

## 3 B2C BUSINESS

### Learning objectives

In this chapter you will learn,

- that the fundamental sales process has a lot of variants due to a great variety of needs of the involved parties,
- that there are three challenges in realising B2C business, namely the pricing challenge, the fulfilment challenge and the payment challenge,
- that digital business creates new opportunities to learn more about your customers.

### Recommended pre-reading

- Mohapatra 2013, chapter 4.

### 3.1 THE PROCESS MODEL AND ITS VARIANTS

In the B2C business (see Xu 2014, pp. 77–96; B2C = Business to Customer) normally the selling partner is a business organization, but this is not a Must. Normally the buying partner is a single person, but this also is not a Must. So B2C is a synonym for the selling process considered from the point of view of the supplier.

#### 3.1.1 BUYING VIA INTERNET

First let us naively consider what is going on if we buy something via the Internet. The process starts, when the customer generates an order via an online shop. The order is processed in the backend ERP system(s) as a sales order and all ordered products and components are verified. If products are available in the quantity, which the customer has ordered, products can be delivered to the customer's location, and at that point of time, which is convenient for the customer.

After that verification the processing of the order continues in preparing that order for packing and shipping and also preparing it for billing. The customer gets an acknowledgement of his order. Customer and order data are available via a portal solution to all stakeholders.

But is E-Commerce really so simple? A series of questions arises:

- How did the customer find the “right” online shop?
- Is the order legally binding?
- Is the customer allowed to change his order ex post?
- How is the consignment processed through the provider?

- Do processes differ between producers and traders?
  - Does the trader have the ordered goods in his warehouse or does he himself send a corresponding order to the producer?
  - What happens if the ordered goods and services cannot be delivered?
  - How are the goods provided?
  - Can the customer pick up the ordered goods by himself?
  - Where can the customer pick up the ordered goods?
  - How is it ensured that the customer or a representative of the customer is on site when goods are delivered?
  - How does the customer have to pay?
  - What is going on in the case of a customer complaint?
  - What is going on in the case that the customer does not accept the delivered goods and that a return shipment has to be initiated?

### 3.1.2 VARIANTS OF THE PROCESS

Obviously is the Internet based selling process more complex than it looks like at the first impression. Thus we will discuss the process steps in more detail.

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### Information step

How does the process start? The first variant is, that the customer becomes active. Even here we have to differentiate because the starting point may be different:

- Product/service is clear, the supplier has already been selected,
- Product/service is clear; the supplier has not yet been selected,
- Product/service has to be determined.

The customer may enter the process via search engines, marketplaces/multi-shops, communities, rating platforms or known providers respectively their websites or online shops. Within those entry paths some questions arise:

- Who pays the information provider, if the process is started via online communities, rating platforms or search engines? Normally the customer does not pay for those services.
- Who is owner of the information sources? Rating platforms for product and price comparison are often operated and owned by publishing companies. Online communities are many a time established and administered by providers or lobby organizations.
- Who benefits?
- And finally: How does the payer, if it is not the customer, restrict or filter the information, which is forwarded to the customer?

The result of this step will be, that

- the customer identifies relevant products/services,
- the customer identifies relevant providers,
- the customer conducts a pre-selection or
- the customer makes his final decision.

The second variant of the information step is, that the supplier initiates it. Here we can differentiate, whether the customer is already known to the supplier or not. If the customer is already known then the process may be initiated via a specific contact or a general information (relationship management) or a specific offering (1:1-marketing/personalization). If the customer is not yet known to the supplier then he will try to call the customer's attention via supplier communities/marketplaces/multi-shops, via online communities, via banner advertising or via "adwords" (intelligent small ads). Advertisements are placed in search engines or websites of public interest. Sometimes sports and other associations take advertisements to fund their website or organization.

If the supplier wants to appeal to the customer specifically then he should have appropriate customer profiles. Those profiles are a valuable asset and contain information about properties/preferences/behaviours. This information may either be provided by the customer voluntarily or extracted from former behaviour of the customer (automatically) through analysing his visits, communication and transactions.

This generation of customer profiles can be done by each single supplier or by an aggregation of data collected by several suppliers. The latter can be an independent business. However, legal restrictions with respect to data privacy have to be followed.

