5X5 = 25 Marks

Electronic commerce

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is an emerging model of new selling and merchandising tools in which buyers are able to participate in all phases of a purchase decision, while stepping through those processes electronically rather than in a physical store

Benefits to Society

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1) Electronic commerce enables more individuals to work at home and to do less travelling for shopping, resulting in less traffic on the roads and lower air pollution.

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2) Electronic commerce allows some merchandise to be sold at lower prices, so less affluent people can buy more and increase their standard of living.

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3) Electronic commerce enables people in Third World countries and rural areas to enjoy products and services that otherwise are not available to them.

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4) Electronic commerce facilitates delivery of public services, such as health care, education, and distribution of government social services at a reduced cost and/or improved quality.

25 marks

Customer life cycle: The three phases of CRM

There are three phases of CRM: Acquisition, Enhancement and Retention. Each has a different impact on the customer relationship and each can more closely tie a firm to its customers. The three phases of CRM have been explained below:

1. Acquiring New Customers

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You acquire new customers by promoting product/service leadership that pushes performance boundaries with respect to convenience and innovation. The value proposition to the customer is the offer of a superior product backed by excellent service.

2. Enhancing the Profitability of Existing Customers

8 You enhance the relationship by encouraging excellence in cross-selling and up-selling. This deepens the relationship. The value proposition to the customer is an offer of greater convenience at lower cost.

3. Retaining profitable customers for life

9 Retention focuses on service adaptability - delivering not what the market wants, but what the customer wants. The value proposition to the customer is an offer of a proactive relationship that works in his or her best interest. Today, leading companies focus on retention much more than on attracting new customers, this because the cost of attracting a new customer is higher than the cost of retaining an existing customer.

Market Segmentation

5 Advertisers' response to the decrease in effectiveness was to identify specific portions of their markets and target them with specific advertising messages. This practice, called market segmentation, divides the pool of potential customers into segments. Segments are usually defined in terms of demographic characteristics such as age, gender, marital status, income level, and geographic location. Thus, for example, unmarried men between the ages of 19 and 25 might be one market segment.

- 5 Micromarketing: Practice of targeting very small market segments.
- 5 Geographic segmentation: Firms divide their customers into groups by where they live or work.
- 5 Demographic segmentation: Uses information about age, gender, family size, income, education, religion, or ethnicity to group customers.
- 5 Psychographic segmentation: Marketers try to group customers by variables such as social class, personality, or their approach to life.

$\boxed{5 \times 5 = 25}$

Prof. Majid Sarkar

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