack of time to complete critical tasks in a normal working day (Dutta, Kwan & Segev, 2000: 3).

3.4 CHARACTERISTICS OF E-COMMERCE

The world, today, is more than half way through the third megawave, namely Death of distance. Some of the more distinct characteristics that drive this megawave, are:

• Access to information and transactions, which has led to a shift in power away from major institutions like banks.
• Creation of reverse markets – in contrast with a traditional market, the buyers now offer a price, and the sellers compete for the business. An example of this is City Lodges’s Bid-to-Stay system. The result is that sellers’ power over price setting is getting less.
• Ease of switching – location is no longer the key to business success. Competitors are only a click of a button away, making it easier to switch to competitors offering superior value.
• Movement to open code – the disadvantage of using proprietary software is that it used to limit the user to that vendor’s products. Advances in infrastructure developments are causing the move to open code for example the Netscape Browser where software code is put in a public area for all to use and modify.
• End of low bandwidth to home and small businesses – the spreading and investments of worldwide telephone and cable organisations are improving bandwidth, which in turn leads to faster access to electronic media.
• End of network-free zones – the emerging of affordable and user-friendly local area networks will ensure that most homes and small businesses will become fully networked.
End of hard-to-use technology — improvements in speech recognition, graphical user interface, biometrics, remote management, and flat panel displays, will make the use of electronic devices easier and thus more accessible to a larger percentage of the population (Kampas, 2000: 20).

Personalisation — new tools and technologies will be introduced which will allow retailers to learn more about customers’ behaviour and needs. This information can be used to build customer loyalty. E-commerce provides a big opportunity to understand customers better. Many retailers are using frequent buyers’clubs and other loyalty programs as incentives to build loyalty to the organisation. E-commerce enables retailers to provide more individualised services, for example mass customisation and individual discounts based on previous transaction history (Gordon, 1998: 67).

Business intelligence — this refers to the gathering, analysis, distribution and management of information on customers and partners. Information is no longer only a tactical tool, but is becoming a strategic differentiator that will lead to quicker decision making. Business intelligence improves corporate performance enabling organisations to better understand their customers and prospects, improve their profitability and create valuable new products and services (Gordon, 2000: 68).

Merchandising — it is difficult to provide the same level of experienced salesmanship online, as would a normal merchant for example cross-selling and maximum return on customer interest. However, the development of new technologies will increasingly close the gap between the physical world and merchandising online. New ways of doing business are flourishing on the Internet. These would otherwise not be possible in the physical world, for example many organisations are selling excess inventory online through cyber auctions and merchants like eBay.
• Payments – the transfer of funds forms the heart of any e-commerce transaction. Currently the majority of purchases are done via credit cards. New payment methods like e-cheques, debit cards and e-cash will however change this (Gordon, 1998: 70).

• Supply chain management – the benefits most associated with doing business electronically, namely saving time, decreasing cost and increasing efficiency, are dependant on the delivery of the correct products to correct locations. Organisations that tie their e-commerce capabilities into their core business processes of allocation, production, distribution and relationship management will earn market leadership.

• Blurring of industry barriers and boundaries - as industries begin to exploit the common digital infrastructure provided industry barriers will blur. Examples are television, movies, lectures, music, art, photography, commerce and financial services. Electronic commerce will enable the online handling of shopping, banking, and brokering for example jobs, tickets, reservations, stocks and bonds. Boundaries between banking, investing and insurance will increasingly blur. Many physical branch offices will disappear as more transactions are handled electronically. Customers will move to self-service, which leads to higher customer satisfaction and lower costs to the organisation (Gordon, 1998: 72).

3.5 E-COMMERCE STRATEGIES WITHIN ORGANISATIONS

Organisations approach the e-commerce phenomenon in different ways. Some traditional industry players approach e-commerce principles in line with their history, culture and goals. This results in a more evolutionary approach where small incremental changes occur over time. Others tend to follow more radical and innovative approaches. Ernst and Young (1998: 20) identify three categories of e-commerce principles:

• The “holding” category includes those organisations that cannot form an e-commerce strategy and/or they believe they don’t have the necessary information to establish a
business case for e-commerce. These organisations feel the market is still too immature and that they should wait to see how others are faring.

- The “formative” category includes those organisations, which can establish a business case for e-commerce, but they don’t know how they should respond. Usually they test one or more potential strategies.

- The “committed” category includes organisations with a business case for e-commerce and who allocate resources for the implementation of the strategy.

Technological enablement can be broken down into three categories:

- Observers use tried and tested existing technology. They feel the purpose of technology is primarily to reduce costs.

- Exploiters see technology as giving them a competitive advantage. However, they don’t feel that the risks/rewards require them to be the first to move in the market place.

- Innovators on the other hand, use technology aggressively to exploit the competitive advantage created by technology.

From the above two dimensions with their various categories, eight styles of e-commerce strategies can be identified:

- Holding/Innovators believes that e-commerce has no real value at this time for the organisation, although they spend money on new technology, in order to be ready when e-commerce will contribute more to the business of that organisation.

- Formative/Innovators invests in e-commerce because they feel it is giving them a unique competitive advantage.

- Committed/Innovators has a clear understanding of the benefits gained from e-commerce, but may still be resolving issues like changes to people and processes.
Holding/Exploiters believes that e-commerce has no real value at this time for the organisation, with limited expenditure on new technology in order to maintain their position as a fast follower.

Formative/Exploiters believes the organisation should do something as e-commerce is developing rapidly. Spending is however limited with a focus on existing solutions. There might not be a clearly defined business case.

Committed/Exploiters believes that e-commerce is developing fast and existing solutions is applied with added transactional processing features.

Holding/Observers believes that e-commerce holds no real value for the organisation at this time. They might have a basic web site and intend to develop more applications once the business case for e-commerce is completed.

Formative/Observers understands the impact of e-commerce and is making available resources, time and money to stay ahead of changes. They might have an information only web site (Ernst & Young, 1998: 21).

Fifty percent of financial organisations place themselves in the formative/exploiter category. Less than 5 percent place themselves in the committed/innovator category, while 20 – 30 percent place themselves in the holding/observer category. Most financial organisations see their future migrating from that of holding/observer to that of committed/innovator. In the development of ATM technology, the leaders took the risk and invested heavily in this new unknown technology, hoping to gain huge market shares. In contrast, the followers spent less and had less risk, knowing that they will not gain so much market share. However, in the end the leaders didn’t gain as much market share and the followers didn’t lose as much market share as anticipated. It is likely that the future e-commerce initiatives will develop in the same way as with the ATM (Ernest & Young, 1998: 22). It is clear from the above discussion that organisations should take firm stance, as to what their view point towards e-commerce is. As
e-commerce is not just another short-term phenomenon, organisations should focus on the benefits that can be derived from e-commerce and boldly exploit new technologies.

3.6 E-COMMERCE BUSINESS APPLICATIONS

As mentioned earlier, e-commerce entails doing business electronically. Ideally, e-commerce strategies should focus around the business processes of the organisation. The following applications of e-commerce in an organisation support its business process strategies. The applications are information sharing, transacting and service and support. Some ways in which e-commerce can be applied with business strategies are explored in the ensuing sections.

3.6.1 Information sharing

The primary use of e-commerce for business in the global economy is the sharing of information. Information can be shared with customers, with business partners and with suppliers using an extranet and staff using an intranet.

3.6.1.1 Customers

The big advantage with establishing a web site presence, is the opportunity of reaching a new market and the development of a potential distribution channel. Organisations should carefully consider the design and layout of the web site, as a badly designed web site can do more damage if compared to those of competitors. The web site offers information about the organisation's products and services as well as establishes a communication channel between the organisation and customers. Customers must have the capability to connect to any piece of information, at any location, at any time, through any device (Ernst & Young, 1998: 6). The primary challenge is to maintain the direct connection to the customer, as it provides an avenue for the customer to ask questions and have products and services delivered (Ernst &
Young, 1998: 29). More advanced web sites allow interaction with customers. These usually have platforms, which enable the customer to input specific requirement/preferences.

Advertising through newspapers, magazines, TV and so forth, will be necessary to inform customers of the organisation’s Internet presence. Popular Internet sites can also be used to attract new customers, for example, search engines which usually have a high volume of traffic.

When developing web sites, organisations should consider their customers’ preferences. This can be established through online feedback, or having a counter to determine the popularity of the site (Corboy, 1999: 38).

3.6.1.2 Business partners/suppliers

The arrival of the Internet has enabled organisations to provide partial access to the organisation’s intranet (making it an extranet) for business partners and suppliers. Closer links with business partners and suppliers enhance the existing distribution channels. Business processes, which will be improved through e-commerce include electronic information flows, electronic process facilitation, electronic customer support, real time access to the client database and value added communications. An organisation will be able to collaborate with suppliers on product specifications and production methods, when developing a new product.

