**Chapter 8 Summary  
  
8.1 E-BUSINESS AND E-COMMERCE**

Focus Point: Definition of E-business and E-commerce. E-commerce refers to online buying and selling of goods and services, while e-business encompasses all types of business activities conducted online, including non-commercial transactions like filing insurance claims, or registering for courses.

Focus Point: Categories of E-commerce

1. **Business-to-Consumer (B2C)**
   * B2C e-commerce involves businesses selling products or services directly to consumers through websites.
   * Examples include online retailers like Amazon and eBay.
2. **Business-to-Business (B2B)**
   * B2B e-commerce involves transactions between businesses, where organizations buy products or services from other businesses.
   * Typically, B2B transactions involve larger quantities and negotiation of prices.
3. **Consumer-to-Consumer (C2C)**
   * C2C e-commerce involves individuals selling products or services to other individuals.
   * Platforms like Craigslist and eBay facilitate C2C transactions, generating revenue through transaction fees.
4. **Government-to-Consumer (G2C)**
   * G2C e-business refers to government services provided to citizens online.
   * Examples include online tax filing, paying fines, and accessing public records.
5. **Government-to-Business (G2B)**
   * G2B e-business involves government agencies interacting with businesses online.
   * It includes regulatory compliance, procurement processes, and online transactions between government entities and businesses.

Focus Point: Finding an E-commerce Site

* Consumers can find e-commerce sites through well-known platforms like Amazon or specialized search engines.
* Industry-specific portals, such as truckinginfo.com, direct users to relevant e-commerce sites within specific sectors.
* Online auctions, reverse auctions, and exchanges provide alternative methods for discovering products or services online.

Focus Point: Mobile Commerce (M-Commerce)

* M-commerce involves e-commerce activities conducted using mobile devices like smartphones and tablets.
* It includes location-sensitive transactions and activities that leverage the mobility of devices.
* Technologies like GPS and iBeacon enable customized and innovative shopping experiences, enhancing customer engagement.

Focus Point: E-commerce Issues

1. **Getting the Word Out**
   * Businesses use portals, links, search engines, targeted advertising, and category-specific channels to promote their e-commerce sites.
   * Omnichannel marketing integrates various channels to provide a seamless customer experience.
2. **Disintermediation**
   * Disintermediation refers to the elimination of intermediaries in the supply chain.
   * While it offers direct access to customers, businesses must carefully balance the benefits against potential channel conflicts.
3. **Fulfillment**
   * Fulfillment involves the process of shipping products to customers after online purchases.
   * Companies can utilize shipping services to ensure professional and timely delivery, enhancing customer satisfaction.
4. **Taxation**
   * Taxation of online sales varies by country and state.
   * The U.S. Supreme Court's decision in South Dakota v. Wayfair allows states to tax online sales, leading to diverse taxation laws and requirements globally.

**8.2 CUSTOMER RELATIONSHIP MANAGEMENT**

Customer Relationship Management (CRM) systems are essential for businesses looking to maintain and enhance their customer relationships. CRM systems can be classified into two main types: operational CRM and analytical CRM.

**Operational CRM**

Operational CRM focuses on working directly with customers and includes activities such as contacting them, selling to them, and helping them use a product or service. There are three levels of operational CRM:

1. **Contact Management:** A step up from personal contact lists, contact management systems handle information like call and purchase history, call-back dates, and conversation notes. Shared databases are crucial for sales teams dealing with big-ticket sales involving multiple team members.
2. **Sales Management:** Sales management CRM systems coordinate the selling process, reminding salespeople to follow the right steps and providing aids like standard presentations and sales arguments.
3. **Opportunity Management:** Opportunity management extends sales management by identifying potential customers, tracking sales type, responsible parties, expected value, probability of closing, and expected contract date. It helps salespeople optimize their time and assists in forecasting demand.

Operational CRM systems help businesses regain the personal touch with customers, allowing for meaningful customization and identification of shoppers. E-commerce sites can use web cookies, logins, and loyalty programs to identify and personalize customer experiences.

**Analytical CRM**

Analytical CRM focuses on overall customer information and patterns. It includes several uses:

1. **Segmentation:** Grouping customers based on purchase patterns and other factors to target sales campaigns effectively.
2. **Personalization:** Customizing offerings to individual visitors based on their information.
3. **Response Analysis:** Determining the effectiveness of different marketing approaches and targeting specific customer segments.
4. **Attrition Analysis:** Understanding why customers leave to reduce future customer losses.
5. **Supply Alignment:** Aligning supply (purchases or production) with expected demand.

