



Fostering customer loyalty in the electronic marketplace



Customer Loyalty

Introduction

“In the emergent world of e-business, customers’ choices will increase, their expectations will rise...and their loyalty will be increasingly more difficult to attain. The good news is that the same barriers that make that loyalty so hard to gain can also be used to make it long-lasting and richly rewarding.”

Information Week, December 6, 1999

Not long ago, companies viewed the Internet as simply a new channel—a way to reach customers without the overhead of bricks, mortar, salespeople or middlemen. Elements of this early vision are certainly true. Millions of potential customers are now browsing and buying on the Web.

But in today’s growing electronic marketplace, virtually everything that originally passed as conventional marketing wisdom has changed. Customers can now look for alternatives at the click of a mouse. Through the Web, switching brands has become easy, and customer loyalty can no longer be taken for granted. Simply put, the power has shifted.



e-business

Internet-savvy consumers can now control how and when they interact with a vendor—essentially transforming the traditional relationships between businesses, customers and competitors. As a result, attracting new customers and retaining them is far more complex. It requires redefining traditional business rules, then transforming customer relationship management (CRM) processes accordingly. Companies late to make this realization may quickly learn that although customers can be served more efficiently on the Internet, that alone does not guarantee that they will be satisfied, and moreover, it does not necessarily make them loyal.



Reverse markets: Empowered Internet customers

Consider for a minute how the bricks-and-mortar world works. Product and price information is largely controlled by corporations, and product selection is limited by the physical constraints of shelf space. Consumers are held captive by the time-consuming, labor-intensive process of researching and selecting brands. In this arena, it is difficult to distinguish customer satisfaction from customer inertia.

On the Internet, consumers can access a virtually unlimited selection of products, brands and sellers—reversing the power structure of the marketplace. In this self-service environment, customers have the power to control how and when they want to interact with a vendor; they can switch brands or try a different product with a single click. Consumers are even controlling how much they pay for a product through pricing auctions, bidding wars and “name the price” Web sites like uBid.com and priceline.com.

These new markets are commonly called pull, or “reverse” markets. Buying power shifts to consumers, who can actively seek products and services on their own terms, instead of relying on vendors to push messages and products out to them. Consumers who have limited time and unlimited choice will naturally seek sellers who best understand and meet their needs—maximizing their time investment by buying only what they want when they want it, and ignoring the “pushed” marketing messages about products in which they have no interest.

Therein lies the challenge of building loyalty in the electronic marketplace. Delivering tangible and highly tailored value to consumers on the Web requires a whole new set of business processes, skills and techniques.



The difference between *doing things better* and *doing better things*

In the electronic marketplace, companies are being challenged to rethink the most basic business relationship—the one between an organization and its customers—and to look at not just how they can do things better, but how they can *do better things* to create a positive customer experience based upon a personalized value proposition.

The distinction between doing things better and doing better things is important. It is the difference between looking at the Internet as a new channel for doing the same old things—but probably doing them better—and exploiting it as a means to define, reinvent and revitalize critical business processes.

In the new business paradigm of the electronic marketplace, empowered customers can “pull” the products they want from a company’s virtual shelf. Organizations that succeed in a pull marketplace will clearly understand what individual customers want, how they prefer to shop, why they buy and how best to conduct problem resolution.

This calls for new CRM processes that tap the power of the Internet to do new and better things, and in turn provide the kind of customer experience and service that can lead to long-term loyalty. Companies today can begin by:

■ **Building a virtual community**

Expanding the organization’s reach to provide greater customer access and consistency.

■ **Sustaining a dialogue with customers**

Increasing the depth and quality of information an organization gives to and collects from customers.

■ **Creating personalized value**

Assembling and packaging resources to meet the needs of each individual customer.



Building virtual communities

The empowered consumer, with greater access to information and services, can now control who they interact with and from whom they buy. In this environment, a business must give the customer greater value and a compelling reason to return to their brand. One strategy is to establish virtual communities built on common interests, where it is easy for consumers to connect and communicate based upon shared experiences.

Organizations that promote member participation can create a community of content and ideas that are shared among other members. As these members move from a passive, browsing mentality to a more participatory one, the value of the community increases. Members begin to build trust and are more comfortable sharing information and suggestions with the community. In essence, the virtual community becomes a new way to “electronically bond” with customers.

For example, IBM has established an online user community for owners of the IBM ThinkPad® portable computer. All buyers have access to a dedicated Internet “chat room” for discussing technical and operational issues. Customers share their knowledge and opinions in this open forum. IBM technical teams monitor and analyze users’ comments, and feed these back to the laboratory for future product enhancements. On occasion, the IBM team may clarify points and recommend solutions to immediate issues, but generally customers themselves are the first to make recommendations.

