Unit 8: E-CRM, E-SCM,E-Strategy, KM

8.1

1. **E-CRM**

   Customer Relationship Management (CRM) is a way to identify, acquire, and retain customers – a business' greatest asset. By providing the means to manage and coordinate customer interactions, CRM helps companies maximize the value of every customer interaction and in turn improve corporate performance.

   E-CRM, or Electronic Customer Relationship Management, is an integrated online sales, marketing and service strategy that are used to identify, attract and retain an organization's customers. It describes improved and increased communication between an organization and its clients by creating and enhancing customer interaction through innovative technology. E-CRM software provides profiles and histories of each interaction the organization has with its customers, making it an important tool for all small and medium businesses.

   In simplicity,

   $$\boxed{\text{Traditional CRM + Internet = e-CRM}}$$

2. **Components of e-CRM**
   1. Sales force automation
   2. Human resource management
   3. Lead management
   4. Customer Service

- **Need of e-CRM**
   1. Globalization Market
   2. Due to development of new technologies
   3. Changing customer attitudes and expectation
   4. To be able to measure, create and increase income
   5. Gain competitive advantage
   6. Reduce CRM cost

3. **Advantage of E-CRM**

   i. Reduce Cost per contact:
      - Large money is spent on one-on-one interaction, with introduction of telephone cost per contact was reduced slightly but with web based chat and email have reduced cost largely.
      - The representative can perform multitask i.e. multiple interaction per employee
      - With development of autobot, it further reduces the cost per contact.

   ii. An emotional bond with customer:
      - One on one interaction develops profound emotional bond; however live chat can develop emotional bond
      - Email has less likelihood to create emotional bond.

   iii. Ability to communicate with more emotive content:

- Human’s are emotional by nature
- Chat and email can enhance the message with the use of emotive icons and emotions
- Animated chat has greatest potential for conveying emotive message

iv. Fewer errors:
- Human’s are more prone to error than compute
- With computer mediated customer communication reduces errors in tracking orders, verifying charges and identifying repeat customers.

v. Greater customer interactivity with a website:
- Representative respond to customer queries in near real time
- Computer mediated email and chat can increase interactivity
- However email lags in time interactivity

vi. Improved reliability:
- Human nature can vary person to person and day to day
- Computer are more reliable

vii. Greater responsiveness:
- Trained representative respond to customer need in tomely manner
- Live chat 24X7
- Computer mediated chat and animated chat are potentially more responsive than sales person

viii. Greater return on investment:
- Return on Investment is high on computer mediated support than human mediated
- Customer support has greater expenses

ix. Improved scalability:
- Scalability means handling customer count
- Human doesn’t scale very much
- In computer mediated the scalability is very high

x. Less variability in the quality and content of communication:
- Variability is in human characteristics, it can be nuisance
- Controls the information that customer are being exposed to

- **E-CRM Solution**

Typically there are two types of e-CRM solution

1. Web based solution
   - E-CRM software based on internet
   - Bottom up approach
   - Innovative products initially focused on sales

2. Web extended solution
- Extension of enterprise CRM software primarily designed for enterprise and later extended to web-interface.

E-CRM Toolkit

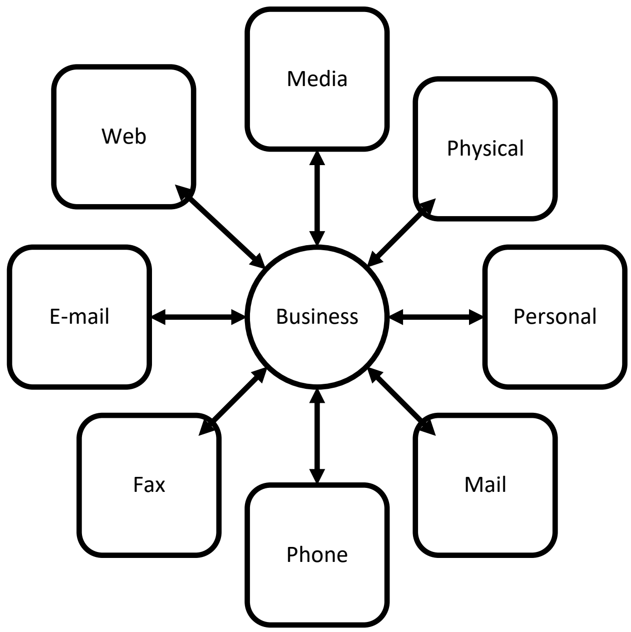
- E-CRM toolkit encompasses all the CRM functions with the use of environment i.e. intranet, extranet and internet
- Toolkit provides wide variety of resources to boost understanding and ability to manage CRM
- It behave s as a guiding hand

1. Content
   - Delivery of content customer want to see
   - Manage the delivered content
2. Storefront Services
   - It needs to drive or push the customer to the cash point
3. E-mail Management
   - Provide offer to the customer that they can't refuse via email
   - Using email to promote products or services
4. Customer Management
   - Manage customer data from all sales and marketing functions
5. E-Marketing
   - Facilitating e-marketing
6. Assisted Selling
   - Help customer for shopping
   - Help them with product description, their rating and reviews

8.1.2

Typical business touch points

A touch point can be defined as any way a consumer can interact with a business, whether it be person-to-person, through a website, an app or any form of communication. When consumers come in contact with these touch points it gives them the opportunity to compare their previous perceptions of the business and form an opinion.



