Chapter XII

CRM, KDD and Relationship Marketing: Requisite Trio for Sustainable E-Marketing

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Abstract

Customers vary in their needs, and their wants change swiftly. The Internet and allied technologies enable customers to locate and obtain a variety of services/products and sometimes even have fun in the process. For e-marketers, satisfying the varied and changeable customers and surviving in today’s fast moving marketplaces is a huge challenge. Three main themes for serving customers have appeared in the business world: Customer Relationship Management (CRM) Technology, Knowledge Discovery in Databases (KDD, or data mining) Techniques, and Relationship Marketing. The
integration of these three themes is a key aspect of success in online marketing environments. In this chapter, we outline and illustrate a model that links these three elements based on ongoing research streams in Management Information Systems (MIS) and marketing as well as our own ongoing research program. Starting with three case examples, quick overviews of CRM, KDD, and Relationship Marketing are provided. Then the model and its theoretical justification are presented. This is followed by elaboration and illustration of some of the linkages in the model. Finally, in the concluding section, practical and theoretical challenges are revisited.

Customer Relationships in Electronic Markets

Consider the following three scenarios drawn from contemporary practices of serving customers in electronic markets:

American Airlines (See http://www.cio.com/archive/071500/window.html for details)

- Before: Huge amount of customer data was collected, but such data was not used. It just lay dormant, even when the airline had permission to use it. Customers’ service expectations amplified, on the other hand, after they had been asked detailed questions about their travel-related needs. Such customers naturally assumed that since American Airlines (AA) knew a lot about them and their preferences, they would receive better services. Satisfying such expectations, however, was not easy.

- After: Web-based CRM systems allowed AA to customize communications and services more finely and in cost-effective ways as well as offered the ability to conduct transactions. The new systems let AA customize Web pages according to the customer’s tier level (Gold or Platinum) and location. Personalized Web pages allowed American Airlines to try out offers on small test groups, and this proved successful. American Airlines is working on integrating the customer profile database with the AAdvantage frequent-flier program database across the company. American Airlines expects that giving all its call center reservation agents a complete view of the customer will allow the company to increase efficiency, and speed up the ticket-buying process at airports. American Airlines established a partnership with AOL to boost customer loyalty via the Web. AOL rewards program and AAdvantage program were combined.

- Benefits: Web traffic yielded nearly $500 million in booked revenues. Web-based transactions were running 5% of total annual revenue of over $ 10 billion. (Case adapted from Lynch, 2001).
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