TIM 50 - Business Information Systems
Lecture 7
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Class Announcements

- Business Paper Proposal Due 4/23
- Database Assignment 1 Due 4/23-4/28

Reading for Thursday
- Messerschmitt Ch 4

What Is Customer Relationship Management?

- Knowing the customer
  - In large businesses, too many customers and too many ways customers interact with firm
- Customer relationship management (CRM) systems
  - Capture and integrate customer data from all over the organization.
  - Consolidate and analyze customer data.
  - Distribute customer information to various systems and customer touchpoints across enterprise.
  - Provide single enterprise view of customers.

CRM Software

- CRM packages typically include tools for:
  - Sales force automation (SFA)
    - E.g., sales prospect and contact information, and sales quote generation capabilities
  - Customer service
    - E.g., assigning and managing customer service requests; Web-based self-service capabilities
  - Marketing
    - E.g., capturing prospect and customer data, scheduling and tracking direct-marketing mailings or e-mail

Operational and Analytical CRM

- Operational CRM:
  - Customer-facing applications such as sales force automation, call center and customer service support, and marketing automation
- Analytical CRM:
  - Analyzes customer data output from operational CRM applications
  - Based on data warehouses populated by operational CRM systems and customer touchpoints
  - Customer lifetime value (CLTV)

Analytical CRM Data Warehouse

Analytical CRM uses a customer data warehouse and tools to analyze customer data collected from the firm’s customer touch points and from other sources.

Figure 8-11

- Profitable customers
- Segmental data
- Customers' profiles
- Churn analysis
- OLAP
- Data mining
- Other data analysis tools
**Business Value of Customer Relationship Management**

- **Business benefits:**
  - Increased customer satisfaction
  - Reduced direct-marketing costs
  - More effective marketing
  - Lower costs for customer acquisition/retention
  - Increased sales revenue

- **Churn rate:**
  - Number of customers who stop using or purchasing products or services from a company
  - Indicator of growth or decline of firm’s customer base

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**E-Commerce Today**

- **E-commerce:** use of the Internet and Web to transact business; digitally enabled transactions.
- Began in 1995 and grew exponentially; still growing even in a recession.
- Companies that survived the dot-com bubble burst and now thrive.
- E-commerce revolution is still in its early stages.

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**Why E-Commerce is Different**

- **Ubiquity**
  - Internet/Web technology available everywhere: work, home, and so on, anytime.
  - **Effect:**
    - Marketplace removed from temporal, geographic locations to become “marketspace”
    - Enhanced customer convenience and reduced shopping costs

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**Unique Features of E-commerce Technology**

- **Richness**
  - Supports video, audio, and text messages
  - **Effect:**
    - Possible to deliver rich messages simultaneously to large numbers
    - Integrated across media

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**Unique Features of E-commerce Technology**

- **Interactivity**
  - **Effect:**
    - Experience dynamically adjusted to the individual
    - Consumer becomes co-participant in process of delivering goods to market
Unique Features of E-commerce Technology

- Information density
  - Large in amount and quality of information available to all market participants
- Effect:
  - Greater price transparency
  - Greater cost transparency
  - Enables merchants to engage in price discrimination

Key Concepts in E-commerce: Digital Markets and Digital Goods In a Global Marketplace

- Digital markets reduce
  - Information asymmetry
  - Search costs
  - Transaction costs
  - Menu costs
- Digital markets enable
  - Price discrimination
  - Dynamic pricing
  - Disintermediation