There are several approaches or tools to collect customer data.

**Cookies** are tokens or short packets of data passed between communicating programs, where the data is typically not meaningful to the recipient program. The contents are opaque and not usually interpreted until the recipient passes the cookie data back to the sender or perhaps another program at a later time. Cookies allow detailed access statistics. However, the user must be able to switch cookies off (due to definition of IETF).

Profiles are explicitly provided by the customer. Profiles can also be deduced from the customer's behaviour (see chapter 8 of this book):


- Duration and course of session,
- Transaction data,
- Hits (HTTP access),
- Page Impressions,
- Click Streams,
- AdClicks,
- Content of shopping baskets,
- Dispatched queries.

Profile information is aggregated in data warehouses and analysed with methods from OLAP (Online Analytical Processing) and data mining.

E-Commerce is based on technology. This technology allows a 1:1-marketing which means that marketing activities can be focused on one specific customer. With the help of data processing capabilities potential customers can be identified through combination of:

- Given profile data whether they are provided directly by the customer or deduced from data, which have been provided by the customer in different environments,
- Credit-worthiness information (from banks or financial service providers),
- Address data (from online communities or electronic telephone directories),
- Demographic data (age, sex, marital status, profession; from online communities or existing profiles),
- Geographic data (size and location of place of residence, type of flat or house),
- Positive/negative attributes (e.g. from former transactions or from profile data).


**Recommendation Engines** are software systems, which analyse what the customer has purchased or checked. From this behaviour they make conclusions what the customer could be interested in when he visits the online shop for the next time. Good recommendation engines are learning systems. The longer they monitor the customer the better do they predict the customer's wishes and interests.



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Another approach to systematically build customer profiles is to run a CRM system (Customer Relationship Management). Here a supplier puts together all information about his customers and manages the resulting customer profiles. Also online communities can be a place where customers allow deep insights into their thinking, their preferences and their aversions. A lot of suppliers have established such online communities where customers can become a member, get privileged information, and can place their comments and judgements. Sometimes those communities take a fee for the membership thus establishing an aura of exclusivity.

The active identification and evaluation of customers has a downside: There is not only a positive but also a negative selection. Organizations establish specific rules like: You charge them higher fees because you don't want them – make them know they're not welcome. Or: Unprofitable customers will pay an additional price in terms of service. You answer the cash cows first. Examples of these strategies can be easily found in banks, insurances or mail order firms.

At the end of this step there is or should be a result:

- The customer has been identified.
- The customer request has been identified.
- A decision has been made, whether the customer will be served or not.
- It has been checked, that the requested product/service can be delivered.

In both variants of the information step product information is needed and has to be presented to the (potential) customer. If standardized products and services are offered then product information will be given via an online catalogue. This catalogue contains:

- Technical specifications of each product,
- Configuration and variants,
- Prices/rebates/payment conditions,
- Delivery conditions.

Because online shops offer products of different suppliers, there should be a common product data model in the industry. Indeed there are some general data models available.

