



## MERITS AND DEMERITS IN CUSTOMER RELATIONSHIP MANAGEMENT OF E-BUSINESS

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### Abstract

*E-business is improving standard among the business community in worlds, about the opportunities offered by E-business. E-business stands for electronic business. E-business as part of the information technology revolution became widely used in the world trade in general and Indian economy in particular. With advancements in technology, there have been many changes has been occupied. Customer relationship management have been playing an essential role with the e-business. Present scenario CRM is facing many pros and cons by the e-business. It is an essential to the business.*

*In the backdrop of all these developments the present paper makes an attempt to: highlight the favours of e-business in customer relationship management, and to understand the disfavours of e-business in customer relationship management.*

**Key Words:** *Electronic business, CRM, Merits and Demerits.*

### 1. Introduction

In the emerging global economy, e-commerce and e-business have increasingly become a necessary component of business strategy and a strong catalyst for economic development. The integration of information and communications technology (ICT) in business has revolutionized relationships within organizations and those between and among organizations and individuals. Specifically, the use of ICT in business has enhanced productivity, encouraged greater customer participation, and enabled mass customization, besides reducing costs.

With developments in the Internet and Web-based technologies, distinctions between traditional markets and the global electronic marketplace-such as business capital size, among others-are gradually being narrowed down. The name of the game is strategic positioning, the ability of a company to determine emerging opportunities and utilize the necessary human capital skills (such as intellectual resources) to make the most of these opportunities through an e-business strategy that is simple, workable and practicable within the context of a global information milieu and new economic environment. With its effect of levelling the playing field, e-commerce coupled with the appropriate strategy and policy approach enables small and medium scale enterprises to compete with large and capital-rich businesses.

On another plane, developing countries are given increased access to the global marketplace, where they compete with and complement the more developed economies. Most, if not all, developing countries are already participating in e-commerce, either as sellers or buyers. However, to facilitate e-commerce growth in these countries, the relatively underdeveloped information infrastructure must be improved. Among the areas for policy intervention are:

- High Internet access costs, including connection service fees, communication fees, and hosting charges for websites with sufficient bandwidth;
- Limited availability of credit cards and a nationwide credit card system;
- Underdeveloped transportation infrastructure resulting in slow and uncertain delivery of goods and services;
- Network security problems and insufficient security safeguards;
- Lack of skilled human resources and key technologies (i.e., inadequate professional IT workforce);
- Content restriction on national security and other public policy grounds, which greatly affect business in the field of information services, such as the media and entertainment sectors;
- Cross-border issues, such as the recognition of transactions under laws of other ASEAN member-countries, certification services, improvement of delivery methods and customs facilitation; and
- The relatively low cost of labor, which implies that a shift to a comparatively capital intensive solution (including investments on the improvement of the physical and network infrastructure) is not apparent.

### 2. Definition of Electronic Business

E-business (electronic business) is the conduct of business processes on the Internet. These electronic business processes include buying and selling products, supplies and services; servicing customers; processing payments; managing production control; collaborating with business partners; sharing information; running automated employee services; recruiting; and more.



E-business can comprise a range of functions and services, ranging from the development of intranets and extranets to e-service, the provision of services and tasks over the Internet by application service providers. Today, as major corporations continuously rethink their businesses in terms of the Internet, specifically its availability, wide reach and ever-changing capabilities, they are conducting e-business to buy parts and supplies from other companies, collaborate on sales promotions, and conduct joint research. With the security built into today's browsers, and with digital certificates now available for individuals and companies from Verisign, a certificate issuer, much of the early concern about the security of business transaction on the Web has abated, and e-business by whatever name is accelerating. IBM was one of the first companies to use the term when, in October 1997, it launched a thematic campaign built around e-business.

### **3. Types of E-Business**

Classifying E-business Business Based on Nature of Participants. The two most common participants in e-business are businesses and consumers. Based on this we can come up with four primary ecommerce types:

#### **B2C**

The business-to-consumer, or B2C, model of e-business sells products directly to retail consumers online. Amazon.com is an example of a B2C model. The e-business has only an online identity through which it offers a range of products to customers. Other B2C enterprises include bestbookbuys.com and gartner.com. Most B2C models generate revenue from direct sales and processing fees. B2C also is known as electronic retail or e-tail.

#### **B2B**

The business-to-business, or B2B, model involves companies using the Internet to conduct transactions with one other. B2B e-business accounts for more than 90 percent of all electronic commerce, according to the U.S. Census Bureau. The main reason for this is the complexity of B2B transactions. Unlike B2C transactions that involve sellers offering products and services and buyers purchasing them, B2B transactions are multifaceted and often involve multiple transactions at each step of the supply chain. B2B businesses generate revenue from direct sales.