Two common approaches used in analytical CRM are the RFM method and the Customer Data Strategy approach.

**RFM Method**

RFM stands for Recency, Frequency, and Money. It groups customers based on:

* **Recency:** How recently they made a purchase.
* **Frequency:** How often they make purchases within a specific time frame.
* **Money:** How much they spend, either in total or per visit.

RFM analysis helps businesses categorize customers into segments and design strategies to improve customer profitability. For instance, businesses can offer coupons or discounts to encourage higher spending from customers with a high frequency of visits but low spending.

**Customer Data Strategy**

Customer data strategy depends on two characteristics of the product or service: how frequently the same customer buys it and how much it can be customized to each customer. Based on these characteristics, businesses fall into four quadrants: high repurchase frequency, high customizability; high repurchase frequency, low customizability; low repurchase frequency, high customizability; and low repurchase frequency, low customizability. Each quadrant requires a different strategy to leverage customer data effectively.

* **High Repurchase Frequency, High Customizability:** Focus on personalization by customizing offerings based on customer preferences to increase customer retention.
* **High Repurchase Frequency, Low Customizability:** Implement loyalty programs to retain customers, offering rewards that motivate desired behavior. Design programs carefully to avoid attracting bargain-hunters.
* **Low Repurchase Frequency, High Customizability:** Analyze customer needs for typical customers and customize offerings to attract new customers based on these needs.
* **Low Repurchase Frequency, Low Customizability:** Businesses in this quadrant might need to find different competitive strategies, although creative bundling or package deals can still use customer data effectively.

Understanding these CRM strategies and methods is crucial for business professionals to enhance customer relationships and improve profitability. Business acumen is essential in designing effective CRM strategies that leverage customer data intelligently.

**8.3 CONNECTING THROUGH SOCIAL NETWORKS**

Social networks play a significant role in connecting businesses with their customers. Many companies leverage platforms like Twitter and Facebook to engage with their audience effectively.

**Twitter Engagement:**

During JetBlue Airlines' weather-related shutdown in 2014, the airline encouraged stranded travelers to communicate via Twitter, providing personalized assistance. Twitter allows businesses to engage with customers in real-time, offering personalized support and building stronger connections.

**Facebook and Customer Loyalty:**

Businesses often utilize Facebook to create a sense of community among their customers. For example, Starbucks' Facebook page fosters a community feeling among its 37 million followers, increasing customer loyalty. The act of liking a page and engaging with content enhances customer loyalty, making them more likely to choose the brand over competitors, even if the alternatives are cheaper.

**Social Media Strategy:**

When planning social media presence, businesses should focus on what matters to their customers. Instead of merely showcasing achievements, businesses should demonstrate how their products or services can solve customers' problems. Prospective clients often check social media profiles for relevant information, emphasizing the importance of customer-centric content.

**Beware of Click Farms:**

While some businesses resort to click farms to boost their social media standing, it's generally not advisable. Click farms can generate fake clicks, but social media platforms are becoming increasingly adept at detecting and blocking these activities. It's essential to focus on genuine engagement and authentic connections rather than artificially inflating social media metrics.

**Twitter Marketing Tips:**

For effective Twitter marketing, consider the following strategies:

* **Keep Content Fresh:** Ensure your tweets are engaging and up to date.
* **Share Articles:** Tweet links to articles and encourage retweets to improve search rankings.
* **Show Personality:** Balance professional tweets with a personal touch to make your brand relatable.
* **Encourage Interaction:** Ask questions and encourage customers to respond; respond to their tweets promptly.
* **Use Promoted Accounts and Tweets:** Paid promotions can extend your reach; tie them into relevant trending topics.
* **Continuous Learning:** Stay updated on Twitter's features and changes to adapt your strategies effectively.

Businesses can learn from successful examples, such as Tony Maws, the owner of Craigie on Main restaurant, who utilized Twitter creatively during a blizzard to drive customer engagement and increase business despite challenging weather conditions.