Touch points for CRM

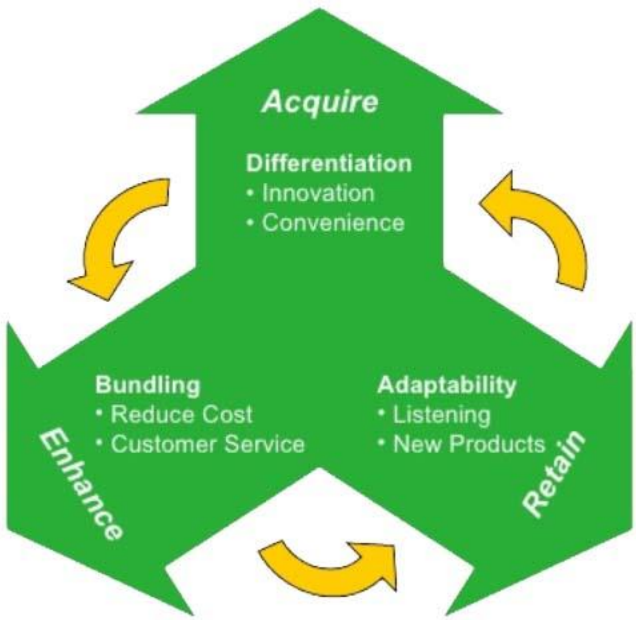
1. Media
   - TV, radio news paper , flyers etc
2. Physical
   - Showroom retail outlet
3. Personal
   - Sales person, customer represenatative
4. Mail
   - Bills of payment, brochure through postal mail
5. Phone
   - Telephone communication with sales, marketing or customer service representative
6. Fax
   - Quotation or Invoice via facsimile
7. E-mail
   - Order and Services via email
8. Web
   - Ordering and information via website

8.1.4

Three phases of CRM:

Customer relationship management plays an integral part in a typical company's marketing system. CRM is a process of gathering and analyzing customer data, building precise marketing campaigns and managing relationships for optimized retention. These activities are performed over the three phases of customer

- **i.** Acquisition
- **ii.** Extension or Expansion
- **iii.** Retention and



3 phases of CRM

1. **Customer Acquisition**

Acquiring customers has always been the first important step in establishing business relationships. With CRM, advanced software databases are used to capture key customer data at the point of first contact. Profile data includes a prospect's name, address, phone number, email address and sometimes social media accounts. Entering this data into a computer enables future and ongoing communication access. The other major benefit of starting a formal relationship with new prospects and clients is the ability to track their behaviors through data analysis.

2. **Customer Extentsion or Customer Enhance**

The customer extension phase of CRM includes activities intended to draw out the length of typical customer relationships, enabling greater revenue. A simple perspective is that satisfying a customer during one buying experience increases the likelihood of a follow-up visit. Over time, delivering quality solutions, following through on commitments and addressing problems convert a buyer into a loyal customer. Business also can enhance revenue through add-on product selling and cross-selling, which involves recommending unrelated solutions. Because of the high costs of customer acquisition, extending relationships with customers already captured is hugely valuable for a business.

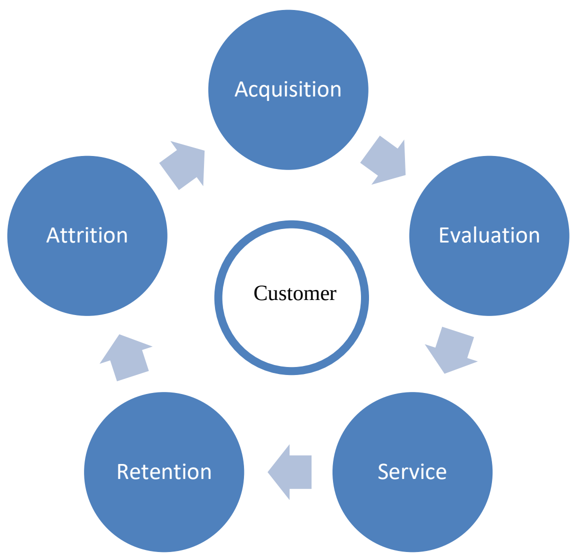
3. **Customer Retention**

The real purpose of gathering data on acquired customers is to improve retention rates. The typical customer attrition rate for companies is around 15 to 20 percent per year. Effective data analysis, regular and systematic follow-up communication with contacts, and well-serviced accounts help you reduce your company's churn rate. Data analysis allows Business to identify the traits of prospects and customers that offer the best lifetime earning potential as well, which enables greater focus on retaining core customers.