3.6.1.3 Staff

The availability of organisation intranets has proven greatly advantageous to most organisations. The intranet enables staff to have immediate access to the most recent information. This is especially beneficial to marketing, customer service and support
departments. Intranets encourage communication and collaboration between people regardless of their geographical location. Intranets also provide a means for staff to share ideas, and discuss product improvements and opportunities for new products. In some cases, intranets enable staff to work from home, as they only need a modem to dial up to the organisation's Internet site to access the intranet (Corboy, 1999: 39).

3.6.1.4 Cost savings
Cost savings realised from utilising e-commerce strategies in business processes relates to printing, publication and distribution costs. By putting a directory of general organisation information on their intranet, General Electric saved $240,000 a year on printing costs alone. Savings are also made in terms of employee time. Electronic access to information reduces the need for employees to telephone or fax information, thus improving productivity and efficiency (Corboy, 1999: 40).

3.6.2 Transacting
Transacting includes transactions with customers and transactions with business partners or suppliers via an extranet. The facilitation of transactions via e-commerce leads to sales in new markets, improves the supply chain and leads to cost savings.

3.6.2.1 Sales in new markets
More and more organisations are using the Internet, not only to establish a web presence and to communicate, but to sell their products and services online (Corboy, 1999: 40). Sales can manifest in the following ways:

- Indirect sales – web sites that only display pictures and customer information about the organisation's products. These web sites are there merely to facilitate the sales process.
• Direct sales – web sites, which act as a distribution channel. Customers are able to order and pay online for products or services. Applications should be able to handle credit card, debit card, smart card and new loyalty card transactions (South African firms urged to catch the e-commerce wave, 1999: 6).

• Shopping malls – web sites acting as virtual shopping malls.

• Payment – web sites like those of banks offer customers payment and transactional facilities. However, customers’ concerns about security of web sites are hampering development at this stage.

• Fulfilling the transaction online – some web sites are able to accept payment and fulfil the transaction online. Software sites, for example, allow the download of software purchased by the customer (Gorboy, 1999: 40).

3.6.2.2 Improved supply chain

The improvement of the business-to-business process, also known as supply chain activities, are by far more important and signification than the business-to-consumer process. Aspects of the supply chain process, which can be improved through e-commerce, are:

• Tendering – extranets provide a more efficient way for suppliers to respond to invitations to tender. Product specifications, timelines and so forth can easily be accessed via the organisation’s extranet. This leads to reduced time to respond and is therefore shortening the production cycle.

• Customer ordering – extranets can allow customers to place orders, receive invoices, track shipments and process payments.

• Just-in-time-ordering – extranets can be used to communicate with suppliers and therefore are able to streamline their inventory management systems. Suppliers can, for example, be alerted via e-mail when new stock is required from a particular supplier. This can also eliminate the need for purchasing orders as suppliers can acquire access to the retailers
stock levels and thus replenish products according to agreed service level agreements (Gorboy, 1999: 41).

3.6.2.3 Cost savings

The Internet as a possible channel to organisations is attractive because of the low cost per transaction when compared with other channels as well as the reduction of paper based transactions (Gorboy, 1999: 41).

3.6.3 Service and support

E-commerce allows organisations to enhance the servicing and support element of the sales cycle and therefore reduces cost. Improvements in service and support will improve customer retention strategies, sharpen the internal focus on the customer and once again lead to cost savings for the organisation (Gorboy, 1999: 41).

3.6.3.1 Retention of the customer

The Internet allows organisations to collect information on customers in an efficient way. Organisations can learn about customer needs and preferences. In addition organisations are able to strengthen existing relationships with customers as they apply the knowledge gained of customers to provide value-added services and tailored products through different channels. E-commerce can also help to assist the customer to use the product efficiently. Different levels of support can be considered in this regard:

- primary – free online support for example frequently asked questions, articles and newsgroups,
- priority – this entails web response to customer queries,
- premier – this is contractual technical support with consulting arrangements.
A big opportunity for cross-sell to existing customers exist via the Internet. The aim should be to sell more to existing customers and reduce the tendency of customers shopping around. For example when a customer applies for a car loan the opportunity would exist for the bank to cross-sell car insurance to the customer as well.

As mentioned earlier, retention of customers is a big advantage gained by organisations utilising e-commerce capabilities. Organisations seldom realise the costs involved in losing a customer. Most accounting systems ignore expected cash flows over the customer’s life with the organisation. If served correctly, customers will generate more profits each year they stay with the organisation (Reichheld & Sasser, 1990: 106).

3.6.3.2 Internal focus on the customer

Customer feedback can be used to improve products and existing services. Information collected via the Internet can be used to the benefit of the organisation. This includes compiling and publishing the answers to Frequently Asked Questions, articles and opinion papers (Gorboy, 1999: 42).

3.6.3.3 Cost savings

Organisations can allow customer access to their tracking systems in order to enable them to monitor the progress of their orders and deliveries (Corboy, 1999: 42). This will lead to reduced costs for organisations in terms of having a dedicated team to handle customer order queries.

3.7 NEW DEVELOPMENTS IN E-COMMERCE

This section reviews a number of new developments in e-commerce, which will change the future of competition.
3.7.1 Virtual malls

The concept of the virtual mall is very much similar to the physical world, where the customer walks from shop to shop. In the virtual world the customer does not need to do any walking – just browsing from own store to another. The virtual malls that are most successful are those that offer huge catalogues of items which customers can buy. The advantage is the seamless browsing of many products and then purchasing them on one website (Gordon, 1998: 72).

Virtual malls have not been as successful as online retailers have hoped, because of attributes similar to that of a general retailer. If one requires Nike foot wear, the search engine would direct the customer to the Nike site, rather than the ‘general’ virtual mall (Gorboy, 1999: 40).


3.7.2 Portals

Portals are a single point of access to different types of information. Portals are used on the Internet to organise web sites by providing a rich navigation structure (What is a portal, really?, 2000: 1). Portals are more successful than virtual malls because it creates a value proposition to the customer who frequently uses it. Portals should offer attractive content, clear value to customers and a large focus on marketing and creating brand awareness to ensure large amounts of traffic (Gordon, 1998: 72). Portals enable organisations to focus the customer service experience through a single gateway. Many organisations have developed portals, and are aiming at creating value-added portals to customers, providing self-service functions like online banking, account payments and other services like e-procurement, travel booking and so forth. Portals can become the key for businesses who want to personalise and extend the scope of their relationship with customers, without necessarily adding more staff or expenses (McKie, 2000: 2). An example of a portal can be found at http://www.mywealth.co.za.
This is an online financial service portal that enables customers to build and manage their own wealth. Services offered include the ability to buy and sell shares and unit trusts as well as tools to guide customers through the process (Mywealth: make the most of it, 2000: 7). It is clear from the above that portals will play an important role in the future of customer relationship marketing.

3.7.3 Virtual cash

Virtual cash is a form of loyalty program, which provides customers with free e-money for doing business with the organisation. This is different from traditional loyalty programs as e-money are tied to the currency of that country and it can be spend or invested immediately. E-money will be truly virtual, for example the money cannot be held, only used to make purchases through electronic mediums like the Internet, cell phone or credit cards. It cannot be converted into hard cash. Therefore virtual cash will largely take care of concerns about security, as no financial details will have to be disclosed to third parties. Customers will be able to spend e-money on a variety of products and services, for example cellular airtime, movie tickets and online merchants. First National Bank in South Africa will be launching this concept soon, called eBucks. This is the first loyalty currency backed by a group of banks (Gordon, 2000: 3).

Another existing currency is called Flooz, which operates like gift vouchers. At www.flooz.com a credit card is offered initially to pay for the flooz transferred to one’s account. The flooz in the customer’s account are then send to friends via e-mail who are entitled to use this currency at more than 60 web pages to buy products and services (Ferreira, 2000: 15).

Beenz at www.beenz.com operates very much like First National Bank’s E-bucks. Customers open an account and earn beenz by visiting various websites, which reward customers with
this currency. The big difference however, is that beenz can be converted into real currency (Ferreira, 2000: 15).

Standard Bank of South Africa recently launched its portal at www.bluebean.com. This e-banking initiative promises to deliver customers a single point of entry into a new brand of virtual banking. This will link a customer’s credit card, ATM card and garage card through a single transaction card. By linking all banking facilities and with the backing of Mastercard, this brand is just one step away from being a smart card. Bluebean.com comes with its own rewards program, very similar to that offered by www.beenz.com (Carroll, 2000: 1). The site is linked to more than 25 retailers and merchants who offer a wide range of services and products, for example bookstores, jewelers, wine merchants, florists and grocers. One can also buy and sell property, book tickets and make travel arrangements, bid in online auctions and have access to a variety of financial services (Bank’s shopping site full of secure beans: 2000, 5).