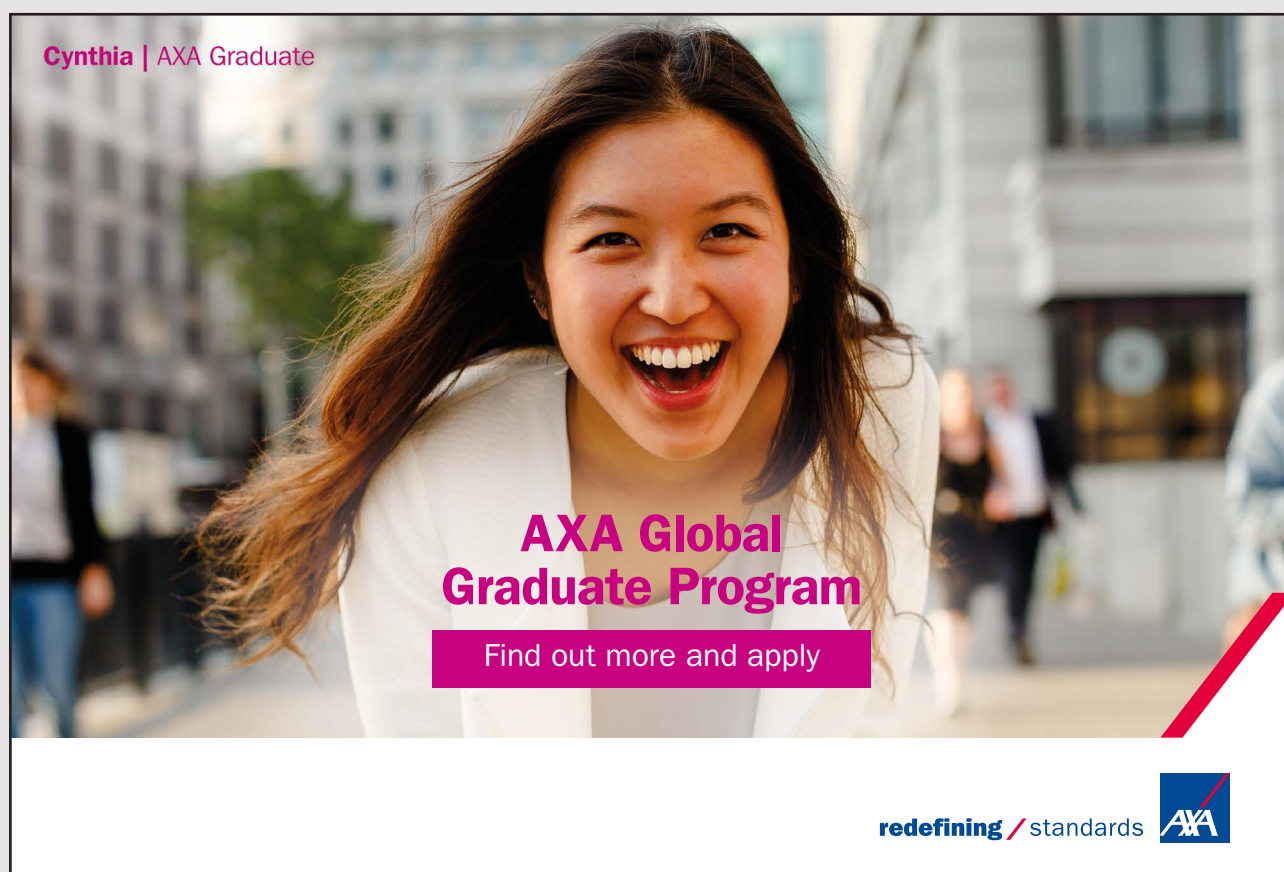
In German speaking economies dominates the so-called **BMEcat** (the BME catalogue; BME = Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (Germany); in English: Association Materials Management, Purchasing and Logistics). The actual version (2015) is BMEcat 2005. BMEcat provides a basis for a simple adoption of catalogue data from many different formats and particularly provides the requirements to promote the Internet goods traffic among companies in Germany. BMEcat can be used in a multi-language environment as well as in a multi-supplier environment. The XML-based standard BMEcat has successfully been realized in a multiplicity of projects. Many companies are using BMEcat today and exchange their product catalogues in the established standard BMEcat.

In BMEcat product data are documented with the following data element groups:

- Identification (article number, EAN, ...),
- Description (short/long, provider specific information, ...),
- Category (ERP material group, ...),
- Classification,
- Properties (weight, colour, ...),
- Order information (unit, minimal order size, ...),
- Prices (list price, rebates, ...),
- Logistics information (delivery period, packaging unit, ...),
- Additional information (pictures, PDF files, ...),
- References to other products,
- Special identifiers (exceptional offer, phase-out model, ...).

There are also a lot of commercial activities in the product data management. OCI (Open Catalogue Interface) is a product of SAP AG (a successful German software enterprise). OCI allows access from SAP systems to provider catalogues.


Another commercial offering is **cXML (commerce XML)**, which was initiated by Ariba, a provider of procurement systems, which is well established in the USA. cXML is based on XML and provides formal XML schemas for standard business transactions, allowing programs to modify and validate documents without prior knowledge of their form. cXML is a protocol that is published for free on the Internet along with its DTD. It is open to all for their use without restrictions apart from publications of modifications and naming that new protocol. Essentially, everyone is free to use cXML with any and all modifications as long as they don't publish their own standard and call it "cXML". cXML supports the punch-out method, which is a specific method of the interaction between a supplier's Web storefront and a customer's procurement application. With this method the customer leaves ("punches out") his company's system and goes to the supplier's Web-based catalogue to locate and add items to his shopping cart, while his application transparently maintains connection with the website and gathers pertinent information.



