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 touch points 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 touch points
  • Customer lifetime value (CLTV)
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

Analytical CRM Data Warehouse

- **Channels**
  - Call center
  - Web site
  - Wireless
  - Field sales
  - Direct mail
  - E-mail
  - Retail store
  - Partner

- **Other sources**
  - Legacy systems
  - Demographic data
  - Third-party data
  - Marketing campaign data

- **Customer data warehouse**
  - Profitable customers
  - Market segments
  - Customer profiles
  - Churn rates

- **Customer data**
  - 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
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.
The Growth of E-Commerce

Figure 9-1
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
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
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