3.7.4 Wireless Application Protocol

Wireless Application Protocol (WAP) provides a worldwide standard for bringing Internet content and value added services to mobile phones and other wireless services. As a result of this international standard, WAP makes possible a whole range of services, which is independent of the underlying digital wireless network technology. WAP will allow users with mobile phones that is WAP enabled, to have access to information and transactional services like banking services, restaurant and hotel information, stock trading, directory services, exchange rates, flight schedules and train and bus timetables. WAP technology is easy to use, and offer improved security. WAP is very similar to Web tools, thus making it easy to adapt existing applications and IT systems to the mobile environment (Nokia, 2000: 1).
The greatest drawback of using WAP technology at the moment is the speed at which data is delivered – 9.6 kilobits per second. Providers hope to upgrade this to 64 kilobits per second, as this will make the transfer of data quicker. Once this is in place, activities like mobile videoconferencing and television of the phone might become practical (Dogar, 1999: 49).

Scandinavians are already using WAP technology for travel bookings, banking and movie ticket purchasing. In Helsinki, police are using handsets to check license-plate numbers and ambulances are wiring information on a patient’s condition through to the emergency room before they arrive at the hospital. Various Internet sites already offer value-added sites for WAP utilising customers. The D2 WAP portal offers news, weather, traffic info and hotel and restaurant tips (Dogar, 1999: 49).

In South Africa WAP technology is gaining ground fast. It is estimated that South Africa will have 2.2 million Internet users by the end of 2000 of which 300 000 are currently Internet banking clients. Indications are that by 2003, more people will have access to the Internet via WAP-enabled phones than personal computers (Ryan, 2000: 9). WAP-enabled phones are already available in the South African market, but banking analysts agree that it will stay an application for the upper-end of the market for the foreseeable future. As these handsets are expensive and usually acquired on a contract, it will exclude the massive prepaid market. A further drawback is the call costs – it requires customers to go online at cellular rates to transact (Banking on your cell is affordable, 2000: 4).

Improved technology in Short Message Service (SMS) is offering opportunities less expensive than WAP technology. Absa Bank, South Africa’s largest retail bank, identified an opportunity utilising SMS to access information, which will enable the bank to reach a greater portion of the market. Customers will only need a 32k SIM card, where on to the Absa
banking menu must be downloaded — which will list the options available. Customers will be able to use their banking services, by typing in their access account number and secret Personal Identification Number (PIN). Transactions available to customers include balance and statement enquiries, transfers between accounts, payments, the canceling of services and changing of PIN numbers. Transactions will be totally secured as specially developed encryption technology is used (Banking on your cell is affordable, 2000: 4).

Standard Bank introduced a service linked to voicemail on a cell phone. The bank will let customers know what the balance on an account is, whether cheque deposits bounced and can fax through statements on a daily, weekly or monthly basis. A PIN secures the voicemail box (Viedge, 1996: 9).

It is clear from the above that the services offered through mobile phones are similar to that offered via the Internet — with the added benefit of being mobile.

3.7.5 Secure electronic transaction

One of the biggest concerns regarding e-commerce is the security infrastructure (Gordon, 1998: 60). Customers are demanding more secure Internet sites to guarantee the confidentiality of data exchanged during online transactions. Secure Electronic Transaction (SET) is a protocol standard not yet accepted, but already used by some large organisations such as Absa and First National Bank, to secure their web sites.

SET requires three pieces of software — the card holder wallet installed on the user’s hard drive, which contains a digital certificate and other information; a merchant gateway and a gateway for the payment acquirer, usually a bank or Certification Authority. Each of the parties to the transaction also requires a SET-compliant digital certificate, which contains the
numerical algorithms to digitally encrypt and decrypt information being sent (Santosus, 2000: 3). Areas of concern which is hampering full rollout of SET-technology is performance – especially for big organisations like banks, and the fact that all the parties taking part in the transaction must have access to SET-technology.

3.7.6 Call centre technology

The call center of the early 1990’s responsible for handling customer complaints and inquiries has changed to a highly technological, interactive and knowledgeable customer care center that takes customer service to a higher level. Today’s call centers no longer simply respond to customers, but proactively learn about customers and their needs in order to provide the required service. The functions of call centers are expected to grow in the future through new developments in call center technology.

Developments include:

- Automatic call distribution (ACD) advances which have encouraged overall growth,
- Call Management Software, Integrated Voice Response (IVR) and Predictive Dialers have increased the efficiency of call centers,
- Computer Telephony Integration (CTI) technology which allows significantly improved customer service through better information handling and data management (LaTraverse & Newall, 1999: 2).

The development of the above technology will enable the call centre agent to resolve any customer problem with a single call. This ties in with the focus to have all customer information stored centrally.
Trends that are shaping the direction of the call centre includes:

- Customers are demanding service 24 hours a day, 7 days a week, through automated channels,
- The Internet has created a powerful and cost effective tool for organisations to manage automated customer transactions. Combining the call centre with the Internet wasn’t possible until a few years ago – now it is becoming a popular way to deliver sales and service information on demand to customers. The advantages of modern Internet call centre technology are obvious. Customers can gather information in a variety of formats more quickly than before. Those customers can then utilise traditional agent based telephony interaction, armed with the information gathered, thereby dramatically reducing the length and cost of a normal telephone call (Elcym, 1999: 72).

Telephone banking is a popular medium for banking transactions in South Africa. Seventy five percent of call centres surveyed in a recent study by The Merchant Group were reporting growth rates of well over 20 percent (VanLaeken, 1999: 51). South African banks have spend millions to develop and upgrade call centres (Ryan, 2000: 9). They are becoming a fundamental part of managing customer relations. Virtual channels in call centres are on the increase because of the blurring of lines between the traditional spheres of business (Stadler, 1999: 30).

It clear from the above that call centres are geared towards exceptional service to customers, and will add value to any organisation’s customer relationship management strategy.

3.7.7 Smart card technology

Smart card technology will offer customers a variety of benefits. One benefit is the ability to download cash electronically from the ATM to the smart card and from the card to retailers’
card readers. This is referred to as an electronic purse (Ryan, 2000: 9). Smart cards store monetary value on a microchip with an operating system like Windows or DOS. These cards are able to interact with special Point-of-Sale terminals enabling the owner of the smart card to use it as an alternative to money. Currency can be added to the smart card via Automatic Teller Machines (ATM’s). Other possibilities include the transfer of money between the smart card and cheque/credit card accounts via telephone, ATM or the Internet. The microchip technology used in smart cards allows added operations, which increase the security of using these cards (Cherneff, Griffin, Outcalt, Puliafito, Singer & Stapleton, 1997: 3).

Three types of smart cards are available:

- Intelligent smart cards that are able to handle credit and debit transactions and can store information about the user, for example financial or medical information,
- Memory cards which are less sophisticated and primarily used for information storage for example used at telephone booths or vending machines. These cards are normally thrown away as soon as the balance runs out,
- Hybrid cards that offer a combination of technology. It contains a microprocessor chip, magnetic strip and bar coding. A single card can thus access more than one type of software, for example merchant card readers, ATM’s and bar code applications.

The primary benefits of smart cards are the size – large amounts of data can be carried around in a person’s wallet; and safety – the intelligence level of the microchip enables the protection of information being stored (Cherneff et al, 1997: 4).
3.7.8 Digital certificates

Digital certificates and Certification Authorities are playing a major role in e-commerce. This software establishes a person's or organisation's identity without acquiring the physical presence of that person or organisation (Young, 1999: 79).

Digital certificates are specially encrypted 'virtual signatures' held by both merchants and customers, which guarantee their identities and which cannot be duplicated, forged or hacked. These certificates are issued and backed by an established Certification Authority and when using a certificate, it must be fully authenticated by a bank or the issuing Certification Authority before any electronic payment can be authorised (Gordon, 1998: 61).

The importance of digital certificates are highlighted by a joint venture between some of the world's leading banks, which include ABN Amro from the Netherlands, Barclays Bank from the UK, Deutsche Bank in Germany and Chase Manhattan and CitiBank in the United States, Sanwa Bank of Japan and the Canadian Imperial Bank of Commerce. This consortium is known as Identrus and is located in New York. The aim with this consortium is to provide businesses with assurance about the identities of organisations it plans to trade with over the Internet (Young, 1999: 79).

Identrus depends on tested international contract law, therefore hoping to avoid some of the legal uncertainties of currently transacting via the Internet (Graham and Brown-Humes, 1999: 4).

3.8 FACTORS CONSTRAINING THE GROWTH OF E-COMMERCE

E-commerce is expected to grow rapidly in the years to come. Organisations therefore need to exploit the benefits derived through e-commerce. They must also be aware of the factors,
which might hamper the growth of e-commerce. The following section reviews the factors to be addressed in order to ensure the growth of e-commerce.