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A specific and very fundamental issue in presenting products in an E-Commerce area is the product identification key. The **Global Trade Item Number (GTIN)** is an identifier for trade items developed by **GS1** (a neutral, not-for-profit, international organization that develops and maintains standards for supply and demand chains across multiple sectors; comprising among others of the former EAN International and Uniform Code Council). Such identifiers are used to look up product information in a database (often by entering the number through a bar code scanner pointed at an actual product), which may belong to a retailer, manufacturer, collector, researcher, or other entity. The uniqueness and universality of the identifier is useful in establishing which product in one database corresponds to which product in another database, especially across organizational boundaries.

**GTIN** is contained in GS 1–128, an application standard within the Code 128 barcode. It identifies data with Application Identifiers (AI) and is a universal identification system in logistics. GTIN has 13 digits:

- Country prefix = 3 digits,
- Company identifier = 4–6 digits,
- Company specific article number = 5–3 digits,
- Check digit.

**ISBN** (International Standard Book Number) and **ISSN** (International Standard Serial Number), which every student should know well, are included in GTIN.

The potential of actual technologies allows a powerful monitoring and analysis of user data in the Internet. Data privacy thus has become an issue. With **P3P (Platform for Privacy Preferences)** a protocol is available allowing websites to declare their intended use of information they collect about Web browser users. P3P was developed by the W3C and officially recommended on April 16, 2002. P3P-Profiles are stored on Web servers in XML files.

If the surfer has a P3P agent, he can define, how the Web is allowed to handle his data. Usage is free for all providers and users. The protocol works in three steps: Proposal – Acceptance – Agreement, where the agreement is recommended by the provider. The negotiation of data privacy rules is done automatically by a “user agent”. A P3P agent is integrated in common browsers. However, the end user cannot check the action of the Web server and has to trust in them.

### **Initiation step**

When customer and supplier at the end of the information step know that they want to conduct a business transaction together, then they initiate it according to the specific nature of the goods to be sold respectively bought.

If standardized products without individual offers are sold then an **electronic shopping cart** is provided. The customer picks up interesting products or services and puts them into his shopping cart. He removes products or services, which are not interesting for him. The financial volume is always transparent so that he knows at any time how much he would have to pay if he would decide to buy the actual content of his shopping cart. The customer is able to order or abort every time.

If goods or services have to be personalized then this is done via requests and offers. The online shop has to provide an appropriate functionality to run this dialogue between supplier and customer.

### **Contract conclusion step**

At the end, both, the supplier as well as the customer, have to “sign” a contract. Initially all relevant data have to be put together. The customer has to be identified and his name and contact data have to be documented. Then invoicing address, delivery address and payment data must be selected. If the customer has previously bought from the supplier then these data may be available in the supplier’s customer database or CRM system. However the customer must be able to change or extend these data with every order. Then specific order data like preferred delivery time and notification method have to be registered. Of course, the shopping cart content is fixed with defining the order.

The request of the customer to buy something from the supplier must be answered by the supplier. He will run a **solvency check** either based on his own customer profile data or (sometimes) by sending a request to a specific financial information service provider. At the end he accepts or refuses the order and sends a confirmation note to the customer. Normally the customer expects that this is conducted within seconds or even parts of seconds but effort and duration of such checks may depend on the ordered goods and the financial volume of the order.

A severe problem for many online shops are the so-called **junk orders**, where people order things just for fun and never plan to accept delivery and pay for the delivered goods. Suppliers will try to find out whether there is a risk of junk ordering by checking the previous behaviour of the customer. In the case of digital goods the process may be designed such that the digital good can be downloaded to the customer's client, but not used until a specific key is provided to the customer. This key will be sent to the user when the supplier is sure that the customer has paid or will pay.