For the IBM ThinkPad laboratory, the chat room provides a continual and instant focus group that informs IBM about customer needs. For consumers, it is a quick and convenient way to improve the use of a product, get answers to questions, and express views directly to the manufacturer.



Maintaining sustained dialogues with customers

On the Internet, maintaining a dialogue with customers can be difficult, since they have the option to connect and disconnect in minutes—even before they complete a search, finish a transaction or conclude an activity. Customers connect when it is convenient. At the same time, the Web provides many opportunities to “converse” with customers directly via e-mail, registration forms, online ordering, and indirectly, via click-stream analysis.

To properly service an e-business customer, organizations must track and maintain a record of each customer activity. On the Web, this involves more than building a history file of transactions. By monitoring what individual customers view and analyzing their interests, as well as their buying behavior, companies can anticipate customer needs and plan for future interactions.

When each customer interaction exists in the context of all previous activity, it can help sustain a long-running dialogue to anticipate and plan what customers want and when they will be ready to buy. An organization that gauges customer needs in this way can begin to develop a higher quality of service, provide lasting value and, most important, enrich the customer experience.

Loyal customers typically have long-running dialogues that cross multiple channels. The challenge surfaces when multiple customer contact points are not connected, making it difficult to track consumer interactions across these channels. Managing customer interactions in a consistent, timely fashion is critical to providing a quality customer experience. Imagine the frustrated customer who buys something over the Web, then reaches a call center representative who knows nothing about the transaction and is not able to offer assistance. To keep Web customers coming back to a given site—a critical measure of customer loyalty—it is important to maintain a sustained dialogue that crosses all channels.



Creating personalized value

One of the ways to enrich the customer experience is through personalized value techniques. This involves moving from the push, mass-marketing model of one message, regardless of the audience, to creating individualized customer experiences based on their community profiles and information from sustained dialogues that has been collected, sorted and analyzed.

Organizations need to understand their customers on an individual basis. Creating personalized value is still an evolving area, populated by high-tech approaches such as filtering, recommendation engines and dynamic personalization—as well as low-tech solutions like creating separate Web sites for different customer segments.

Amazon.com, for example, is successfully employing recommendation engine technology. When a customer buys a book, the system looks for preference patterns in the purchases made by other customers who bought that same title, then recommends other books, music or toys that the customer might enjoy. Personalization techniques display the customer name, indicate communities on the site that might interest them, and make realtime recommendations when the site is accessed. The more purchases made, the more refined the recommendations become. In this way, Amazon.com can offer customers products that fit—often before customers know they may want them.

Engineering a positive customer experience

In defining new customer relationship management processes for today's Internet-based marketplace, companies must begin with a solid foundation centered around engineering a personalized experience for customers at every contact point.

Of course, the Web is just one channel through which customers can communicate with a business. A customer may also prefer picking up a phone or walking into a local office. And the number of potential channels continues to grow. In addition to phone (both live agent and voice response systems), fax, e-mail, print material, the Web, kiosk and face-to-face channels, there are emerging channels related to embedded devices and wireless communication. In five years' time, your car or home appliance may be the "customer" performing the request to a business on your behalf.

Historically, these new channels have been simply added to existing business processes, often creating inconsistencies in the customer experience. As companies strive to provide differentiation through service and move people from 'customer' to 'client' to 'supporter' to 'advocate,' a holistic view of all customer interactions becomes even more essential.

The idea is to give customers a better, more personal experience at every point of contact within your business. This calls for CRM solutions that link your various departments and divisions seamlessly, so that every person or system your customers encounter will have access to the same comprehensive information. It also means synchronizing business processes so you can leverage your organization's capabilities and strengths proactively to deliver personalized value to customers.



Summary

The three domains of community, sustained dialogue and personalized value provide the foundation for new CRM processes. More important, there is an exciting synergy between these domains that can help companies sustain richer relationships with their customers. This can be achieved by personalizing customer experiences so that after every contact, they will want to come back to your business. This can be accomplished by creating the best possible value proposition for each individual customer's needs, then anticipating and meeting those needs in realtime, all the time.

IBM Global Services can evaluate and help improve your customer relationship management processes so you can attract and retain satisfied customers for greater competitive advantage. The source of our expertise is our people—e-business consultants, IT specialists and industry experts who lead successful CRM engagements around the world.

To learn more about how your company can benefit from customer relationship management solutions, or how the people of IBM Global Services can help your business foster customer loyalty, visit www.ibm.com/services, or contact your local IBM sales representative.



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