Part 1

Fundamentals

In this part...

Chapter 1: Introduction

• Understand why e-business is different.
• Relate e-business and knowledge assets.
• Understand what digital capital really means.
• Appreciate the significance of relationship assets and customer capital.
• Trace the evolutionary path to the digital economy.
• Understand the value proposition of knowledge management in e-business.

Chapter 2: Understanding E-Business, CRM, and KM

• Understand how e-business differs from traditional business.
• Comprehend the relationship between e-business and electronic commerce.
• Understand the fundamental ideas behind customer relationship management.
• Trace the transition from bits and bricks to click-and-mortar businesses.
• Understand the fundamental value proposition and key tenets of knowledge management.
• Identify the opportunities for knowledge management in e-business.
• Understand the fundamental ideas behind knowledge-enabled customer relationship management and its evolution.

Chapter 3: A Roadmap for Success

• Comprehend the significance of the KCRM roadmap.
• Understand how the KCRM roadmap links CRM and knowledge management.
• Understand various steps and the reasons for their parallel execution.
• Identify the three key phases, and the activities involved in each phase.
In this chapter...

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- Trace the evolutionary path to the digital economy.
- Understand the value proposition of knowledge management in e-business.
Insurgents in e-business are using superior knowledge and strengths of their relationships to dramatically alter the traditional rules of business. As new e-businesses begin to alter longstanding industry structures and nimble newcomers leapfrog established leaders, incumbent businesses—both existing businesses and born-on-the-Web startups—wonder what can give them that endurable competitive edge. As businesses increasingly realize that knowledge (not capital or technology) is their only sustainable edge, customers their key assets, and channel relationships their fountainhead of adaptability, they are turning to knowledge management and customer relationship management with high hopes of weathering the complexity, uncertainty, unnatural time scales, unexpected competitor innovations, shifting markets, and ambiguity that surround them.

We have been perfectly schooled to think the wrong way. An introductory accounting text used in leading American business schools, for example, teaches us that “the value of an intangible asset such as a patent equals the fees paid to acquire it.” Priceline.com’s reverse auction patent should then be worth approximately $1,500. No wonder that when we see market valuations of the ticketing agency Priceline.com (market valuation, $6.5 billion), florist 1-800-Flowers ($400 million); application service provider Apponline.com ($65 million), online jeweler Ashford.com ($125 million), automobile infomediary AutoWeb.com ($65 million), and technology retailer Buy.com ($700 million), our first reaction is disbelief. Blame the Internet stock bubble and shrug it off as irrational exuberance. But they still won’t go away.

**Tech Talk**

E-Business: Internet-facilitated integration of processes, applications, and information systems to facilitate rapid collaboration, coordination, and relationship formation across traditional organizational boundaries. Electronic commerce is a subset of e-business.

E-business is creating the New Economy’s distribution model; the art, however, lies in bringing business judgment to that model. The ability of an electronic business to differentiate itself is heavily influenced by its ability to translate its innovative business strategy to online capabilities. Although relationships and knowledge are the key assets of the digital economy, the rewards are elusively reserved not for those who have the most knowledge but for those who actually use that knowledge to rethink, recast, and even cannibalize their own businesses. Is there a formula for success in the e-business-driven digital economy? Unfortunately, like snowflakes, no two businesses are alike. A formula-like approach that spells wonders in one business might be a deadhead in another.

As e-businesses move from once-rewarded customer acquisition to now-rewarded customer retention and loyalty, you might be thinking about implementing customer relationship management (CRM), knowledge management (KM), and channel
relationship management—processes that bring together your suppliers, distributors, service providers, infrastructural partners, business allies, and customers. What are the key drivers, the right approach, and the method for implementation? How does e-business knowledge differ from that in traditional businesses? How did we get here and how does your firm get there? What role does technology play? How do we know that this is not yet another fix-it-all technology that actually delivers zilch? These are some of the questions that this book answers.