### Delivery/fulfilment step

If real goods have been sold, then the contract between supplier and customer is followed by the compilation of the ordered goods. If goods are not in stock of the online shop they have to be ordered at the producer and either they can be taken from the producer's warehouse or they have to be produced. When the ordered goods are available they must be consigned, packed and forwarded to **transportation**. Now the delivery can be made directly to the customer's address or to a station, e.g. an authorized retail shop in the customer's neighbourhood or to another home address if we are in an omnibus buying where an "agent" orders for his friends, colleagues or neighbours.

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At the end of the shipment the package with the ordered goods has to be physically given to the customer. Because the customer is not always at home or in his office, the **delivery time** must be coordinated. When this time has come the shipping company will be on site and transfer the goods to the customer. The customer then will confirm the delivery and that he has taken over the goods into his responsibility.

Sometimes the delivery will not be possible. It may be that the customer is not on site whether he has forgotten the delivery time or had to change his schedule short term and was not able to inform the shipping agent. It may be that the acceptance is refused, e.g. because of transport damages or the delivery had been initiated by a junk order.

Depending to the nature of the ordered goods an installation or assembly will be necessary at the customer's site. If complex (technical) equipment is delivered an instruction of the customer's representative has to be conducted. Finally old equipment has to be removed and packaging material has to be disposed.

The process step is finished with a confirmation of the delivery by the customer.

If services have been ordered the process has to be modified. The reason is that the customer is an active part of service production. The service production equipment must be provided and be shipped to the location of service delivery/service production. Also the time of service delivery must be determined. The process step finishes again with a confirmation of the service delivery.

If digital goods have been ordered they may be either documents or rights to use something. Documents will often be delivered due to the push principle; the ordered documents is sent to the customer. If a right has been sold then the delivery mostly is conducted due to the pull principle; the customer has to download software or a key or whatever he needs to realize the benefits of his purchase. The transfer of the digital good to the customer is closed with a proof of delivery. In the case of digital products the delivery process can be completely digitalized and processed with the Internet.

Finally also in this variant the process step is finished with a confirmation of delivery by the customer. This may be integrated into the proof of delivery.

### **Billing/invoicing step**

After the confirmation of delivery the billing and invoicing step can be started.

If the customer had to pay before delivery then it may happen that the invoice has to be corrected and a credit note (if the value of the delivered goods was lower than the value of the originally ordered goods) or debit note (if the value of the delivered goods was higher than the value of the originally ordered goods) must be created. Customers do not like additional charges. So the customer relationship management has to think of appropriate charging strategies.

If the customer has not paid before delivery, then the ideal situation is the identity of delivery and order. If there is a deviation from order an adjusted invoice has to be created. Here we also have the problem of the customer's acceptance in case of higher invoice amounts.

The supplier should carefully consider the process and optimize it so that the expected invoice total is exceeded only in very few cases.

Billing seems to be simple but of course it is not. **Tax regulations** have to be followed. It also turns out that costs of paper invoices are alarmingly high (paper, envelopes, stamps, processing cost). Also the run time of invoice letters at postal services may be an issue. If the customer gets the invoice one day later he will also pay one day later. If the supplier wants to create electronic invoices he has to be sure that the lawfulness of electronic invoice is given and he has to follow corresponding law requirements for (electronic) invoices.

The receipt of payment depends on the agreed payment method (see chapter 7 of this book). If the payment is done after delivery and not in combination with delivery then there may be a delay of payment and the supplier has to initiate a corresponding **dunning process** to get his money. First he will send friendly reminders to the customer, later-on dunning letters. If the customer does not just yet pay then it comes to a lawsuit. After the lawsuit a compulsory execution will be initiated to get the money from the customer with the help of governmental authorities.

If the supplier wants to have no trouble with the payments he could change to **factoring**. Here he will sell the debt claims to a third party and this third party will take over the cashing. The supplier will get a (major) part of the claimed amount immediately and does not have to wait for weeks or months. This improves his solvency.

Finally there is a very good advice for getting your money from your customers: Tell your customer that you have an effective cashing process – and be consequent in running that process.


Sometimes the customer will get money back from you (credit voucher). According to the selected payment method this can result in a money transfer to the customer's bank account, a cash payment to the customer or a back posting on the customer's credit card account.