3.8.1 Management appreciation of e-commerce

An appreciation of the potential competitive advantage provided through e-commerce should exist with management. This problem is specifically evident outside the IT industry. Often management is quick to dismiss the forecasts or short term projections on the impact of e-commerce. Bill Gates claims that people might overestimate what e-commerce will do in two years, but that they are underestimating the impact in five years (Gorboy, 1999: 42);

3.8.2 Infrastructure and bandwidth

Infrastructure and bandwidth are the biggest concerns, restricting the growth of e-commerce at the moment. However it is possible that this will change in the future as the market is deregulated and competition increases among telecommunications providers. If the Internet is to be the main channel for e-commerce, this will have implications for its infrastructure. This includes accessibility, reliability and capacity. If e-commerce over the Internet is to become the norm for the masses, then easy accessibility and reliability is required. The speed of the Internet is often a common complaint when using the Internet for business purposes. Industry experts expect this to change as more is invested in network infrastructure, more powerful servers and better compression techniques and cabling organisations helping with slow response and bandwidth (Gorboy, 1999: 42).

3.8.3 Security issues

The perceived lack of security on the Internet is another big barrier limiting the growth of e-commerce. The following security issues must be addressed by organisations to ensure growth:
• the interception, reading or illegally modification of information – organisations should invest in encryption software which encodes data to prevent any tampering,

• users gaining access to data through false identity to commit fraud – organisations should invest in authentication software which verifies the identities of both the sender and receiver,

• users gaining unauthorised access by moving between different networks – organisations should invest in firewall software which will ensure that information is not accessed by unauthorised users,

• users refusing engagement in transaction – organisations must invest in software which will provide an audit trail for transactions (Corboy, 1999: 42).

3.8.4 Secure payment methods

The issue of secure transactions via the Internet is controversial. Technology has been slow to develop because of lack of standardisation as well as the lack of payment systems. Recent advances have however made transactions much safer. These developments include SET (as discussed earlier). SET will reduce the ability for people to commit fraud, thereby addressing the fears of individuals and big organisations (Gorboy, 1999: 42).

3.8.5 Cost of investment

Cost of investment may vary according to the level of sophistication of the web site. Aspects like enabling customers to perform transactions or provide feedback will influence cost. Initial costs will include design of the web site and paying the Internet Service Provider (ISP). Organisations with high volume activity might consider bringing the Internet function in-house. Initial investments to establish Internet presence might be substantial, but the cost of e-commerce software will become increasingly accessible as the software is commoditised (Gorboy, 1999: 42).
3.8.6 Legal and regulatory issues

The lack of legal and regulatory issues governing activities on the Internet is a major concern. These issues include:

- Intellectual property rights – currently two European Union initiatives exist to govern the legal protection of computer programs and databases. Copyright issues are priority for further legislation.
- Consumer protection – education is necessary so that consumers are aware which country’s laws of contract apply to an international purchase.
- Other issues include illegal content regulation, protection of encrypted services and cross border issues (Gorboy, 1999: 42).

Currently, South Africa has no legislation directing e-commerce. No laws which govern issues such as current IT practices, domain name copyright and trade issues exists. The biggest problem in the development of these laws in South Africa is that there are no mechanisms in place to cope with the forging of electronic commerce. The Department of Communication has established a forum and drafted a document regarding issues such as e-commerce, regulatory issues and policies (Heske, 2000: 82).

3.8.7 Linguistic and cultural issues

Currently, the development of e-commerce via the Internet has been very much US centred. This has given organisations from other countries the excuse not to exploit opportunities to their fullest. The biggest disadvantage stemming from the above is the fact that US search engines may not always cope with European character sets (Gorboy, 1999: 42). As South African language differ, for example Afrikaans and other African languages are foreign to most European countries, this might also be a problem when using international search
engines. A way to counter this problem is to have local search engines for example www.ananzi.co.za or www.zebra.co.za.

3.9 E-COMMERCE IN SOUTH AFRICA

South African retail sales are set to increase sixfold in volume in the next year (Eedes, 1999: 3). While South Africa tends to lag behind international trends, more and more local organisations have started making use of the Internet for transactional purposes.

Major South African banks have gone online to offer Internet banking and an increasingly number of traditional retailers are moving on to the Internet (E-commerce for the personal approach, 1999: 3). E-commerce is promoted naturally through the availability of easy to use and affordable technology. However, the convenience of online shopping will in the near future move more customers to online shopping. According to Daymond (in E-commerce for the personal approach, 1999: 3), factors which are preventing customers in South Africa from drawing the advantages offered by e-commerce are aspects already discussed: security, slow response rate and network availability. Another fact to consider is that fewer South Africans have access to the Internet – thereby making the cost justification for online retailing more complicated.

Branding is another important factor, as customers feel much more comfortable dealing with organisations with an establish reputation. When they buy a branded product, they know what they are buying (E-commerce for the personal, 1999: 3). Another factor limiting the growth of e-commerce in South Africa is the shortage of South African merchants on the Internet. However, as more and more consumers gain access to the Internet, South African merchants will have to look at developing an e-commerce strategy. It is predicted that e-
commerce will downsize or totally diminish the role of some middleman for example travel agents (Eedes, 1999: 3).

3.10 E-COMMERCE AND BANKING

The financial services industry is one of the most dynamic industries in the world today. Not so long ago, customers chose their banks by location and convenience. Now banks serve customers around the world, including Internet users. Internet banking is a good example to illustrate the significant technological revolution in the financial services industry since the development of the ATM. Banks need to adapt to new changes brought about by technology if they want to survive (Chou & Chou, 2000: 51). Careful planning is necessary when creating web presence. In addition, organisations must integrate these online services into the existing bank processes to create one view of the customer. This is in line with developments in customer relationship management.

Shopping flexibility via the Internet is increasing the volume of e-commerce. This in turn generates a corresponding demand for electronic payment processes offered by banks. Customers need to be able to perform activities like paying accounts, viewing account balances, transferring funds between accounts, and so forth. It is clear that the customer-orientated demand on Internet banking is increasing. Although the provision of Internet banking is expensive, banks need to provide these new services to meet their customers' needs and in order to survive in a competitive environment (Chou & Chou, 2000: 52). E-commerce allows the banking industry to establish a direct link to customers, which is the focus point of a successful customer relationship management strategy.

A concern which banks must address in their e-commerce strategies is the fact that no single organisation will have control over the evolving e-commerce networks. Banks who use to
own the payment system, has lost most of the control to credit card organisations, and now software developers are also fighting for a part of the control. The ability of banks to generate revenue from transaction charges, as is the case, within the branch and with ATM’s, will disappear. The increasing popularity of the Internet and the development of new payments schemes like virtual cash, electronic payments and smart cards, is causing a diminished role of bank involvement in payment systems (Mahan, 1996: 29). It is therefore crucial for banks to study the approach to e-commerce and public networks, in order to prevent themselves from being disintermediated from their customers in the core business areas and from fee-based activities (Chityala, 1998: 13). Banks should strive to become the standard for online account payments and customer authentication (Mahan, 1996: 30).

American and European banks are taking primary positions in e-commerce. In order to increase revenues, these banks are taking on new roles. Tactics such as the offering of services to streamline and simplify business processes, or even taking on part of customers’ workloads, are just some of the strategies international banks are employing to benefit from e-commerce. A major European bank has, for example, been receiving orders for consignment services like issuing invoices and purchasing office supplies on behalf of its customers, because it has the infrastructure to handle office work processing. Underlying this service is the bank’s ability to handle large volumes of paper and data at low costs.

Another example is a large US bank that intends to create a unique business gateway for small to mid sized organisations. The bank is aiming to establish a closer relationship with organisations entering the community by offering them business connections among participating organisations. Banks are also jointly designing authentication systems in order to authenticate their trading partners (Sugamiya, 2000: 17). One such an example is Identrus, which was discussed earlier in this chapter. Banks can no longer hope to increase their
revenue through income earned from savings accounts and lending activities alone. Banks must increasingly focus on activities that will increase their non-interest income. These institutions can offer a variety of e-commerce services and establish a commercial trading community by bringing together organisations who wish to participate in e-commerce (Sugamiya, 2000: 19).

PricewaterhouseCoopers (Joffe, 2000: 2) estimates that domestic and foreign banks in South Africa will spend up to $3,7 billion on information technology over the next three years. This will be essential as banks are starting to incorporate e-commerce strategies in their business. Local banks are increasingly focusing on switching their customers over to electronic channels. For example Nedbank signed up more than 5 000 customers in July 2000 – more than any other month since launching the Internet channel about three years ago (Ryan, 2000: 9).