8.1.5

\# **Customer Life Cycle (CLC)**

Customer life cycle is a term used to describe the progression of steps a customer goes through when considering, purchasing, using, and maintaining loyalty to a product or service. The enterprise clearly requires customer acquisition to maintain and expand revenues and profit.



Customer Life Cycle

1. **Acquisition:**

   Refer to 8.1.4

2. **Evaluation:**

Evaluation is performed by the customer whether they intend to buy a solution online or not. Today customers perform discovery and, depending on the product, do much or most of their evaluation independent of a store environment or the charms of a salesperson.

3. **Service:**

   In this phase customer buys the goods or the service from the business house.

4. **Retention**

   Refer to 8.1.4

5. **Attrition**

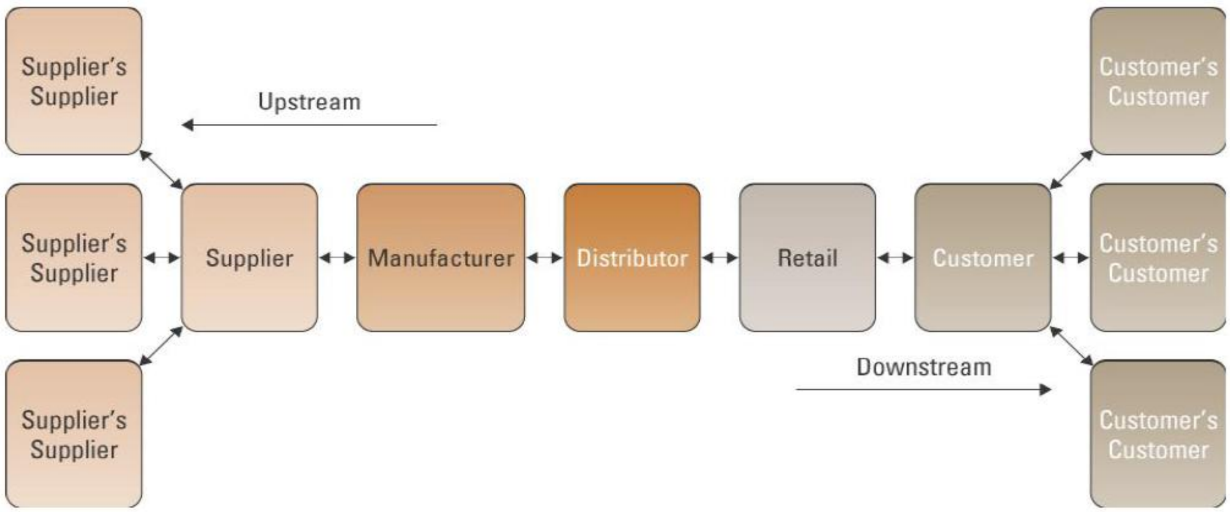
This is final state in CLC, where the business loses the customer.

8.2

8.2.1

Supply Chain Management

Supply Chain Management (SCM) refers to the management of interrelationships with other businesses along the supply chain that combine to produce and sell products to customers. Normally, SCM involves coordinating and communicating across a network of business relationships from suppliers of raw materials, to manufacturers, distributors and retailers.



Traditional Supply Chain

Traditional Supply chain doesn't Integrate following processes

1. Procurement planning
2. Production planning
3. Demand planning
4. Inbound logistics
5. Capacity utilization
6. Distribution of products
7. Customer service

E-SCM

Electronic supply chain management is most commonly referred to as e-supply chain management. It combines the concepts of electronic business (e-business) and supply chain management (SCM), and depicts how trade channel members are working together to optimize resources and opportunities.

It carries out value added activities so the products produced by the manufacturer meets customer needs and result in good return on investment. It uses intranet, extranet and internet.

8.2.2

Objective of SCM

A well designed supply chain is expected to support the following objective:

1. Service Orientation.
2. System Orientation.
3. Competitiveness and Efficiency.
4. Minimizing the Time.
5. Minimizing Work in Progress.
6. Improving Pipeline Visibility.
7. Improving visibility Demand.
8. Improving Quality.
9. Reduces Transportation Cost.
10. Reduces Warehousing Cost.

1. **Service Orientation -** (i.e services to customers) the very basis of supply chains has been to provide superior customer service. Service is all about the value that the customer gets, which in turn depends upon his own perception about what constitutes value. The design, the alignment, the integration of the companies on the supply chain and the co-ordination between them are all for the customer.

