

Improving Customer Relations through E-Commerce

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INTRODUCTION

Technological advances have been encountered by managers continually over the years. electronic data interchange system (EDI), extensible markup language (XML), e-mail, the Internet, and e-commerce are just a few that have contributed to the proliferation of new business applications in companies. This article focuses on customer relationship management (CRM) e-commerce applications. Customer relations are an important aspect of the success of any business. By strengthening relationships with customers, a company ultimately can gain a more loyal customer base, further strengthen its brand recognition, and help customers distinguish a company's product from those of the competition.

This chapter particularly focuses on the ways to strengthen customer relations when integrating e-commerce applications and tools within an existing business. It provides some examples of what some established more traditional businesses have done. Since its successful use is contingent on developing ways to apply the technology effectively in specific situations, it is important to examine the variety of ways that companies are using e-commerce applications or tools to strengthen their relationships with customers.

BACKGROUND

Most traditional companies are already utilizing a variety of methods to strengthen customer relations, such as call centers and/or information desks to deal with customer problems and/or questions.

E-commerce applications and tools, however, can be used to further strengthen customer relations. eBay, an independent online auction business, for example, allows for exchanges on its Web site. The Company uses various e-commerce applications and tools, such as Paypal, to help customers during the checkout process. Once registered with Paypal, eBay users determine which method of payment (e-checks, credit/debit cards, and bank transfers) will be utilized to finalize the purchase transaction. Paypal will transfer funds between previously set up customer accounts without delay (eBay, 2006).

General Electric (GE) is a company that had an effective electronic data interchange (EDI) system for dealing with supplies used by its many divisions. It involved the Internet as a channel for expanding and supporting its existing EDI and related systems which then grew to become a separate independent entity. GE began its B2B exchange marketplace to help it procure materials from various vendors to supply GE's various divisions (in a sense the exchange's customers) in a more cost-efficient way for both GE's divisions and their vendors. Eventually, this marketplace began to expand and include, as customers, multiple non-GE companies seeking to procure items from multiple vendors more effectively and efficiently. GE's "Global Marketplace" became an entity that operates as an independent entity serving both GE divisions and outside companies (GXS, 2006).

A company with traditional business outlets can make use of e-commerce applications and tools as an extension of the traditional business for strengthening customer relations in many ways. For example, to

improve customer satisfaction the Gap, a retail clothing company, offers on its Web site a broad range of online customer services including a getting started tutorial, size charts, and a guide on how to return items (Gap, 2006).

Ever since the dot-com fallout beginning in 2000, customers have lost confidence in Internet-only companies. There is a growing recognition that the Internet is unlikely to fully displace traditional channels of business, so traditional companies are using the Internet to supplement their traditional channels of business. For established businesses, the use of e-commerce applications and tools offers new opportunities to encourage, enhance, and expand customer relationships, create customer loyalty, and build brand equity (Lamb, Hair, McDaniel, 2006; Laudon & Guercio Traver, 2006).

Companies can use a large variety of e-commerce applications and tools, but the one most commonly used, and the one that this article will focus on is the use of Web sites.

WEB SITES: A MAJOR E-COMMERCE APPLICATION AND TOOL

There are many different ways companies use Web sites effectively to strengthen customer relations. These ways include the Web site layout and navigation processes, use of interactive tools on a Web site, value-added content, Web site personalization, customer service, and post-order customer satisfaction. All of these can be used separately or in conjunction with one another, but should be customized to a company's target market consumer in order to have an all-around successful e-commerce venture. The following sections provide examples of companies which have used some or all of these ways on their Web sites to strengthen customer relations.

Web Site Layout and Navigation Processes

The creation of a user-friendly Web site is essential for any company. A Web site that has an easy-to-understand and easy-to-follow layout and navigation system will aid customers in both loading the Web site faster and finding the desired products quicker and in a more efficient manner. These two factors ensure that customers will visit the Web site longer and that they will come back

for future visits. A company, therefore, can improve customer retention and customer loyalty.

For example, Fredrick's of Hollywood, a woman's clothing apparel retailer, established its Web site in 1996 to supplement its existing business. In late 2000, Fredrick's original Web site navigation method consisted of using thumbnail images of its products that customers would click on to see the types of products related to the image. For instance, clicking on a thumbnail image of a bra would take a visitor to a webpage that would show all of Fredrick's currently available bras for sale. This proved ineffective, so it took several major steps to improve its Web site. Fredrick's shifted away from the use of thumbnail images to the use of drop-down menus and altered site navigation so that customers could more easily look through products by category. Using the new Web site capability, a Web site visitor would now move the computer's mouse cursor over the word bra at Fredrick's Web site and a list of all the different styles of bras would be displayed. The customer would then click on the word corresponding with the type of bra that the customer was looking for (Frederick's of Hollywood, 2006).

This new Web site capability simplified the Web site navigation process and allowed for faster Web site load-up times on a customer's computer since the drop-down menus took up far less space than thumbnail images.

Use of Interactive Tools on a Web Site

Interactive tools on a Web site can help customers make a more informed purchase decision. The use of such tools are especially useful in the online retail industry, in which more than 20 percent of sales are returned due to sizing errors (Reynolds, 2004). Merchants are seeking ways to reduce this problem during the shopping experience. According to the consulting firm PriceWaterhouseCoopers, 81 percent of online shoppers say that they do not make online clothing purchases because they can't try anything on (Paul, 2001).

For example, Lands' End is a catalogue clothing retailer with store outlets. In an effort to increase online clothing sale, Lands' End has used an interactive tool called "my virtual model" to help customers make a more informed online clothing purchase. Customers can visit a Lands' End retail location and have their body scanned in a dressing room. The body scan measures over 200,000 data points of a customer's body and enters

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