3.11 CONCLUSION

In this chapter important concepts surrounding e-commerce were discussed. Characteristics, business applications and strategies of e-commerce highlighted the fact that organisations should incorporate e-commerce strategies in their business processes and take a clear stance on the organisation’s approach to e-commerce. New developments focussed on ways in which organisations can use e-commerce to gain a competitive advantage. Factors straining the growth of e-commerce should be noted in order to accommodate this in future e-commerce strategies. E-commerce utilisation in South Africa and the benefits banks could derive from incorporating e-commerce strategies as an integral part of their business processes concluded this chapter and introduces the next chapter where strategies for e-commerce and customer relationship marketing in the financial industry will be discussed.
CHAPTER 4
THE IMPACT OF E-COMMERCE ON CUSTOMER RELATIONSHIP MANAGEMENT

4.1 INTRODUCTION

One of the primary assets of any organisation is its relationship with its customers. E-commerce is fundamentally changing the way organisations is doing business, as it has a fundamental impact on the relationship between the organisation and its suppliers/partners and the organisation and its customers. The focus of this chapter is on assessing the impact of e-commerce on customer relationship management. Specific emphasis is placed on how e-commerce is changing relationship marketing. Given this, strategies to create or enhance the integrated approach to customer relationship management will be discussed in the next section. The future of e-commerce and the specific impact it will have on the financial services industry, as well as the future of customer relationship management is lastly discussed.

4.2 CRM AND E-COMMERCE

E-commerce is making customer information available faster, better and in greater quantities. This provides many advantages to both the organisation and customers. However, e-commerce is also making it easier for customers to switch between competitors. As the opportunity for profit becomes narrower and fewer, organisations should focus on the best way to differentiate themselves from competitors. In this regard it is suggested that the organisation should focus on the successful management of its relationship with customers. In an era where e-commerce is increasingly dominating business process this entails superior management of people, processes and technology (Ernst & Young, 1999: 2).

In the following section the specific ways in which e-commerce is changing the landscape of customer relationship management, will be discussed. They are multi-channel integration, a
single view of the customer, marketing automation, sales force automation, price and product customisation, mass customisation, changing dynamics of human interaction, disintegration of departmental silos, business intelligence, the appearance of value added economies, the explosion of self service and speed and immediacy.

4.2.1 Multi-channel integration

One of the major impacts e-commerce has on customer relationship management is the establishment of multi-channel customer interaction systems. These systems include telephone, Internet, fax, e-mail, video, and WAP. This integrated multi-channel approach is enhancing, and in some cases even replacing, the traditional customer interaction methodologies, such as voice-only call centres or Internet-only electronic services. E-commerce is promoting direct customer interaction. This enables organisations to create high-value, long-term customer relationships and to deliver new and higher levels of customer satisfaction. This in turn leads to an increase in profits, increase in customer retention rates and customer acquisition rates (White, 2000: 52).

The focus is moving away from customer acquisition towards the retention of existing customers. As discussed in chapter 2, it is far more profitable for an organisation to retain existing customers, than to constantly try to acquire new customers. Repeat business from existing customers and gaining a growing share of a customer's overall purchases will be the key growth imperative in e-business in years to come. The challenge for organisations lies in long-term customer satisfaction and the ability to exploit technology to help deliver the ultimate customer experience. To meet this challenge, organisations should be able to leverage the advantage of new communication channels, to provide customers with a seamless and effortless range of communication options. In the value economy of the future, it is not good enough to only provide either or options to customers. Customers should also have the
ability to move seamlessly between the different communication mediums. For example a customer should be able to access the Internet to complete a transaction, receive instructions from an organisation employee in online chat, click on a button to have a telephone conversation with that employee and then move back to the Internet to finish off the transaction (White, 2000: 52).

4.2.2 A single view of customers

Another major advantage provided by e-commerce, which will impact greatly on customer relationship management, is the provision of one integrated, organisation-wide view of the customer. Infrastructure can be created to provide this single view of customers, regardless of how they interact with the organisation. This is vital to successfully manage the relationship between the organisation and the customer.

Another aspect flowing directly out of the single view of the customer, is the creation of a central repository for all customer-related data. Typically the organisation’s data warehouse is used to manage this information (White, 2000: 50). This data is then used for analysing customer behaviour or doing business analysis, for example data mining, Decision Support Systems (DSS) and Executive Information Systems (EIS).

4.2.3 Marketing automation

Traditional data base marketing is static. It can take months to capture and analyse the results of a campaign – to the detriment of organisations that are trying to gain insight in customer behaviour and make strategic decisions based on the conclusions. Modern marketing automatisation is based on the belief that all the phases of campaign management as well as many core-marketing functions can be improved through increased automatisation. Marketing automatisation will include lead management, campaign execution, for example
demographic analysis and predictive behaviour, and marketing collateral management, for example call centre scripts and marketing encyclopedias.

Organisations should be able to coordinate their marketing functions across channels like sales force, telesales, telemarketing, direct mail, fax, e-mail, and the Internet and must prevent campaign overlapping across channels. Conflicts between products and across different lines of business should be managed. Customers receiving similar offers from different business units within the organisation, with different conditions and discounts, is a good example of such conflict. E-commerce will play a big role in the development of modern marketing automatisation. Technological innovation will enable marketing automation systems to:

- manage cross-sell and up-sell opportunities,
- personalise customer and future prospect interactions,
- ensure that hierarchies within and relationships amongst product lines and lines of business are known,
- in a business to consumer (B2C) environment ensure that household relationships are known, for example a customer who is the spouse of one of the organisations major business partners (3Com, 2000: 4).

4.2.4 Sales force automation

The critical functions of sales force automation include lead/account management, contact management, quote management, forecasting, win/loss analysis and sales administration. Sales force automation has proven difficult to implement because of constant changes, for example changing sales models and geographies as well as the culture associated with sales forces. Sales departments typically prefer to operate with a degree of autonomy and often resist dictated changes.
The organisation should consider the following four components that must be analysed and re-engineered when attempting the automation:

- lead generation and tracking,
- order management,
- order fulfillment,
- integration of marketing and customer service functions.

The complexity and different nature of sales force automation often require a separate exercise to be launched to achieve the desired objectives (3Com, 2000: 5).

4.2.5 Price and product customisation

E-commerce is changing the nature of products as it can be customised based on detail information collected from interacting with customers about their needs, patterns of buying, and so forth. Advanced e-commerce technology and networks are enabling organisations to achieve high degrees of customisation of their products for specific customers or customer groups. An example of this benefit derived from using e-commerce is the Credit Card Network. This web site lists different types of credit cards, offered by different financial organisations. The customer can look at different offerings and then choose the package that best represents his/her needs. A custom credit card package can also be designed for the customer, who would then receive exactly the features asked for, thereby avoiding paying for standard features he/she doesn’t use (Dutta, Kwan & Segev, 2000: 7). Pricing structures can therefore also be customised according to the customer’s needs.

4.2.6 Mass customisation

New tools and technologies are frequently launched, which enables the organisation to learn more about their customers, vendors, business partners, and so forth. Organisations can use
the information gathered to build customer loyalty as e-commerce provides an unprecedented opportunity to better understand customers (Gordon, 2000: 66). The new generation of high-touch technologies is enabling organisations to provide personalised services and improved problem solving. Organisations can personalise their approach to customers, for example offer customers the opportunity to customise the organisation’s web site according to their preferences, or send personalised anniversary cards to high value customers.

4.2.7 Changing dynamics of human interaction

Organisations that previously conducted most of its activities through its sales force, for example with product catalogs, direct sales calls, or direct mailings, are now finding that most of their functions are able to be done online. This indicates that organisations that are increasingly utilising e-commerce for the above activities, should rethink what the direct human-to-human contact component (if any) will be (Freeman, 1999: 21).

4.2.8 Disintegration of departmental silos

The Internet takes functions, which have previously been separated in silos in their different departments, for example advertising, direct marketing, the web site and data warehouse, and bring them all together (Freeman, 1999: 25).

4.2.9 Ease of customer switching

As mentioned in chapter 3, location is no longer the key to business success. Competitors are, through e-commerce, only a click of a button away, therefore making it much easier for customers to switch to competitors who are offering more (Kampas, 2000: 20). It is thus imperative for organisations to focus on the offerings and customer service through customer relationship management.
4.2.10 Business intelligence

Another impact e-commerce will have on the management of customer relationships is the availability of information as a strategic differentiator. This will facilitate quicker decision making for organisations. Business intelligence will improve corporate performance, thereby enabling organisations to better understand their customers and prospects (Gordon, 1998: 68).

4.2.11 Appearance of value added economies

The Internet is an excellent medium to connect different players in a specific industry. Players, who previously had difficulty in communication because of various reasons such as location and distance, now, through e-commerce, find this much easier. These value-added communities will completely transform the CRM and supply chain management value chains. E-commerce will also change the way organisations find customers, negotiate, transact with them and deliver to them (Wilson, 2000: 35).