2. **System Orientation-** system orientation is at the existence of any supply chain. Synergy due to cooperation and coordination is the main gain of a supply chain. This entails that while getting optimal results for the chain as a whole, results for the partners on the chain may not necessarily be optimal, these could be less than optimal.

3. **Competitiveness and Efficiency -** Supply chain is a business organization. It provides value to the customers while being competitive. Competitiveness is essential for it to healthy sustain itself in order to be able to provide increasing value to its customer. Efficiency is an important element of competitiveness.

4. **Minimizing the time -** efficient supply chain is an organization reduces the time required for converting orders into cash. So there is minimal time lag and increase in productivity of the organization.

5. **Minimizing Work in Progress-** supply chain minimizes total work in process in supply chain.

6. **Improving Pipeline Visibility -** efficient supply chain improve the visibility of each one of the activities of the supply chain by each one of the partner.

7. **Improving visibility Demand-** Efficient supply chain improves visibility of demand by each one of the partners.

8. **Improving Quality-** Efficient supply chain management helps in improving the quality of operation of the organization. Total quality Management (TQM) has become a major

commitment throughout all facets of industry. Overall commitment to TQM is one of the major commitments throughout all sides of industry.

E-SCM: The strategic Architecture

Supply chain management is a strategy through which integration of different plans of business are possible. It is a mechanism through which these different business functions can be integrated together.

E-SCM present following functions for business:

1. Rapid deployment and scalability
   - Is based on open internet application, thus provide enterprise wise scalability and deployment.
2. Real time processing
   - It integrates system that addresses complex e-business and supply chain management needs and requirement of real time information.
   - Real time data enables users to make informed ordering, purchasing and inventory decision and there by enhances the quality and scope of customer service.
3. Return on Investment
   - Increasing productivity and reducing overall operating expenses, e-CRM maximizes selling opportunities.

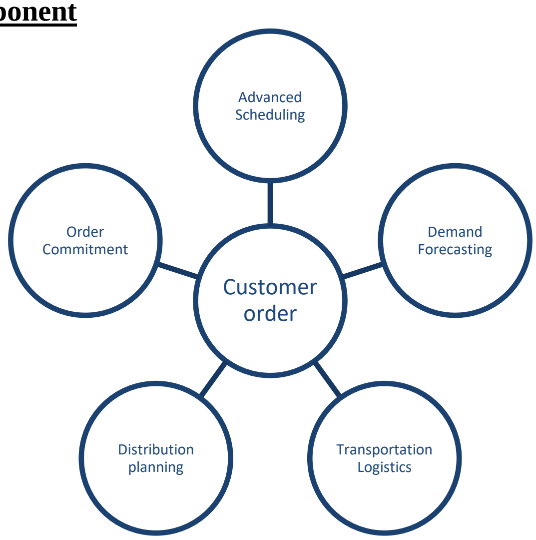
Benefits of eSCM

Some of the benefits of e-SCM are:

- It incorporates broadcast and active messaging to proactively notify an individual of a condition that requires attention.
- It supports exchange of real time information through trading communities
- It has open internet application architecture which allow rapid deployment and scalability.
- It has an interface capability with any third party software.
- It is platform independent
- It is fully integrated system
- It has web visibility and processing capability- 24X7
- It is rule based

8.2.4

E-SCM component



<u>Major components of e-supply chain are</u>:

1. **Advanced scheduling and manufacturing planning:**
   It provides detail co-ordination of all manufacturing and supply efforts based on individual customer orders. Scheduling is based on real-time analysis of changing constraints throughout the process, from equipment malfunctioning to supply interruptions. Scheduling also creates job schedules for managing the manufacturing process as well as logistics.

2. **Demand forecasting:**
   This module supports a range of statistical tools and business forecasting techniques. It takes into account changing market scenarios and economic factors while making decisions.

3. **Transportation planning:**
   This programme facilitates resource allocation and execution to ensure that materials and finished goods are delivered at the right time and at the right place, according to the planning schedule at a minimal cost. It considers such variable as transportation mode like railways, trucks, airlines, and availability of each mode.

