Advantages and limitations of research methodology

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This chapter explains about the research methodology used in this project. It tells about the advantages and limitations of the method selected. The method used in this business project is Case Study research methodology. Case study attempts to describe relationships that exist in reality, mostly in a single organisation. Case study depends on the approach of the person conducting research, the data collected and the analytical technique used. Reality can be found in detailed manner by researcher, than it is possible through experiment or surveys, with the analysis of more variables. This research methodology is a useful technique as new ideas and theories can be built and tested. Case study analysis provides an opportunity to study the details in its natural settings. By using case study analysis, researcher can ask ‘ how’ and ‘ why’ questions in order to understand the complexity of each and every process taking place. Case study analysis provides multiple methods to collect data and gather information from any people, group or organisations.

In this case study research methodology, the type of data used for research purpose is secondary data. Secondary data is some form of existing information that is already collected for some purpose. Secondary data can be collected by means of library research. The advantage of using secondary data is that the data has been already collected and the researcher can directly make use of the already collected data. Another advantage of using secondary data is the depth of details available. Also the data collection process in secondary data is performed by experts and professionals so the details present in it will be accurate and exact.

This project examines the Customer Relationship Management and how it influences the organisation's sustainability and stability. In the case study analysis, the importance of Customer Relationship Management is clearly understood. Also the case study of eBay is analysed and investigated.

LITERATURE REVIEW

This chapter examines the most relevant and current literature on E-Business and E-commerce and the process of Customer Relationship Management. It also examines the importance of Customer Relationship Management to improve firm's performance. This business project has been drawn from a range of theoretical works. This chapter will also identify the relevant areas in relation to the objectives of this project using the following literatures:

E-BUSINESS AND E-COMMERCE:

According to (Adnam, R. Z. 2003), 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. E-Business is all about the use of internet by any organisation to sell or exchange their products and services to make profits. E-Business is defined as the organised effort of individuals to produce and sell, for a profit, products and services that satisfy society’s needs through the facilities available on the internet (Canzer, B. et. al., 2003).

E-Commerce is the use of electronic communication channels and processing data in the digital format for any sort of business activities that create value. E-Commerce is the use of the internet and the web to transact business; more formally, digitally enabled commercial transactions between and among organisations and individuals (Laudon and Traver, 2007). E-Commerce is the use of electronic communication and digital information processing technology in business transactions to create, transform and redefine relationships for value creation (Adnam, R. Z. 2003). The use of E-Commerce has changed the way the business is taking place and has changed the way the organisation handles its customers and competitors. . Electronic commerce has the potential to radically alter some economic activities and surrounding social environment (Wyckoff and Colecchia, 1999). E-Commerce is rapidly reshaping the way companies compete with their competitors in an attempt to acquire a greater market share (Chou, 2001).

CUSTOMER RELATIONSHIP MANAGEMENT:

Customer Relationship Management (CRM) is the process that allows any organisation to understand and serve their customers. The goal of CRM is to create value and increase customer equity. CRM is a core business strategy that aims to create and deliver values to customers. CRM is concerned with the creation, development and enhancement of individualised relationships with carefully targeted customers and customer groups, the desired result being to maximize the total customer lifetime value (Payne, 1999). CRM is developed using high quality customer related data with the help of Information Technology. CRM is all about understanding and managing the nature of exchange between customer and supplier. Customer Relationship Management is about understanding the nature of the exchange between customer and supplier and managing it appropriately (Peel, 2002).

It focuses on the customer; identifying trends and patters by collecting data from every possible interaction with the customer at all access points (Ciszewski, 2001). Efficient CRM consist of three interrelated processes (Handen, 2002). They are

CUSTOMER ACQUISITION:

It involves identifying both profitable and unprofitable customer groups through customer value analysis. This begins with the collection of quantitative and qualitative customer information of some particular target group. In this a particular customer segment is chosen which attracts the firm. It is important to know the products and services which are of significant use to the customers.

Then it’s about winning a target customer who has been identified through the value analysis. The main challenge is to efficiently attract the relevant customer segment. A firm must attract its customers through its comparative advantage over its competitors, by doing so a firm can attract its customers.

CUSTOMER RETENTION:

After winning a customer it involves maintaining contacts with the target customers. The long term retention of a profitable customer is the main concern of customer management. Successful customer ownership will create competitive advantage and result in improved customer retention and profitability for the company (Payne, 1999). There are two important factors to retain its customers; they are customer satisfaction and customer loyalty.

CUSTOMER SATISFACTION:

Customer satisfaction is the main condition for retaining any number customers. Customer satisfaction can be found out by the comparison of customer's expectation and customer's perception. Each and every organisation must aim at satisfying its customers completely in order to achieve high targets and it must be the top priority for all organisations. Totally satisfying the members of the targeted customer group should be a top priority with all organisations (Jones & Sasser, 1995).

CUSTOMER LOYALTY:

Customer loyalty is the way in which customers can express their willingness to trade with the company for the future and ready to refer the company to others. So to achieve customer loyalty, customer must be completely satisfied by the company's offerings and services. Customer satisfaction is directly proportionate to loyalty of the customer with the organisation, leading to subsequent profits for the organisation (Anderson & Mittal, 2000).

CUSTOMER EXTENSION:

Finally a good relationship is established with profitable customers efforts are made to expand customer spending. Customer lifetime value is more valuable in customer development. If a particular customer does not make any purchase or in reduced amount over a period of time then the customer might be lost, so it is important to always make developed relationships with the existing customers. The lifetime customer value (LCV) is a mean of increasing profitability and success (Zeithaml, et. al., 2001).

CRM AS A VALUE CREATING SYSTEM:

CRM is often seen as a value creating system. Mainly in online shopping, CRM is viewed as a system to create customer value and improve customer lifetime value. Also measuring customer value is important to manage customer relationship according to the value of each and every customer. CRM requires firms to calculate and control customer relationship costs and compare them to the profits each customer produces over its lifetime (Reinartz et al, 2004).

Managing customer value is important to maximise lifetime profits from the entire customer base. Only by satisfying customers, a company can create value to its customers and achieve long-term profits. From a company value perspective, fulfilling customer needs are a key source of income to an organisation and achieving complete customer satisfaction is the only key for the company to success (Szymanski & Henard, 2001). Customer lifetime value (CLV) looks at the customer's value to the firm based on predicted future costs and transactions. CLV is looking at potential lifetime contribution towards the business by a customer instead of looking at income from each transaction (Kotler, 2003).

TRUST:

Trust plays a vital role for any organisation to attract, retain and extend their customers. It is very difficult for any organisation to develop a trust among their new customers. Trust between a customer and the company is comprised of three dimensions such as ability, benevolence and integrity. The key principle of relationship marketing is that trust mediates the influence of company's actions on consumer decisions and behaviour (Morgan and Hunt, 1994).

Consumers with strong commitment to a technology user identity may be inclined to use electronic channel regardless of their level of trust in the technology, leading to identity commitment having a main effect on frequency of interaction. Individuals are inclined to use technology if they consider it useful or if it improves their performance, regardless of their attitude towards the technology (Davis, 1989). Even though trust increase perceived usefulness, consumers may be forced by circumstances or external factors to use internet banking technology beyond their comfort level (Pavlou, 2003).