

The Internet: A New Era in Customer Service

JOHN WALSH, *IMD, Lausanne, Switzerland*

SUE GODFREY, *IMD, Lausanne, Switzerland*

E-commerce, or shopping electronically via the internet, is revolutionising the way retailers do business. E-tailers offer better customer service than their bricks and mortar counterparts. They personalise sites, create opportunities for customisation and provide added value. They treat customers as individuals instead of segments. They make mass customisation possible. Going far beyond a customer's current expectations, they create customer loyalty.

Traditional retailers need to rethink their current strategies. They must refocus on the customer. They have an opportunity to leverage their strengths, utilise their physical presence and create a totally new shopping experience. Some retailers recognise this and have responded. Several diverse strategies are emerging. If traditional retailers do not respond they are in danger of becoming extinct. © 2000 Elsevier Science Ltd. All rights reserved

A New Era of Commerce

From the birth of commerce, knowledge of one's customer has been a precondition of a successful enterprise. Early vendors won a customer's patronage by establishing a relationship. They made transactions easier and more pleasant. They offered a unique, personal shopping experience. Then supermarkets and ever-larger hypermarkets developed. They were less intimate affairs but customers offered the choice between low price and attentive service opted for the former.

Now, internet retailers or e-tailers have a new strategy. They offer a more personalised service than the 'local store' at a lower price than the largest chain store. They are making mass customisation a reality.

Leveraging the advances in information technology e-tailers employ a wide range of high-tech processes. It enables them to identify and understand the unique desires of each and every customer. This forms the basis of a successful e-tailer's strategy.

Back to the Future

E-commerce, or internet shopping, is just a modern day equivalent of traditional home shopping, such as mail order. Conceptually they are the same. They combine the ease and convenience of shopping from home with one-to-one marketing techniques. They both aim to sell merchandise via pictures with descriptions, offer some degree of product customisation, take orders electronically (telephone, fax or the internet as well as traditional mail in the case of mail order) and deliver merchandise to the door. And all at a lower price than the customer could buy it in-store. As mail order companies increasingly use specialist catalogues, or specialogues, they both also offer an element of segmentation. They share a common objective: to more precisely target potential customers and deliver a proposition that is both more relevant and delivered in a more intimate way than is possible via mass communication.

However, there is a critical difference. One uses print whilst the other uses the internet. Mail order or direct mail companies rely mainly on paper communication and the local postal system. To be cost effective, they need to adopt a mass mailing approach. This limits them in their ability to personalise and customise communication. The print media itself has other disadvantages. It is one-sided, passive and not timely. Print is also black and white, static, potentially cold and formal and, in today's terms, old-fashioned. The

customer's shopping experience in browsing a catalogue is limited.

The internet changes all this. It works in two dimensions:

1. Functionally, it automatically and effortlessly collects customer information, analyses and implements it.
2. Emotionally, it interacts with the customer over time to establish a personal and more intimate relationship between customer and e-tailer. An element more difficult to establish through some media. The PC is ideal. Television is visual and dynamic but, being a broadcast medium, it creates a physical and emotional distance between viewer and broadcaster. The intimacy is lost.

Using these two dimensions, the e-tailer creates a unique shopping experience for the customer.

Information is the Foundation Stone to Establishing the Customer Relationship

The e-tailer starts to gather information from the moment the customer accesses the site until the moment he exits, regardless of whether he makes a purchase or not. The e-tailer collects this information either actively (customer declared data) or passively (behavioural or purchasing data). The e-tailer begins to learn about each customer. This information forms the basis for initiating a dialogue with the customer in the future. The e-tailer starts to build the customer relationship. His objective: to convert browsers into loyal customers.

A good example is Peapod.com. The on-line US supermarket chain has over 100,000 customers in eight US cities and delivers a wide range of groceries, household products and toiletries directly to customers' address of choice. They keep a list on site of the customer's previous purchases, including brand, pack size and quantity purchased. The customer need make only minor changes from week to week, saving time and effort. Peapod.com then creates a database of each customer's purchase history, on-line shopping and behavioural patterns.

Every time the customer visits the site, Peapod.com captures more and more detailed information. They learn about the customer's unique preferences and behaviours. And, they use this data to specifically target advertising and promotions, treating demographically identical neighbours differently. Peapod.com no longer treats customers as segments but as unique individuals. Customers obviously like this high-tech relationship marketing, since 94 per cent of sales come from repeat customers. Manufacturers also like it. Through Peapod.com they learn more

about their individual customers than they would through data from traditional supermarkets.

The E-Tailer's Challenge

Data Collection and Analysis

Collecting and analysing customer data in a retail environment isn't new. Companies employ armies of analysts and researchers, invest large budgets and carry out extensive research programmes. They recognise the importance of understanding the customer. When retailers introduced customer cards they created an opportunity to learn more about each of their customers individually.

To enrich existing data, retailers are developing tools to provide in-store behavioural information. In the future, they will learn about customers' browsing and shopping behaviour through infra-red or video technology, or precisely monitor customer behaviour and track in-store customer handling using image recognition.

Yet there are drawbacks to the conventional processes of research. Primarily the time and costs required. As a result, many retailers never analyse all the data available to them. The information is effectively lost.

The internet offers a number of advantages for e-tailers. They are able to collect and analyse an extensive amount of information continuously, in a very short time and at relatively low cost. E-tailers collect three types of data: (1) Basic, personal information provided on registration or via self-completion questionnaires; (2) Purchasing habits; and (3) 'Clickstreams' or site navigation. By combining this information, the e-tailer creates a more detailed picture of each customer.

Basic Personal Information

Customers who visit a site for the first time are usually asked to register to gain access. Typically the customer gives a name, physical address, e-mail address and perhaps some other demographic data or interests. Customers appear not to be concerned about giving out this information as long as they can see some value in providing it and requests for additional information are reasonable.

When he comes to the site in future he types his chosen user name and password and is instantly recognised; it is likely that he will receive a personal greeting. If he is using the same computer, the website may instantly recognise him anyway using a 'cookie'. In either case, the e-tailer makes a link with the customer's existing profile.

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