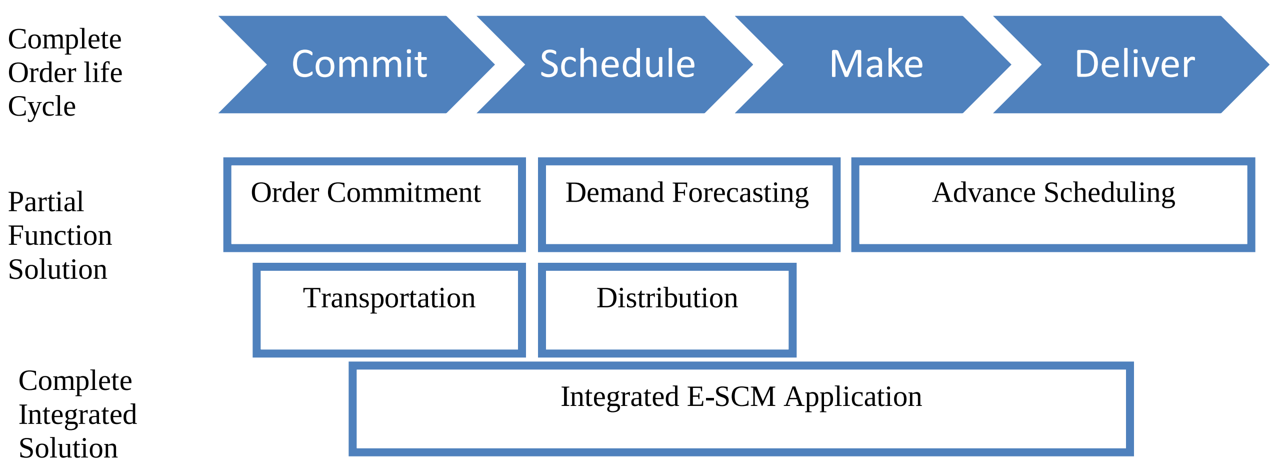
4. **Distribution planning:**
   This is integrated with demand forecasting, manufacturing schedule and transportation planning to reach the customer. This module addresses customer-specified requirements.

5. **Order commitment:**
   It is a system that allows vendors to accurately quote delivery dates to customers by providing real-time detailed visibility into the entire fulfillment cycle. Order commitment is linked to all other modules so that accurate delivery of goods and services can be guaranteed.

8.2.5

\# **<u>E-Supply chain Architecture</u>**

Legacy SCM application targeted only distinct level of Supply chain not the entire chain levels. As a solution a new three tier architecture was found for entire supply chain management.



There are two types of SCM application:

1. Planning Application
2. Execution Application

8.3

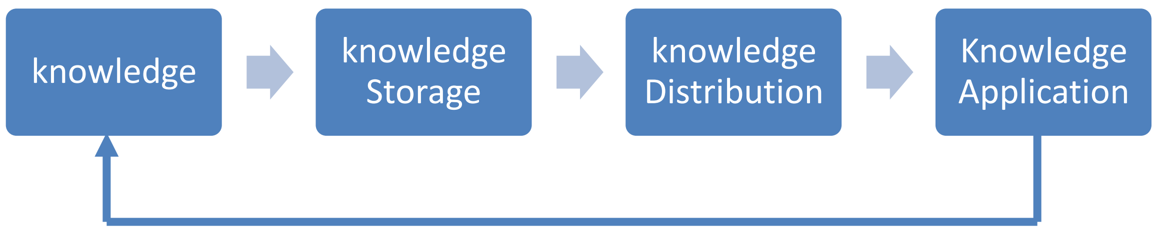
\# **E-strategy and knowledge Management**

Knowledge:

- Processed and meaningful inference derived from available information
- Knowledge can be classified as
  - Tacit knowledge: not easily visible and expressible
  - Explicit knowledge: expressed in numbers or words

Knowledge management:

- Knowledge management, or KM, is the process through which organizations generate value from their intellectual property and knowledge-based assets.
- KM involves the creation, dissemination, and utilization of knowledge



Stages of knowledge Management

Documentation of knowledge, processing and rules can be done in the form of information technology. The various technologies used are:

- Data warehouse
- Groupware
- Workflow of management system
- Distribution via internet/intranet
- Web mining

\# Objective of Knowledge management

a. Improving learning and bringing up innovation
b. Enhance information organization
c. Protect knowledge asset to reduce the duplication of work
d. Automate the knowledge management

8.3.2

\# **Importance of Knowledge Management**

For any organization knowledge is important as:

1. Knowledge must evolve and be assimilated at an ever faster rate
2. Corporation are organizing their business to be focused on creating customer value
3. Knowledge takes time to acquire and mature
4. Experts may leave the organization or retire
5. Manage complexities as companies becoming trans-national
6. Loss due to employee turnover

7. Reduction in training cost
8. Avoid duplication of effort and reduction in repetition of mistake

Knowledge as key business asset

Knowledge is an asset which is fundamental to the efficient and effective delivery of public services. This Principle emphasizes the importance of an organization recognizing that the seeking and sharing of knowledge leads to better outcomes, including:

- Increased collaboration
- Improved quality of evidence-based decisions and continuous improvement
- Enhanced speed of decision making and provision of advice
- Reduced duplication of effort
- Increased business resilience

Organizations need to understand their need for knowledge and value that knowledge in business terms. They should appreciate that it is through knowledge that they deliver value and impact. In parallel with other assets (e.g. buildings, machinery, people, money), knowledge needs to be fully and appropriately exploited for maximum business benefit.

