Chapter XII

Managing Business-Consumer Interactions in the E-World

Sushil K. Sharma
Ball State University, USA

Jatinder N.D. Gupta
The University of Alabama in Huntsville, USA

ABSTRACT
As we move into the 21st century, the need for rapid access to relevant knowledge has never been greater. The business world is becoming increasingly competitive. Even though there is an increasing demand for innovative products and services, enterprises face a daunting task to understand the customers and find ways to attract and retain them. The Internet and e-commerce have changed the way people interact with businesses. The recent developments in e-commerce and knowledge management are creating new organisational forms in the 21st century. These technologies have also increased the expectations of the customers. Traditional principles of customer relations do not always transfer well to the online world. This chapter discusses the use of knowledge management concepts to create an appropriate framework for managing Business-Consumer relationships for understanding and retaining customers.

INTRODUCTION
Organisations of the 21st century are characterized by globalisation, rapid technological change and the importance of organisational knowledge in order to gain and sustain competitive advantage. The exponential growth of e-commerce and
related technologies during the past decade has shifted traditional economies to knowledge-based economies. The new knowledge-based economy depends entirely upon information technology, knowledge sharing, intellectual capital and knowledge management. The environment of e-commerce and knowledge management is changing the business-consumer relationship paradigm. In the electronic world of a knowledge-based economy, competitive advantage will be with those organisations that have strong social cohesion with their customers, a clear understanding of their expectations and a capacity to deliver fast. While the nascent form of e-business has shown much promise, many unresolved issues, most importantly the handling of interactions with customers, still persist. The question that remains to be answered is how can e-business be best used to secure the patronage of a customer and how can this ‘virtual’ relationship be sustained?

Organisations are moving to new electronic business models both to cut costs and to improve relationship management with customers, suppliers and partners. If an organisation knows patterns of customer demand, it can reduce inventory requirements and unused manufacturing or service capacities. Traditionally, firms have focused customer knowledge management efforts on supporting enterprise customer sales and marketing processes, such as direct mail campaigns, catalogs, and telephone solicitations. Customer knowledge provides guidance and direction to these processes by improving the enterprise’s understanding of the factors that influence customer decision-making, leading to more effective marketing and sales strategies.

E-commerce is not only changing trading processes and/or refashioning internal business processes of enterprises, but also introducing many new channels to the existing approaches of reaching end users. Being “customer-centric” and having knowledge about customers is becoming critical to the success of an enterprise. Today, customers interact with businesses and purchase items on a 24-hour, seven-day-a-week basis. If a consumer attempting to make a purchase on-line is not handled well, he can easily become a lost sale, or at the very least an irritated customer. This dissatisfaction can grow throughout the sales cycle, and often includes problems with product delivery, handling of complaints, and most importantly the handling of returns and exchanges. Many companies experience that e-commerce has helped switching customers’ loyalty from one company to another because customers are sitting just one click away from other competitors. One bad business-consumer interaction is enough for a company to lose customers due to mismanagement of the relationship with the customer. Therefore, it becomes extremely important to know the customers and their expectations, and accordingly build suitable strategies in companies’ web sites for effective e-world interactions.

This chapter shows that the emerging knowledge management concepts can be used to create an appropriate framework for managing business-consumer relationships for understanding and retaining customers. The rest of the chapter is organised as follows. We first describe the significance of e-commerce-led knowledge management in the 21st century organisation. Various
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