#### **C2B**

Consumer-to-business, or C2B, is a unique e-business model in which consumers create value and demand for products. Reverse auctions are a common characteristic of C2B models, in which consumers drive transactions and offer their own prices for products. The airline ticket website Priceline.com is an example of a C2B e-business model. The website allows customers to bid for tickets and offer their own prices. Shopping sites such as cheap.com, gilt.com and ruelala.com also are C2B.

#### **C2C**

Consumer-to-consumer, or C2C, e-business models enable consumers to behave as buyers and sellers in third-party-facilitated online marketplaces. Craigslist is an example of a third-party marketplace. The company brings together disparate buyers and sellers to conduct business. Other examples of C2C websites include eBay and PayPal. A C2C model generates revenues in several ways, including personal ad fees, membership or subscription fees, sales commissions and transaction fees.

### **4. Scope of E-Business**

The scope of E-Business is as wide as an ocean & there by the implementation hurdles. When one thinks of the Electronic Business even though final goal remains the same as that of the traditional business, but the way in which they function in order to improve the performance is different. As information sharing is the major part of the corporate industries, networking has given boost to E-Business. This change in view-point has opened door for new opportunities.

Nationalized and Private banks agrees that adopting e-business as a strategy is one of the important steps the banks has taken in its development due to the tremendous benefits e-business adoption provides. According to them their perceived benefits include convenience to customers, speed and quality of service, reduction of queues in banking halls and reduction in the total overhead cost such as reduction in employee recruitment and reduction in space for clients and customers. These factors that pushed their drive to adopt e-business.

### **5. Definition of CRM**

CRM is an acronym that stands for Customer Relationship Management. It describes the strategy that a company uses to handle customer interactions. One example of a common CRM strategy is the rewards card program offered by many supermarkets. The store gives its customers a free card that gives them access to special deals and discounts when they swipe



the card during checkout. But that card also tracks everything the customer buys and allows the store to create an extremely detailed customer profile based on his or her purchasing habits. Armed with that information, the store can then offer its customers targeted coupons and other programs that will motivate its customers to buy more products from that store.

## **6. Objectives**

- a. To highlight the favours of e-business in Customer relationship management.
- b. To understand the disfavours of e-business in Customer relationship management.

## **7. Methodology**

This study is based on the analysis of the secondary data published in the magazines and various websites.

## **8. Review of Literature**

Centeno (2004) <sup>1</sup> argues that speed, the convenience of remote access, 7/24 availability and price incentives are the main motivation factors for the consumers to use internet banking. Durkin, et. al. (2008) <sup>2</sup> notes that the simplicity of the products offered via internet banking facilitates the adoption of internet banking by consumers. Calisir and Gumussoy(2008) <sup>3</sup> compare the consumer perception of internet banking and other banking channels and report that internet banking, ATM and phone banking substitute each other. Guerrero, et.al. (2007) <sup>4</sup> examine the usage of internet banking by Europeans and their results indicate that ownership of diverse financial products and services, attitude towards finances and trust in the internet as a banking channel influence clients" usage of internet banking.

As organizations become progressively more customer persistent and motivated by customers demand. The need to meet customer's expectations and preserve their loyalty becomes more critical as e-CRM is being seriously destabilized because of this unawareness. According to Sterne, J., (2000.)<sup>5</sup> the main challenges of e-CRM are identifying actual input cost of winning, retaining the long lasting relationship with customers, measuring the effective business, increasing the customer loyalty and improving the customer service.

According to Sharp, D. E. (2003.)<sup>6</sup> main drawbacks of e-CRM are Lack of technical support to customers, Reducing Field sales and services, resistance to payment services offered via the web, Implementation of time & cost, Lack of Customer services and support, reducing the productivity and overloading of emails. The main drawback due to e-CRM is a cutback in person contact with customers which leads to some problems .the measurement challenges faced by e-CRM is difficult to determine the users reached, costs and benefits

## **9. Merits of E-Business in CRM**

### **Worldwide Presence**

This is the biggest advantage of conducting business online. A firm engaging in e-business can have a nationwide or a worldwide presence. IBM was one of the first companies to use the term e-business to refer to serving customers and collaborating with business partners from all over the world. Dell inc., too, had a flourishing business selling PCs throughout the U.S., only via telephone and the internet till the year 2007.amazon.com is another success story that helps people buy internationally from third parties. Hence, worldwide presence is ensured, if companies rethink their business with regard to the internet.

### **Cost-Effective Marketing and Promotions**

Using the web to market products guarantees worldwide reach at a nominal price. Advertising techniques, like pay per click advertising, ensure that the advertiser only pays for the advertisements that are actually viewed. Affiliate marketing where customers are directed to a business portal because of the efforts of the affiliate, who in turn receive compensations for their efforts meeting with success, has emerged on account of e-business. Affiliate marketing has helped both the business and the affiliates. Firms have managed to use cost-effective online advertising strategies to their advantage.