### Service/support step

To be successful in E-Commerce does not only depend on interesting products, low prices and fast delivery. To generate a high customer satisfaction presumes a professional service and support. There must be an effective **complaints management**. Supplementary and replacement deliveries, including return consignments, must be in place and run smoothly if needed.

The customer expects appropriate assembly support and installation help, of course a good documentation, e.g. user manuals, FAQ options. If a repair of a delivered component is necessary picking up and sending back of the component to the supplier should be as easy as possible for the customer. It may be that an on-site repair is the best alternative.

Return orders should be avoided, because it always leads to an expenditure of time for the customer and also a financial effort of the customer. The customer is strongly involved in the execution.




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E-Commerce allows checking the **customer's satisfaction** with each specific transaction. This can be done but there is the risk that the customer feels stalked by the supplier. Some enterprises exercise an approach where specific transactions initiate an assessment of the supplier in general.

Of course each supplier should keep in contact with his customers and each transaction should create information for the customer relationship management. Clubs, forums or so-called customer advisory boards can help to improve customer relationships. However this will only work successfully if customer's are considered as real partners. If the customers have the impression that those clubs, forums or boards are not a platform for a serious dialogue between supplier and customers then the effect of such platforms may be worse than having no such platforms.

Customer relationship means communication with the customer. In the E-Commerce world a great variety of communication channels is available:

- Letters,
- E-Mails,
- Telephone calls,
- Electronic chat rooms.

The challenges for the supplier are availability of those channels and acceptable response times.

### **Communication/tracking & tracing step**

Customer and supplier want to monitor the order processing status. This presumes a seamless and automated data capture during the total workflow, e.g. by scanners or RFID technology (RFID = Radio Frequency identification). RFID is the wireless use of electromagnetic fields to transfer data, for the purposes of automatically identifying and tracking tags attached to objects. The tags contain electronically stored information.

Prerequisites for this seamless tracking and tracing are the interconnectedness of all actors, e.g. sub-contractors, the harmonization of data structures and communication protocols and the identification of goods to be conveyed.

### 3.1.3 E-PROCUREMENT

E-Procurement is a synonym for the selling process considered from the point of view of the customer. It is similar to B2C, but now the buying organization is the driver. This organization is the only customer and is looking for many suppliers. Thus a procurement platform if we talk about IT systems is somehow an inverse of an online shop.

## 3.2 THE PRICING CHALLENGE

### 3.2.1 PRICING STRATEGIES

The first pricing strategy (see Chen 2014) is that the supplier sets the prices for his products. The customer makes a “take-it-or-leave-it” decision. In the E-Commerce world this leads to lower prices and price dispersion. The problem for the supplier is, that it is easy to reduce prices but it is extremely hard to increase prices.

The second pricing strategy is the auction. Here we have a horizontal competition among customers. The customer who offers the highest amount of money gets the product. However, there is a difference to real-life auction if we are in the digital world. There are different end of auction rules, hard ending times and late minute bidding. The disadvantage for the customer is that Internet auctions run without physical inspection of goods. Thus the reputation of the supplier is a fundamental prerequisite for the trust of the customer in such transactions.

The third pricing strategy is the individual negotiation between customer and supplier.

### 3.2.2 REASONS OF PRICE DISPERSION

In the economic theory there is the law of one price. That means that in an ideal market with identical and total information for every participant demand and supply lead to a unique price for a specific product. But does this work in real markets? Obviously not, which can easily be found out by everybody of us. And it is also true for markets in the Internet. What are the reasons for such price dispersions?

First of all suppliers are not interested in ideal markets with total transparency and full information for everybody. And they try to create the impression as if they would offer a unique product or service as well as keeping competitors on distance. The objective of the first approach is that the (potential) customer stops his search process because he thinks that he has already found the best offer. The objective of the second approach is to exclude competitors from the competition, so that they are not able to offer something adequately to the customer.



Further supplier strategies can be found easily:

- Frustrate customers in searching so that they stop their search process earlier.
- Pull customers to products with low prices so that they think that the favourable prices are representative for the whole program of offered products.
- Give discounts only for selected products, which shall have the same result as pulling customers to the low price corner.
- Run short-term promotions, which are unpredictable for competitors.
- Prohibit comparability of prices by including or excluding delivery costs.
- Prohibit comparability of prices by giving different guarantees to the customer.
- Give discounts only for specific delivery options of a product, which shall have the same result as pulling customers to the low price corner.
- Focus on brand loyalty and supplier reputation in advertising.
- Avoid competition between different channels by offering different product variants in different sales channels.
- Let the customers think that they already have the complete information.