Change in Global Business Economy

A number of significant changes have occurred in the global business economy. The information and technology is having a fundamental effect on business since processes entered into domain of human activity; something that affects social structures and organizational structures. Under information and technology paradigm information and knowledge become the primary source of economic value and competitive advantage.

The combined effect of globalization due to new technologies the customers has more choice for goods and services available to them. But business also needs to keep eye on their cost base and seek new ways of managing them. One of the way is by reviewing their core competences and outsourcing business activities that do not map directly onto their core competencies. By shifting production continent, organization can take advantage of different time zone i.e. they can offer 24 hours service to customer in a cost effective way.

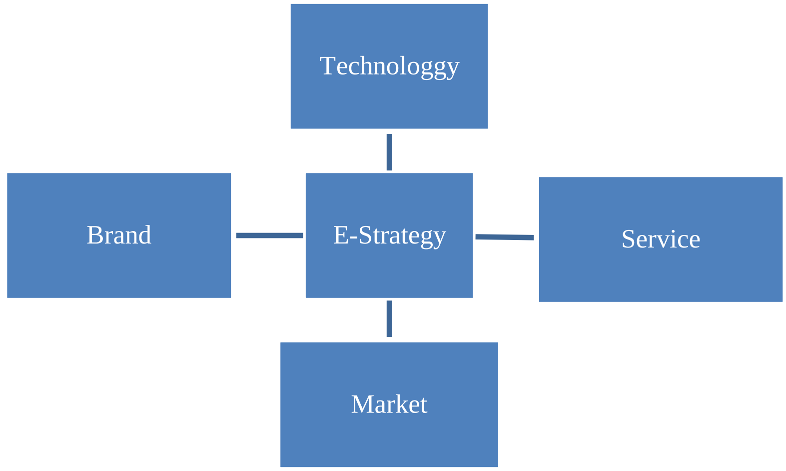
8.3.3.

Information and Strategy

An information management strategy is a key strategic document that will help align information management practices to meet / fulfill the requirements of an information governance framework. An information management strategy describes agency's planned approach to information management to meet current and future organizational needs and regulatory requirements.

The strategy sets out a plan for continual improvement. It describes what the agency aims to achieve in its information management practices and summarizes the actions needed to achieve its aims in accordance with the principles and context outlined in the agency's information governance framework. It assigns responsibility for the actions.

Information and Strategy Framework



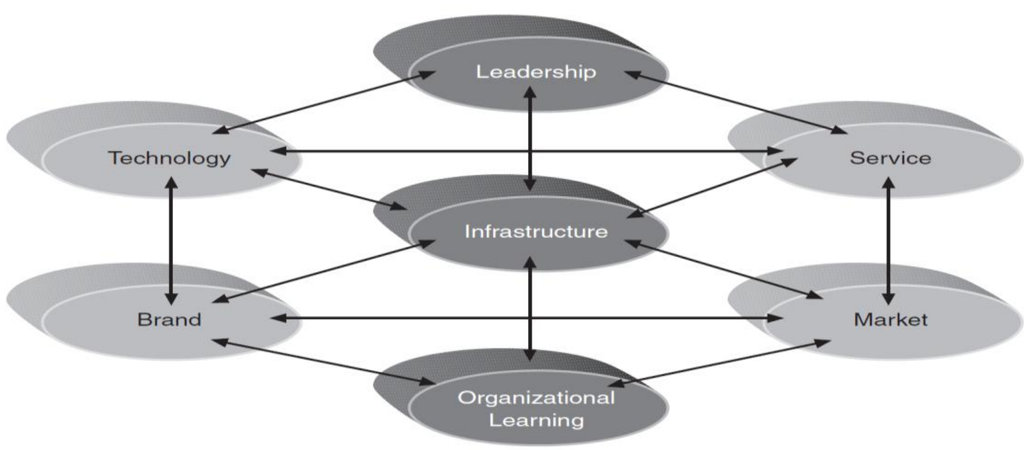
(Please refer to four positional factors of 7 dimensions of E-commerce Strategy)

Seven Dimensions of E-commerce strategy

The differentiation between those companies that have a successful e-commerce strategy and those that do not is a function of achieving balance among seven major factors,

- **Four positional factors**
  a. Technology
  b. Service
  c. Market
  d. Brand
- **Three bonding factors**
  a. Leadership
  b. Infrastructure
  c. Organizational learning

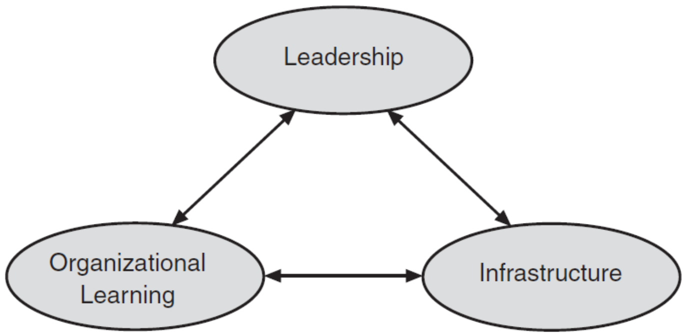
This is in fact true, and it is an intentional component of the model's construction. The model is based upon the understanding that all organizations need to continuously address these seven issues, whether they are traditional organizations or a company born on the Internet that needs to assess its branding.