4.2.12 The explosion of self service

The traditional business model, where the value chain begins and ends with the customer, while employees are doing the activities in the middle, is changing fast. The Internet has facilitated the explosion of self-service. Customers, rather than employees, are now carrying out marketing, sales, delivery, settlement and service activities. The value chain is moving towards a value matrix where every party contributes at a pace convenient to them (Wilson, 2000: 35).

4.2.13 Speed and immediacy

Information can be shared through the Internet, both internally and externally. Information is available much faster than ever before and is more ubiquitous. The benefits of this to
organisations is that it provides them with speed and real-time response to customers and markets (Wilson, 2000: 35).

The concept of relationship marketing is not new. Previously organisations found it harder to reach their customer base when it grew into the millions. Developments in the field of e-commerce have changed all this. As seen above, various activities in the organisation, its processes, products and staff are impacted positively by developments in e-commerce.

Given the impact of e-commerce on certain activities within the organisation, strategies to enhance customer relationship management will now be formulated. These strategies will center on the integrated approach to customer relationship management as discussed in chapter 2.

4.3 STRATEGIES
An integrated approach to customer relationship management focuses on three primary categories of strategies. They are customer strategies, channel strategies and front and back office strategies. These strategies will subsequently be discussed under these groups.

4.3.1 Customer strategies
Organisations should not simply provide products and services alone. They should focus on analysing the entire customer experience chain. This is the process a customer goes through when searching for, buying and using the product. It lies at the heart of CRM and determines customer satisfaction and loyalty. Traditional methods of analysing customer experience, for example quantitative and qualitative market research techniques, are enhanced by new techniques like sophisticated data warehousing and data mining techniques. These techniques
allow organisations to extract knowledge about customers on a continuous basis from operational sources to predict behaviour for individuals (Cap Gemini, 1999: 2).

Employees' cross-selling activities can be supported by a well-designed organisational data warehouse. This will provide information that can be used to identify needs and make product suggestions. The bank can use predictive models and customer profile data to formulate prospect lists each week for the personal bankers to use. Data mining techniques can be used to identify nonintuitive sales opportunities within the organisation's own customer base (Sheshunoff, 1999: 66).

In the Internet environment, competitors' offerings as well as price and feature comparisons, is never more than a mouse click away. To counteract this added ability for customers, organisations should offer strong personalisation and consistency of service across communication channels. Personalisation and consistency will in the near future evolve from 'nice to have' capabilities to mission-critical core competencies (Aberdeen Group, 1999: 4).

4.3.2 Channel strategies

The increasing popularity of Internet channels is nothing new. However, according to an international study done by Ernest & Young (1999: 5), 46 percent of all transactions flowed through the traditional brick-and-mortar channels, hinting that organisations should not neglect development in these areas. It is clear that there will always be a need for physical presence, especially if the product is complex. Organisations should find their own mix between the different channels, according to customer preferences, customer comfort with new technologies and the complexity of the product (Ernst & Young, 1999: 6).
Banks should however consider building lower cost facilities, with minimum staff and equipped with electronic delivery devices. These facilities can then be set up in supermarkets and other often-visited outlets. This will be a tremendous help in getting customers accustomed and migrated to new delivery channels, while still providing assistance if this is needed by the customer (Persuading customers to use alternative channels, 1996: 52).

However, to really push branch-centric customers into using electronic delivery channels, banks should take the customer by the hand and walk them through their options. The following strategies should be considered in this regard:

- establish reliable electronic interfaces, for example the systems should be up 24 hours a day, 7 days a week, and customers should preferably not get an engaged tone when trying to contact the call centre,
- demonstrate confidence in the security of online systems, by using a proven security technology and a hacking service, for example by using SET or digital certificates,
- providing third party verification of system security by forming an industry governing body or hiring an auditing service,
- obtaining a trusted endorsement of system security from a well known cryptographer or policing agency,
- limiting customer risk through insurance or assurance, thereby reassuring customers of the recovery of any funds lost on the bank’s networks,
- rewarding customers for banking online by waiving fees or through loyalty programs award the customer with points to be used to claim different prizes (Persuading customers to use alternative channels, 1996: 52).

Organisations are using different approaches to maximise their channel strategies. They usually follow one of two channel strategies:
setting up an independent e-commerce organisation, which compete directly and indirectly with their own organisation,

implementing a channel strategy within their existing organisation. This approach provides the advantages of a consolidated, consistent message to staff and employees, of leveraging the existing organisation and customer information, and of a seamless integrated infrastructure.

The second channel strategy is the safer option, but unfortunately, the more complex one as the new channels, technologies and infrastructure need to be integrated with the existing organisation structures. A common problem is how to go about aligning the Web with existing customer interaction channels, for example direct sales, telemarketing, retail, distributors, direct mail, call centres, interactive voice response system and point-of-sale. Organisations are often struggling to avoid channel conflicts like mistimed information, inaccurate information, breach of contractual disagreements and so forth.

In order to successfully manage customer relationships via channels, organisations must first map the specific market segments and map the range of interaction processes that customers may execute within each of the channels they can access. Organisations often make the mistake of focusing on how the customer will interact within a specific channel. Organisations must rather model the customer and then map the range of possible interaction processes the customer may use or experience across channels (META Group, 1999: 1).

Another issue to consider when identifying channel strategies, is how the organisation will approach the migration of customers to the lower cost channels. Research has shown that customers do not react well to exorbitant fees being charged for teller transactions. Organisations should rather follow an incentive driven approach to manage customers’
Examples of incentives and other services organisations can offer via low cost channels like the Internet, include:

- free cheques, free foreign ATM use and free online bill payment,
- transaction categorisation and report production, for example a money management software application,
- the ability to export financial transaction data to popular money management software, for example Microsoft money,
- interest bearing cheque accounts – some banks offer these accounts as upgraded products with monthly charges,
- benefits at participating online merchants – online banks team up with online merchants to offer discounts when a purchase is made with the card,
- instant approval of personal loans – some banks offer instant online credit considerations, to give customers access to additional cash,
- 24 hours, 7 days a week customer service by phone or e-mail – some banks go so far as to offer live chat assistance,
- online application for both cheque and savings accounts – a few progressive banks offer a variety of online applications to obtain new customers or cross-sell to existing ones,
- online mortgage applications,
- brokering account information access – a few banks offer access to investment products,
- Internet access – some banks have limitations in terms of length of time of access, but access is given freely. A few banks just make Internet access part of the account,
- touch tone bill payment to support online bill payment at no extra charge – an alternative action to remove barriers to online banking, which is easy and cheap,
• interactive guides to help customers with the selection of desired products – this may add complexity to the bank’s online maintenance programs, but offers great assistance for potential customers, in helping them to choose products,

• cheque book reconciliation – a few banks included automatic cheque book reconciliation with a cheque register along side the regular ledger format,

• access to old transactions – access to this information differ between thirty days and one year,

• written guarantee against fraud and late payment – fear of intruders emptying out a customer account can be relieved by simply offering a full refund should a mistake be made or fraud occur,

• view digital copies of cheques – this helps to remove the downside of online banking and replaces the sending out of cancelled or cashed cheques,

• online forms for ordering cheques, stop payments and other services (Merkle, 1999: 2).

The integrated delivery of information should be considered when developing channel strategies. The existence of information silos is causing customers to receive inconsistent information from the different delivery channels. Information silo’s is separate information sources that are not integrated (Ernst & Young, 1999: 6).

Electronic banking represents a huge challenge to the banking industry. If banks seize the opportunity and work together to become the standard for online account payment, they will be able to maintain their current control of the cheque-based payment system, but also gain control and become the standard for the electronic payment systems. In doing so, banks will ultimately strengthen their customer relationships and gain a variety of new revenue sources (Mahan, 1996: 36).
Banks still have an image of trust with customers, which can be leveraged in the virtual world. They could for example look at business opportunities in different industries. While many potential services are non-traditional for banks, the banks can become trusted 'brokers' of such services – both the customer and the service provider. This does not mean that banks should market every product that they retail to their customer base, but they must position themselves as the service provider of choice to customers, irrespective of the type of service involved. Banks could learn lessons from Amazon.com, which is the world's largest retailer of books. The organisation does not own a single book or inventory. It obtains books from suppliers and publishers and distributes it via third parties – thus fulfilling all customer requirements. Amazon.com acts purely as a 'virtual' trusted broker of first choice (Chityala, 1998: 15). If banks decide to become virtual brokers of services, they might consider to expand in industries, which will be to the benefit of their customers, for example obtain contracts with moving companies, which services they can sell to owners of newly registered mortgages.

Developments in e-commerce, as discussed in chapter 3, should be incorporated into the organisation's channel strategies. It is important for organisations to stay ahead of developments, in order to maintain their competitive advantage, and to keep customers satisfied. Therefore organisations should invest in continuous research in this field to be able to have an innovative and pro-active approach to the e-commerce market.