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### 3.3 THE FULFILMENT CHALLENGE

#### 3.1.1 DELIVERING REAL GOODS

Real goods cannot be forwarded electronically to the customer. Forwarding agencies and trucking companies are needed. Is this an own function or should it be transferred to a third party (outsourcing)? Does it make sense to think about delivery with drones? For example in areas with very low density of population? How much is short-term delivery a competitive advantage?

In international transportation trans-shipping (plane/train/ship/truck) is an issue. Also piracy and theft have to be mastered. A lot of tax and customs requirements have to be observed. And finally the export to a foreign country may raise the problem of **dual use goods**. Dual use goods are products and technologies normally used for civilian purposes but which may have military applications.

The next question where the supplier has to find an answer is whether the customer is at home to take over delivered products? Was an alternative delivery point defined in the order? Can the supplier deliver to a neighbour? Does the customer want this? Can the supplier trust in the neighbour? How can the delivery be proved if the neighbour signs? What can the supplier do if the customer declares that he never got the shipment?

And finally should the supplier do everything to avoid transportation damages. What are the packaging requirements? Who takes the risk of transportation damages? And does customer pay for transportation?

#### 3.3.2 DELIVERING DIGITAL GOODS

Digital goods can be copied without any damage of the original copy. Thus the “master copy” must be protected against unauthorized usage.

As an example let us consider the electronic distribution of software according to the model of SIIA (Software & Information Industry Association; see Meier & Stormer 2008).

The process runs as follows:

- The software supplier provides a software product.
- With specific packer software the product is registered at a clearing organization, a unique product identification number due to a global numbering standard is generated and the software is transferred to a BOB (Box of Bits) in coded form. The BOB is a specific digital warehouse.

- The online customer selects the requested software, downloads it from the BOB via the online shop of a merchant, pays for the software and gets a digital key and a license from the clearing organization.
- The clearing organization registers the software products, administers keys and its distribution and is a gateway for the money transfer from customer to bank, too.
- The online merchant has a contract with the software supplier, can order products from the BOB and offers consulting and services to his customers.

### 3.4 THE PAYMENT CHALLENGE

See chapter 7 of this book.

### 3.5 B2C-BUSINESS AND CRM

CRM (Customer Relationship Management) aims at tracking and analysis of all interactions of the firm with the customers to optimize sales volume, customer effectiveness, customer satisfaction and customer loyalty. It integrates all customer-oriented processes and considers the customer as a strategic asset (A regular customer is the most profitable customer).

Process owner of the CRM processes is the supplier. In CRM there is no focus on single transactions but on customer activities in general.

Typical CRM-Processes are:

- Process customer requests,
- Inform customer,
- Solve problems of customer,
- Conduct repair and service,
- Manage complaints:
  - Pre-complaint consideration set (complaint cause, dissatisfaction),
  - E-complaint decision (complainers versus non-complainers),
  - Profiling e-complaint senders (personality, demographics, culture),
  - E-complaint channels (channel choice, publicity),
  - E-complaint message (attitude orientation, language intensity),
  - E-complaint receivers (employees, observers),
  - Internal e-complaint management systems (IT, human elements),
  - E-complaint response message (speed, tone, content),
  - E-complaint feedback utility evaluations (perceptions, outcomes),
- Run customer loyalty improvement programs.

## 3.6 B2C SOFTWARE SYSTEMS

### 3.6.1 ONLINE SHOP

An online shop is characterized by one supplier and n customers. Process and software are under the control of the supplier.

Subsystems or components of an online shop are:

- Shop system in a narrower sense:
  - Sign-on function,
  - Presentation of goods and services,
  - Ordering function,
  - Payment function,
  - Delivery function,
  - Search engine,
- Editing functionality (see CMS),
- Banner management (small advertisements),
- Recommendation engine,
- Call centre integration,



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- Tax system,
- Development system,
- Data management (product catalogue, customers, transactions, documents, banner pool)
- Interfaces:
  - Payment gateway,
  - Data exchange with business partners (e.g. suppliers, forwarding agencies, payment service providers),
  - ERP-System (accounting, materials management),
  - Data warehouse.