The Seven Dimensions of an E-commerce Strategy

Three bonding factors

The bonding factors of leadership, infrastructure, and organizational learning will pave the way to consideration of the four focal points around which a balanced strategy is created: technology, brand, market, and service.



The Bonds of an E-commerce Strategy

- **Leadership**

The primary drivers of change and the creators of strategic vision in an organization are the CEO and senior executives. In every successful e-commerce a strong project champion was present in the form of a senior executive or someone in a position to demonstrate to a senior executive the potential added value such a project could bring to the organization.

- **Infrastructure**

Once the need to develop e-commerce in some form had been identified, the single most important issue facing the executives and technologists charged with developing Internet-based projects is infrastructure.
The infrastructure needs to be considered at several levels:

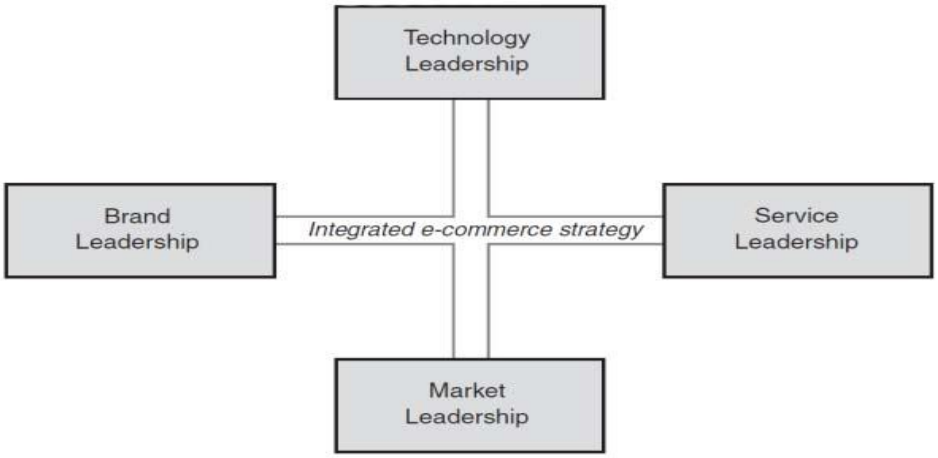
  - Strategic: At the strategic level, the focus is on determining the impact future technologies will have on the market and the organization.
  - Organizational: At this level, the challenge is to align the work practices, process flow, and structure of the organization to execute the strategic goals effectively and efficiently.
  - Physical: The execution occurs through the physical layer; the hardware and software of the computing environment, in conjunction with the telecommunications infrastructure.

- **Organizational Learning**

The ability of established organizations to react, understand, and deploy an ecommerce solution is very dependent upon the ability of an organization to effectively leverage its organizational learning.
“Organizational learning occurs through shared insights, knowledge, and mental models builds on past knowledge and experience that is, on memory.”

Four Positional E-strategic Directions

In creating an e-commerce strategy, it is clearly necessary to align and integrate the four main areas of positional strategic focus: technology, brand, service, and market.