### **Developing a Competitive Strategy**

Firms need to have a competitive strategy in order to ensure a competitive advantage. Without an effective strategy, they will find it impossible to maintain the advantage and earn profits. The strategy that the firms can pursue can be a cost strategy or a differentiation strategy. For instance, till the year 2007, Dell Inc. was selling computers only via the internet and the phone. It adopted a differentiation strategy by selling its computers online and customizing its laptops to suit the requirements of the clients. Thus, e-business resulted in Dell Inc. Managing to capture a chunky segment of the market using the differentiation strategy.



### **Better Customer Service**

E-business has resulted in improved customer service. Many a time, on visiting a website, the customer is greeted by a popup chat window. Readily available customer service may help in encouraging the customer to know more about the product or service. Moreover, payments can be made online, and products can be shipped to the customer without the customer having to leave the house.

### **Curtailling of Transaction Cost**

The nature of online business is such that, the costs incurred for every transaction to go through smooth and sound, there is no acting middleman. Websites are sufficiently loaded with directions to facilitate stress-free transactions. Simple and succinct instructional tabs, generally, save the potential buyer from predicaments of any sort. The mode of payment is predetermined, promising security to the customer. Thus, online payments are a no-ho-hum affair. All that you are left with, as the proprietor of your online business, is to download the requirement order and ship it. This demands effort, too; however, the toil is far less than a tangible business profile.

### **Overhead Costs are Reduced**

An E-business, essentially, is independent of costs that are incurred due to business having a physical entity. Utility bills and other expenses are manageable. You also cut back on costs incurred for hiring personnel and retaining them with competitive incentives topped with abundant facilities. Running an e-business is highly convenient as the proprietor does not require rent another site to execute the business.

## **10. Demerits of E-Business in CRM**

### **Sectoral Limitations**

The main disadvantage of e-business is the lack of growth in some sectors on account of product or sector limitations. The food sector has not benefited in terms of growth of sales and consequent revenue generation because of a number of practical reasons, like food products being perishable items. Consumers do not look for food products on the internet, since they prefer going to the supermarket to buy the necessary items as and when the need arises.

### **Costly E-Business Solutions for Optimization**

Substantial resources are required for redefining product lines in order to sell online. Upgrading computer systems. Training personnel and updating websites requires substantial resources. Moreover, Electronic Data Management (EDM) and Enterprise Resource Planning (ERP), necessary for ensuring optimal internal business processes, may be looked upon, by some firms, as one of its disadvantages.

### **Question of Safety**

With the world beguiled by the internet, it's a fat chance that you are not one among the aficionados. The internet is second to none, not to oxygen even, to say the least. Well, one breathes internet. Shoppers act live wires when it comes to online pick and pay. However, with far and many pacing about, are a few, who twitch at the mention of online payment. Instances of dupery have no intentions of nailing up anytime soon, and pseudo sits merrily mushroom. The entire customer can do, is remain in a state of doubt.

### **Data Security**

To carry out online transactions, the websites ask for your email address and other contact details. Customers brake at the mention of providing personal details, lest defiling of some nature occurs. Besides, certain sites have a complicated operational structure. Thanks to them, hackers have a job! They fiddle with accounts; meddle with important files, and corrupt data. This cannot be termed ethical hacking! Viruses metastasize every second damaging the database, sometimes awarding disastrous repercussions, too.

### **Site Integrity**

"We respect privacy. The information provided by the customer will be protected. We refute dissemination practices as much as you do." Does this statement not tintinnabulate in the ears. Well, we have come across these paraplegic oaths several times. Are they true to their world? May be... not. Some sites are known to trade their customer's details for monetary benefits. The question remains: can we trust them?

### **System Up gradation**

Once a system is developed, the responsibility of ad hoc up gradation at intervals follows suit. If this does not happen, the site turnover would be poor. To improve site performance and tow in a good share of online customers, keeping up with the advancements is pivotal. Though, some sites may find doing this an unnecessary feature.



### **Momentary Intangibility**

No matter what e-business may try their chances of selling products like furniture and appliances successfully, are bleak. Unless a buyer has the liberty to splurge the kitty, the 'E' sector fights a battle; it absolutely is not a part of. For instance, if you are planning to buy a sofa set, you would want to sit on its, get the feel of the upholstery used, the finish, and what have you! An online furniture bay, by no means, can consider a proposition like this one. It is better to accept that, there, indeed, are certain things not meant to be bought online due to the spatial creep for the rest there is e-transaction! E-business does have its set of pros and cons. However, eventually, every business be it partially or completely has to change its modus operandi, and adopt e-business practices in order to ensure survival and success.

### **Conclusion**

Uses of E- business for CRM are usefulness to the companies. Managers of e-business have to strive for competitive advantage in a dynamic environment. To succeed requires leadership skills in driving forward a customer-centric culture within the e-business. Managers need to marry the technology applications with the human resource skills available to them. It is the effectiveness of this integration that is most likely to determine if a firm can create a competitive advantage in the e-business environment. Now a day's E-business is playing vital role in the competition towards CRM. There are many advantages and disadvantages are there in the usage of E-business for CRM

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