There are organizations, which certify online shops and award quality seals. Examples of such organizations are:

- EHI (EuroHandelsInstitut): owned by EHI Retail Institute e. V.; provide quality seal “EHI trusted Online-Shop”,
- Trusted Shops: founded 1999; assessment system for Online Shops; Business Partner of European E-Commerce and Mail Order Trade Association (EMOTA), an association of European mail order associations; present in 9 European countries,
- TÜV Saarland (Germany), a German technical services corporation.

### 3.6.2 PROCUREMENT PLATFORM

A procurement platform is a computerized system designed to manage the procurement process. Procurement platforms are often included in an enterprise resource planning (ERP) or accounting software product.

A typical procurement platform includes purchase requisitions, purchase orders, goods receipts, and invoice processing. In addition to these core requirements, most systems include an array of reporting tools. Built-in approval processes, controls, and funds management tools are usually standard in the larger products.

A procurement platform is characterized by n suppliers and one customer. Process and software are under control of the customer.

Objectives of a procurement system are:

- Reduction of prices through centralization (quantity rebates),
- Minimization of procurement costs (mainly in the area of C-products/MRO = Maintenance, Repair and Operations),
- Minimization of warehousing costs (just-in-time delivery).

Functions of a procurement platform are:

- Indent management,
- E-Tendering,
- E-Auctioning,
- Vendor management,
- Catalogue management,
- Purchase order integration,
- Order status,
- Ship notice,
- E-Invoicing,
- E-Payment,
- Contract management.

### **3.6.3 CUSTOMER RELATIONSHIP MANAGEMENT (CRM)**

Customer relationship management (CRM) is an approach to manage a company's interaction with current and future customers (Menzel & Reiners 2014). The CRM approach tries to analyse data about customers' history with a company, in order to improve business relationships with customers, specifically focusing on retaining customers, in order to drive sales growth. One important aspect of the CRM approach is that a CRM system compiles information from a range of different channels, including a company's website, telephone, E-Mail, live chat, marketing materials, social media, and more. Through the CRM approach and the systems used to facilitate CRM, businesses learn more about their target audiences and how to best cater to their needs.

A CRM system usually provides the following functionality:

- External interfaces:
  - Web channel,
  - Interaction channel,
  - Partner channel management,
- Marketing:
  - Marketing resource management,
  - Segmentation & list management,
  - Campaign management,
  - Real time offer management,
  - Lead management,

- Sales:
  - Sales planning & forecasting,
  - Sales performance management,
  - Territory management,
  - Accounts & contacts,
  - Opportunity management,
  - Quotation & order management,
  - Pricing & contracts,
  - Incentive & commission management,
  - Time & travel,
  
- Service:
  - Service order management,
  - Service contract management,
  - Complaints & returns,
  - In-house repair,
  - Case management,
  - Installed base management,
  - Warranty management,
  - Resource planning,

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- Internal interfaces:
  - Trade promotion management,
  - Business communication management.

## **3.7 EXERCISES**

### **3.7.1 QUESTIONS FOR YOUR SELF-STUDY**

Q3.01: How can we get to the point where the consumer wants to buy something from us?

Q3.02: How should we make the business, so that the customer is satisfied, and we as a supplier are satisfied as well?

Q3.03: You are a producer of a specific product, which you deliver in various packaging sizes and different trade units. What are the consequences for the identification of the product, e.g. to determine your sales quantities?

Q3.04: Think that you run an online shop. How can you make sure that the customer, just placing an order, is a real customer, will accept the delivery and then pay the invoice?

Q3.05: Think that you sell digital goods. How can you ensure that the customer does not disclaim the delivery of a digital good?

### **3.7.2 PREPARATION FOR FINAL EXAMINATION**

T3.01: If you are the owner of an online shop, you can decide whether your customers have to pay before delivery or after delivery. Both variants have advantages and disadvantages for you. Assume that you can select only one of both methods. Which one would you select? Why?

### **3.7.3 HOMEWORK**

Consider the key success factors of B2C. Is it only IT? What is most important?