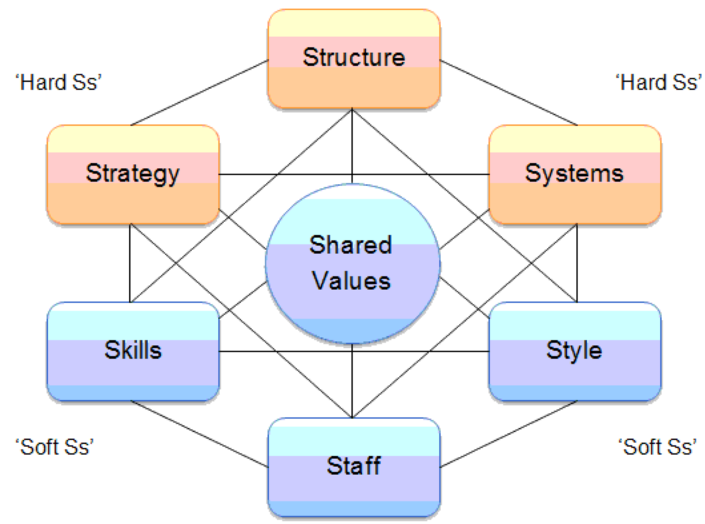


Four Positional E-strategic Directions

a. **Technology Leadership**
   Technology leadership involves the early adoption of an emerging technology to achieve a preemptive position. This technology leadership as an integral part of the business strategy.
b. **Brand Leadership**
   The emergence of the Internet as a dynamic branding mechanism has done much to fuel the debate over how to most effectively utilize this benefit within the development of the organization's overall brand strategy. The most important is to focuses on the Internet's ability to influence, change, or reinforce corporate branding.
c. **The Service Leadership**
   An obsessive focus on all information surrounding the customer at all contact points is the most effective way to establish service leadership via the Internet. Service should not always be expected to translate immediately into purchases by customers because its value often consists simply of building relationships with, and gathering information about, potential customers and maintaining relationships with existing ones.
d. **Market Leadership**
   Responding to changing market conditions with product offerings as well as through their approach to understanding the market within which they operate.

McKinsey 7s Framework

- *McKinsey 7s model* is a tool that analyzes firm's organizational design by looking at 7 Key internal elements.
- 7s mode l was developed in 1980s by McKinsey.
- It is one of the most popular strategic planning tools.
- The key point of the model is that all the seven areas are interconnected and a change in one area requires change in the rest of a firm for it to function effectively.



The model can be applied to many situations and is a valuable tool when organizational design is at question. The most common uses of the framework are:

• To facilitate organizational change.
• To help implement new strategy.
• To identify how each area may change in the future.
• To facilitate the merger of organizations.

7s factors

In McKinsey model, the seven areas of organization are divided into the 'soft' and 'hard' areas. Strategy, structure and systems are hard elements that are much easier to identify and manage when compared to soft elements. On the other hand, soft areas, although harder to manage, are the foundation of the organization and are more likely to create the sustained competitive advantage.

Hard S	***Soft S***
Strategy	Style
Structure	Staff
Systems	Skills
	Shared Values

Strategy

It is a plan developed by a firm to achieve sustained competitive advantage and successfully compete in the market. What does a well-aligned strategy mean in 7s McKinsey model? In general, a sound strategy is the one that is clearly articulated, is long-term, helps to achieve competitive advantage and is reinforced by strong vision, mission and values. But it is hard to tell if such strategy is well-aligned with other elements when analyzed alone. So the key in 7s model is not to look at your company to find the great strategy, structure, systems and etc. but to look if its aligned with other elements. For example, short-term strategy is usually a poor choice for a company but if its aligned with other 6 elements, then it may provide strong results.

- What is our strategy?
- How do we intend to achieve our objectives?
- How do we deal with competitive pressure?
- How are changes in customer demands dealt with?
- How is strategy adjusted for environmental issues?

Structure
Represents the way business divisions and units are organized and includes the information of who is accountable to whom. In other words, structure is the organizational chart of the firm. It is also one of the most visible and easy to change elements of the framework.

- How is the company/team divided?
- What is the hierarchy?
- How do the various departments coordinate activities?
- How do the team members organize and align themselves?
- Is decision making and controlling centralized or decentralized? Is this as it should be, given what we're doing?
- Where are the lines of communication? Explicit and implicit?

Systems
Are the processes and procedures of the company, which reveal business' daily activities and how decisions are made. Systems are the area of the firm that determines how business is done and it should be the main focus for managers during organizational change.

- What are the main systems that run the organization? Consider financial and HR systems as well as communications and document storage.
- Where are the controls and how are they monitored and evaluated?
- What internal rules and processes does the team use to keep on track?

Skills
They are the abilities that firm's employees perform very well. They also include capabilities and competences. During organizational change, the question often arises of what skills the company will really need to reinforce its new strategy or new structure.

- What are the strongest skills represented within the company/team?
- Are there any skills gaps?
- What is the company/team known for doing well?
- Do the current employees/team members have the ability to do the job?
- How are skills monitored and assessed?

Staff
The element is concerned with what type and how many employees an organization will need and how they will be recruited, trained, motivated and rewarded.

- What positions or specializations are represented within the team?
- What positions need to be filled?
- Are there gaps in required competencies?

Style
It represents the way the company is managed by top-level managers, how they interact, what actions do they take and their symbolic value. In other words, it is the management style of company's leaders.

- How participative is the management/leadership style?
- How effective is that leadership?

- Do employees/team members tend to be competitive or cooperative?
- Are there real teams functioning within the organization or are they just nominal groups?

Shared Values

They are at the core of McKinsey 7s model. They are the norms and standards that guide employee behavior and company actions and thus, are the foundation of every organization.

- What are the core values?
- What is the corporate/team culture?
- How strong are the values?
- What are the fundamental values that the company/team was built on?