**8.4 SUPPLY CHAIN MANAGEMENT**

Supply Chain Management (SCM) plays a crucial role in optimizing a company's operations and ensuring smooth coordination between suppliers, manufacturers, and customers. Here are the key points from the provided text:

**Understanding Supply Chain Management:**

* **Definition:** SCM involves managing the flow of goods, information, and finances as they move from supplier to manufacturer to wholesaler to retailer to consumer.
* **Scope:** A company’s supply chain includes its suppliers, their suppliers, and so on, extending back to the raw material sources (e.g., rubber plantations and iron mines in the case of a bicycle manufacturer).
* **Customer and Supplier Dynamics:**
  + Customers have choices and need to be motivated to buy from a specific company.
  + Suppliers want multiple customers but can choose the terms under which they do business.
* **Purpose of SCM:**
  + Match supply and demand to avoid excess inventory (supply exceeding demand) or customer dissatisfaction (demand exceeding supply).

**Collaborative Supply Chain Management:**

* **Collaboration Types:**
  + **Horizontal Collaboration:** Occurs between two elements at the same level of a supply chain.
  + **Vertical Collaboration:** Involves suppliers and consumers along a supply chain.
  + **Internal Collaboration:** Happens within parts of the same enterprise.
  + **External Collaboration:** Extends across different enterprises.
* **Benefits of Collaboration:**
  + Collaboration optimizes the entire supply chain, reducing costs and improving efficiency.
  + Sharing information leads to better decision-making and coordination.
* **Collaborative Tools:**
  + **Supply Chain Dashboard:** Provides managers with insights into various supply chain aspects.
  + **Supply Chain Control Tower:** Offers visibility into the supply chain, enabling real-time decision-making.
  + **Supply Chain Operating Network:** Connects all companies, allowing them to operate as one virtual supply chain, enhancing coordination.

**Electronic Ordering and Automation:**

* **Electronic Data Interchange (EDI):**
  + **Definition:** EDI involves standardized electronic messages for business transactions.
  + **Benefits:** Streamlines the ordering process, making it easier for suppliers to manage customer orders.
* **Automatic Replenishment:**
  + **Example:** Walmart and Procter & Gamble collaborate for automatic replenishment, enhancing inventory management and reducing errors.

**Bullwhip Effect:**

* **Definition:** The bullwhip effect describes how small demand fluctuations can amplify further up the supply chain, leading to excessive inventory and inefficiencies.
* **Cause:** Safety stock practices and lack of information sharing contribute to the bullwhip effect.
* **Solution:** Sharing real-time demand data up the supply chain can help minimize the bullwhip effect, ensuring that production aligns with actual demand.

**Your Role:**

* **Importance of SCM:** While it might be tempting to order what's needed when it's needed, paying attention to supply chain management can significantly enhance a company's success.

By understanding and implementing effective SCM strategies, businesses can reduce costs, enhance efficiency, and provide better customer satisfaction, ultimately gaining a competitive edge in the market.

**8.5 EXTRANETS**

**Understanding Extranets:**

* **Definition:** An extranet is an extension of an intranet that allows external users, such as suppliers, customers, and business partners, to access specific organizational resources securely over the internet.
* **Authentication:** Accessing an extranet involves logging in with a user ID and a password. This login information can also be sent automatically by computer systems for automated processes.
* **User Permissions:** User IDs determine the level of access and actions a user can perform. Suppliers might have access to inventory data and edit their contact information. Customers can update their details and access certain information, ensuring accuracy and saving time for both parties.
* **Examples of Extranet Use:**
  + **Automatic Replenishment:** Suppliers can access a customer’s inventory database for automatic replenishment processes.
  + **Airline Seat Availability:** Customers and the general public can access inventory information, such as airline seat availability, allowing easy access for potential buyers.

**Implementing Extranets:**

* **Opportunities:**
  + **Exploring Existing Extranets:** Inquire with suppliers and customers if they have established extranet systems for collaboration and resource access.
  + **Intranet Extension:** Organizations can consider extending their intranet to create a secure extranet accessible to trusted partners. This extension facilitates smoother communication and collaboration with external stakeholders.

**Benefits of Extranets:**

* **Efficient Communication:** Extranets streamline communication between businesses and their partners, enabling real-time access to relevant data.
* **Accuracy and Timeliness:** By allowing partners to update their information directly, extranets enhance accuracy and save time that might be wasted on manual data entry.
* **Enhanced Collaboration:** Facilitates seamless collaboration, making it easier for organizations to work closely with suppliers and customers, leading to improved overall efficiency.

By leveraging extranets, organizations can strengthen their relationships with external stakeholders, enhance operational efficiency, and promote accurate and timely information exchange, ultimately contributing to the company's success.