Chapter IV

Customer Service in Electronic Commerce Applications

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ABSTRACT

Methods and techniques used to support customer service in the information, negotiation and delivery phase of the purchasing transaction will first be described; specifically these are customization of offerings, enhanced partnership, creation of communities and extending customer service into the after-sales phase. Best-in-class examples from different industries illustrate these methods and techniques.

INTRODUCTION

In 2001, 537 dot.com companies closed down in the USA, more than twice as many as in 2000 (225 companies).[1] This figure refers to what are known as "clicks" companies, i.e., companies that operate exclusively on the Internet. Estimates put the number of these "clicks" companies in the USA at between 7,000 and 10,000, which means that in 2000 and 2001 as a whole, around 10% of them ceased trading. Far more companies combine a conventional sales channel (in the marketplace) with a sales channel on the Internet (market space). These hybrid businesses are known as "bricks&clicks" companies.

Electronic commerce involves the buying and selling of goods and services over the Internet. It is divided into different categories, depending on the main parties involved; thus we have business-to-business (B2B) electronic commerce and business-to-consumer (B2C) electronic commerce. At present 5-10% of business-to-business sales and 1-2% of business-to-consumer sales are transacted over the Internet. (Boston Consulting roup, 2001). By 2005, these figures are expected to increase to 30-50% for business-to-business sales and 5-10% for business-to-consumer sales.

The Internet is not governed by the same rules as the conventional sales channel. The network effect means that as the number of Internet users increases, it becomes disproportionately more attractive to use this sales channel. Another factor is that information goods—and information accounts for at least some of the offerings in business-to-business and business-to-consumer electronic commerce—have high fixed costs of production and negligible variable costs of reproduction. (Shapiro & Varian, 1999: 3f) This yields "increasing returns" for a company able to distribute its information products quickly to large numbers of Internet customers. As a result, concentration effects on the Internet are encouraged. In June 1999, half of the time users spent on the Internet was spread over 11 Websites, but by June 2001 this was just four Websites.[2] In each segment, the two to three most successful Websites will be able to claim 50% of online sales for their segment ("the winner takes it all"). The companies that are particularly successful in business-to-business electronic commerce are those which bring with them an established brand name from the conventional sales channel.

Competition in e-commerce can be very intense ("your competitor is just a mouse click away"). To prevent competition "degenerating" to the pricing of goods and services, a whole range of methodologies and techniques aimed at building customer loyalty have been developed for the Internet sales channel. In this chapter, we are interested in methodologies and techniques of customer service. By this, we mean all the measures taken to support the customer during the purchasing process, divided into the information, negotiation and delivery phases, and in the after-sales phase when the goods or services purchased are in use. The customer service methodologies and techniques employed in e-commerce will first be examined individually and will then be illustrated using examples of particularly successful companies.

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