4.3.3 Front and back office strategies

When implementing CRM strategies, organisations usually don't see technology issues as big obstacles. However, to create and maintain the deep relationships with customers that is the end focus of modern customer relationship management, organisations should focus extensively on technology. CRM technologies are tying together many people, processes and
technologies within the organisation. To integrate these units is one of the biggest challenges of a CRM strategy implementation (Ernst & Young, 1999: 7). Technology required for successful CRM implementation involves more than just large databases and data mining. More general technology issues like bandwidth, workstations, Web infrastructure, computer telephony issues should be taken into account. CRM specific technology includes cookies, intelligent agents, middleware, and neural networks and push technology.

The front office is referred to as the customer facing functions of the organisation. Strategies evolving around the front office usually includes three categories:

- Customer service and support (CSS) which include service standards across channels and after sales support,
- Sales force automation (SFA) which includes contact management, quote management, forecasting and sales administration, and
- Marketing automation (MA) which includes lead management, campaign execution and marketing collateral management.

Front office strategies are primarily focussed around automating the above categories. Most of these strategies are centered around the organisation’s data warehouse (Ernst & Young, 1999: 8).

The data warehouse, if designed correctly, will enable the organisation to do, amongst others, statistical modeling, campaign management, contact history and response tracking. It is therefore important to integrated this technology layer correctly with the business processes (Puckey, 2000: 2).

The CRM data warehouse should contain the following elements:
• customer/prospect focus,
• all facets of the relationship over time,
• integration of external prospect lists,
• integration of external data classifications,
• integration of external data enrichment,
• the ability to directly score the data warehouse and segment the database many times,
• the ability to evaluate different campaigns and treatment strategies over time and across transactions and customers,
• campaign management, prioritisation and so forth,
• the ability to predict future customer behaviour based on past behaviour.

The organisation should identify primary customer relationships with the organisation, in order to construct a lifetime view of customers. This will help to realise the full benefit of a CRM strategy. A relationship begins when the organisation has an initial interaction with the prospect. This relationship needs to be tracked as the prospect moves on to become a customer, up to the point where the customer becomes a high value customer.

The four primary relationships, as shown in figure 4.1 are:

• Product holdings – what products does the customer currently have with the organisation?
• Product usage – how is the customer using the product held with the organisation, for example type of usage and frequency of usage?
• Contacts – what has the organisation’s interaction with the customer been over time and what were the outcomes?
• Events – what other activities have happened, either within the life of the customer, for example marriage, or externally to the relationship, for example competitor activity?
Information about these four facets will enable the organisation to answer questions such as:

- How many customers have bought a specific product?
- How many customers display a distinct purchasing pattern?
- How often have the organisation contacted the customer?
- Who are the most profitable customers?
- And what events or contacts occurred prior to customer defection?

The customer table is placed at the centre of the model, surrounded by dimensional schema (star schema) which represent each facet of the relationship (Puckey, 2000: 4). The customer-centric nature of this design will represent a framework for successful statistical analysis and data mining.
Organisations might want to consider building a customer relationship nerve centre as part of the implementation of a CRM strategy. This centre will continually manage and apply the rules that a company defines for applying resources to customer interactions. This will include business rules and workflow engines that stretch across the organisation’s entire CRM operation, including communication channels and business functions. The customer relationship nerve centre must have the ability to route all customer communications to the appropriate people, using the defined business rules. Organisations should consider customer relationship portals, a way of integrating, coordinating and acting as brain and nervous system that enables both front- and back-office applications to work consistently across all communication channels. It can act as the entry point for all customer interaction, regardless of communication channels and need (Aberdeen Group, 1999: 6).

Applications, which support CRM, are continuously growing in capabilities and complexities. Therefore, the network infrastructure must constantly be tuned to ensure total availability. A common concern with regards to the design and implementation of a new and expanded network infrastructure is inappropriate technology application. Another concern is the overbuilding of the network infrastructure (3Com, 2000: 6). The network must be able to support additional new applications, as customer demands change.

When selecting appropriate technology, organisations should choose technology and systems, which are based on an open architecture, thereby making it easy to enhance and enlarge the system over time. Modularised software is a good option, as it can be easily integrated into or interconnected with the existing information databases (Goldenberg, 998: 4).

A final aspect to consider when implementing CRM technology is implementing a system users won’t use. Therefore, any strategy concerning technology implementation should also
include strong management commitment. Making this strategy a part of the organisational
culture is vital to ensure success (3Com, 2000: 6) as the best defined and thought through
strategies will fail if there is a lack of true management commitment, demonstrated leadership
and no alignment of organisational practices to engage employees (Mody, 1999: 4).

4.4 THE FUTURE OF E-COMMERCE AND CRM
E-commerce develops at a rapid pace. Development which are new today, are already
outdated a month later. It is therefore imperative for organisations to keep track of all
developments and adjust their e-commerce strategies accordingly. The impact of e-commerce
on customer relationship management has lead to a change in the fundamental nature of the
management process. The future of e-commerce and customer relationship management will
subsequently be discussed.

4.4.1 E-commerce
As discussed in chapter 3, the world is entering the fourth megawave in development of
information technology. This wave is characterised by an age where everything is done
electronically. Inexpensive hardware and smart hypermedia will ease the development of
business processes. The focus will continuously shift towards the creation of information
(Kampas, 2000: 7). The fifth megawave will be even more revolutionary as it is predicted
that robots will do most of the work humans do today, creating the opportunity for humans,
and thus organisations, to go about more creatively in their business processes and
approaches.

Ernst & Young (1999: 10) see the future of financial industry players, in an era of e-
commerce, as developing according to one of three models:
- Proprietary integrated organisations that own the customer gateway and offer only their own products,
- Non-proprietary integrated organisations that own the customer gateway, offering a mix of their own and other organisation's products,
- Non-integrated organisations which will be niche players and low-cost, high-volume product providers. Here the customer will be in control of the gateway. Organisations, which control the gateway to customers, will have the power and authority to coordinate customer activities with the organisation and with other service providers. The controller of the customer gateway will thus be the owner of the customer relationship. The future customer relationship challenge is therefore to use technology to reach and build relationships with the masses.

4.4.2 Customer relationship management

Indications from articles researched are that CRM is moving towards a model of self-service (Wilson, 2000: 35). Stone (1998: 2) calls this development transparent marketing. The concept entails the customer managing his/her own relationship with organisations. Customers will be able to do this by obtaining information from organisations, customised for them by the organisation. This will save organisations time and money previously invested in determining customer needs and preferences.

4.5 CONCLUSION

The chapter highlighted the impact of e-commerce on customer relationship management. Furthermore, possible strategies to create or enhance the integrated approach to customer relationship management were discussed. The future of both e-commerce and customer relationship management was briefly touched on, as organisations should continuously keep up with the pace of new trends and technologies themselves. It is clear from the discussion in
this chapter that the impact of e-commerce on the organisation, specifically in the area of customer relationship management cannot be ignored.
CHAPTER 5
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY

The inclusion of e-commerce in an organisation's business strategies entails much more than just digitalising old business processes. Organisations need to rethink all of their business process and apply innovation, or else they will just become another industry player. In order for them to do this, organisations need to consider the impact of e-commerce on business approaches. The extent of this impact lies at the heart of this study.

A study of customer relationship management activities and e-commerce developments were made, in order to identify the main CRM components and areas in implementation methodologies which will be impact on by e-commerce.

South African financial institutions are facing increased competition from international and local organisations that have entered the market. Financial institutions are losing market share because of this, therefore they must become more focussed on attracting new and retaining existing customers.

In today's world customers have more knowledge available to them to help them in product or service selection, causing them to become more demanding in their expectations and requirements from organisations. A CRM strategy will help organisations to understand customers, finding and keeping the right customers, building a relationship with customers and channeling the important tangible and intangible aspects to customers.

One of the most important implications for organisations that implement CRM strategies is that it aids the organisation to achieve customer profitability. Organisations usually treat their
customers the same, regardless of their individual profitability. But not all customers are profitable. Thus, some customers might actually cost the organisation more than their individual profit. Traditional segmentation of the customer base can aid in keeping track of the current as well as future costs and profits. The second important implication for implementing CRM strategies is the focus on customer retention. The impact of retention on the organisation's bottom line should be noted. Organisations can increase their profit with up to 100 percent if they increase their retention rate by 5 percent. Organisations need to understand the current and past behaviours of customers so that the organisation can identify those customers that are likely to switch. The third important implication is customer acquisition. This is one of the most costly activities in an organisation. The cost of attracting a new customer is estimated to be five times the cost of keeping a current customer happy. Implementing CRM strategies will help organisations to focus on the relationships resulting from customer acquisition building it into profitable relationships.

The important components of a CRM strategy are people, technology and processes. The people aspect put employees in a whole new light. Organisations should focus on aspects like employee skills, changing traditional job descriptions, employee trust, trustworthy leaders and getting staff buying into the CRM strategy. Technology has an impact on external communications to customers, internal communications with employees and computing in the organisation as a whole. This includes the organisation's data warehouse and process like data mining. Processes refer to the fact that all organisational processes focussing on customers should be reengineered. Other considerations, which the organisation should take into account, include organisation culture and values, leadership, organisational structure and knowledge and insight about customers.
Successful implementation of a CRM strategy is dependent on an integrated approach and a consideration of all elements. Elements that must be integrated to form a single view of the customer across the organisation, are customers, channels, the front office and the back office. The CRM strategies to be implemented in the organisation should be developed around these elements. Customer strategies include segmentation, the measurement of profitability, the prioritisation of customers, re-pricing decisions, retooling the customer service procedure and the employment of a customer loyalty program. Channel strategies include strategies involving the integrating of the Internet as a distribution channel. Front and back office strategies focus on investment in information technology, the employment of predictive models and the creation of customer memory.

There are various methodologies for implementing a CRM strategy. The different methodologies place different emphasis on the components of an integrated CRM framework. Cap Gemini’s approach is theoretical with great emphasis on strategies, definitions and analyses as part of processes with little attention paid to people and technologies. Dimension Data’s approach focuses greatly on technology with some emphasis on processes. Little attention is given to people. In direct contrast with this is Mody’s approach. The primary focus here is on people with some emphasis on technology. Process activities receive little attention. Peppers, Rogers & Dorf’s approach does not directly focus on any of the important components. The main emphasis is on customers and the benefits the organisation can derive from the customer’s business.

CRM presents major challenges to organisations, and top management must address these issues when implementing a CRM strategy, to ensure successful and profitable relationship management. The major challenges include the necessity of having an end user-driven methodology, appropriate top management sponsorship, cultural preparation, an appropriate
CRM application design approach, automation, support for mobile synchronisation, appropriate network infrastructure, user ownership and long-term management commitment.

E-commerce presents ample opportunities to ease and streamline the organisation's CRM approach. E-commerce simplifies and supports business processes by replacing paper documents with electronic means. Furthermore, it enables and facilitates the existence of electronic markets. Finally e-commerce facilitates communication and benefits from marketing and branding opportunities provided by the Internet. E-commerce changes the way that organisations approach their business and opens up new possibilities to organisations. It affects the organisational value chain, changes organisational structures and changes business trends.

The most prominent characteristics associated with e-commerce is easy access to information and transactions, the creation of reverse markets where the buyers offer a price and sellers compete, ease of switching between organisations for customers, the movement to open code which allows ease of use and modification, the end of low bandwidth to home and small businesses which leads to faster access, the end of network-free zones which will ensure that most homes will become fully networked and end of hard-to-use technology. Some other characteristics involve direct benefits to the organisation. They include the ability to personalise products or services according to needs, improved business intelligence, and merchandising. Ease of payments, supply chain management and the blurring of industry barriers and boundaries are additional characteristics.

Eight styles of e-commerce strategies can be defined. They are holding/innovators, formative/innovators, committed/innovators, holding/exploiters, formative/exploiters, committed/exploiters, holding/observers and formative/observers. Most financial institutions
place themselves in the formative/exploiter category, which means that they believe that e-commerce is developing fast and something should be done. Investing in e-commerce is however limited.

E-commerce can be applied in several business processes. They range from information sharing with customers, business partners/suppliers and staff to transacting which includes sales in new markets, improved supply chain and cost savings, and service and support which cover the retention of customers and internal focus on customers.

The arena of e-commerce developments is changing constantly. The following new developments must be considered by financial organisations in the process of building stronger relationships with customers. They are virtual malls, portals, virtual cash, wireless application protocol, secure electronic transaction, call centre technology, smart card technology and digital certificates. Organisations should explore these developments to determine how they could streamline current business processes.

A number of factors exist that might hamper the growth of e-commerce. These factors are lack of management appreciation for e-commerce, insufficient infrastructure and bandwidth, security issues, proper secure payment methods, the cost of investment, legal and regulatory issues and linguistic and cultural issues.

E-commerce is changing the financial services industry and banks should take special care to incorporate and adapt to these changes. The Internet as an additional distribution channel is a good example. Another example is the increased demand for electronic payment processes offered by banks. Future ownership of the evolving e-commerce networks will impact strongly on organisations’ revenue and must be addressed. Banks might even consider
offering services that falls outside their traditional scope, for example, considering consignment services to clients. Organisations must adapt to the changes brought about by e-commerce. They should adjust the strategies and business processes to maintain their competitive advantage.

Organisations should furthermore focus on the successful management of their relationships with customers. In an era where e-commerce is increasingly dominating organisational business processes, this entails superior management of people, processes and technology. E-commerce is changing the landscape of customer relationship management in various ways. Some of the biggest impacts affecting the organisation include multi-channel integration, a single view of customers, marketing automation, sales force automation, price and product customisation, mass customisation, disintegration of departmental silos and business intelligence. From a customer perspective the biggest impacts are ease of switching, changing dynamics of human interaction, the appearance of value added economies, the explosion of self-service, speed, and immediacy.

Given the above impacts of e-commerce on customer relationship management a number of strategies can be implemented to exploit the benefits. Examples of customer strategies include analysing the entire customer experience chain and encouraging cross-sell activities. Examples of channel strategies include finding the correct mix between the different channels and mapping the possible interaction processes the customer may experience across channels. Examples of front and back office strategies include the approach to integrating various technologies within the organisation, building a customer nerve centre and designing a correct and usable data warehouse.
The future of e-commerce is changing every minute. It is therefore imperative for organisations to keep track of all developments and adjust their e-commerce strategies accordingly. Research indicates that e-commerce is heading in a direction where the focus will be shifting towards the creation of information and towards an era where machines will be doing the work that humans are doing today.

The advent of e-commerce will in future still impact on the evolution of customer relationship management, in that customers will want to be able to manage their own relationship with organisations.

5.2 CONCLUSIONS

Building relationship with customers is very important to any organisation. This is especially true in the competitive environment of financial services. It is clear from the literature study that customer relationship management can help an organisation in its approach to customer profitability, customer retention and customer acquisition. CRM provides an integrated approach to achieve this through combining the components people, processes and technology. Although the methodologies discussed for implementing CRM are not an exhaustive list of CRM methodologies, they were chosen to illustrate that methodologies vary and choice will depend on the focus the organisation takes when implementing CRM strategies. It is clear that current methodologies do not incorporate all of the most important components of an integrated CRM framework. CRM in itself poses challenges to the organisation that should be addressed timeously by top management.

Although relationship marketing is nothing new, e-commerce has added another dimension to this, opening new ways for the organisation to reach and enable its customers. The impact of e-commerce on customer relationship management should not be underestimated. The
characteristics of e-commerce depict the benefits that can be derived through applying e-commerce. Most of these characteristics can, when fully exploited by the organisation, add value to current business processes. It is important for organisations to decide on the e-commerce strategy before hand, in order to be clear about the direction being followed. E-commerce developments like portals, virtual cash, wireless application protocol, secure electronic transaction, digital certificates and smart card technology are and will even more so change the way banks operate in a fundamental way. The factors that could constrain the growth of e-commerce should be noted and special emphasis must be placed on them by management to ensure that they are not hampering the organisation’s growth into new areas.

Banks should adapt to changes brought about by technology. They must invest in constant research to keep abreast of developments and stay ahead of competitors.

E-commerce is changing the way organisations will do business with their customers. It provides for multi-channel integration, a single view of the customer, marketing and sales force automation, price, product and mass customisation, the disintegration of departmental silos in organisations, business intelligence and speed and immediacy. Most important it is changing the dynamics of human interaction, moving towards a model of self service where customers rather than employees will carry out activities like marketing, sales, delivery and so forth. Organisations should take cognisance of this and adjust their processes and activities accordingly.

5.3 RECOMMENDATIONS

The management of customer relationships is necessary for all organisations that want to build and retain solid relationships with customers as well as derive profit from these relationships. It is recommended that organisations focus on the most important components namely people, processes and technology, in an integrated way. Organisations should take
note of the many different methodologies that exist for the implementation of CRM and choose the one best suited for their needs.

E-commerce will continue to change the dynamics of customer relationship management. It is therefore recommended that organisations should take a firm stance as to their approach to e-commerce. Once there is clarity on the way forward, this should become an integral part of the organisation’s CRM strategies. Organisations should also relentlessly research developments in the e-commerce field, in order to gain the competitive advantage of implementing new approaches first in the market place.

Organisations must be aware of the ways that e-commerce impacts on customer relationship management processes, in order to ensure that they gain maximum benefit from reengineering these processes.
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