**KNOWLEDGE MANAGEMENT, E-BUSINESS, AND CRM**

Many failures in stable business stem from attempting to combine mainstream strategy with disruptive technology strategy. Although the potential of e-business has led many a firm to join the stampede toward building systems to support it, applying mainstream approaches and assumptions to these initiatives should raise a big red flag.

**Tech Talk**

Knowledge Management: Management of business, customer, and process knowledge and its application for adding value and competitively differentiating product and service offerings.

E-business is one such disruptive juncture. The transformative influence of e-business cannot be ignored by any business, because computing, financial services, retailing, and communications are all becoming e-business driven. Figure 1-1 shows the pervasiveness of its impact, which is only expected to increase in the near future.

E-business systems promise to deliver the much sought after competitive edge that businesses have looked for but never found in intranets and extranets, enterprise resource planning (ERP) systems, and electronic data interchange (EDI).

**Table 1-1** Emergence of Business Drivers, 1960–2000

<table>
<thead>
<tr>
<th>Era</th>
<th>Emergent Forces</th>
</tr>
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<tbody>
<tr>
<td>1960s</td>
<td>New products</td>
</tr>
<tr>
<td>1970s</td>
<td>Low-cost manufacturing</td>
</tr>
<tr>
<td>1980s</td>
<td>Total quality management</td>
</tr>
<tr>
<td>1990s</td>
<td>Customer relationships and one-to-one marketing</td>
</tr>
<tr>
<td>2000s</td>
<td>Knowledge-enabled relationship management and e-business</td>
</tr>
</tbody>
</table>
To comprehend the relationship between knowledge management and customer relationship management in e-business, it is necessary to take a closer look at what is truly new (“New-New”) in the new economy and what is simply old in new clothing (“Old-New”). Table 1-1 lists the key forces that have driven businesses from the 1960s to the present. However, first we must see how the New Economy is being given a facelift by the e-business phenomenon.

**Tech Talk**

**Customer Relationship Management:** The process of managing relationships with existing customers to maximize their loyalty, increase revenues from them, and retain them while selectively attracting new customers.
Electronic commerce—using the Web to sell products and services to customers—is just the tip of the e-business iceberg. The Web and its e-business “consequences” are reshaping the face of the New Economy. E-Business is about managing your entire business, coordinating increasingly complex processes and activities, and weaving a complex web of collaborations facilitated by the Web. The Web provides the medium for building nearly perfect markets. The key ingredient of near perfect markets is perfect information and perfect knowledge of what has occurred and will occur in the marketspace. In Digital Capital (Harvard Business School Press, 2000), Don Tapscott and his collaborators suggest that the currency of the New Economy is not hard capital but knowledge and relationship capital. It is that capital that this book is concerned with. Let us briefly examine eight New-New trends that are transforming the face of businesses in unprecedented ways.

**Knowledge Centricity**

Francis Bacon was perhaps right in equating knowledge and power several hundred years back, but if he were around today, his words would have brought him more unshaken approval than astonishment. In the digital economy, everything is knowledge based. Nonphysical goods (news, software, music) and services (entertainment, consulting, design, distribution, shipping) depend on knowledge for their production and distribution, and physical goods (medicine, electronics, books, computers, vacuum cleaners, airplanes) have knowledge embedded in their design, production, and delivery. Knowledge and relationship assets (which includes brand recognition) of e-businesses such as Amazon.com, Buy.com, and eBay have led to their high market valuations. The complexity of e-businesses makes it too easy for knowledge to be fragmented, extremely difficult to locate and share, and therefore inconsistent, redundant, and ignored throughout the decisions that propel the company. To remain sustainably competitive, they must effectively and efficiently create, locate, capture, and share their organization’s knowledge, and most importantly, rapidly bring it to bear on problems and emergent opportunities.

**Increasing Returns and Network Effects**

In e-business settings, knowledge-based offerings demonstrate increasing returns: Once the first unit is produced at a significant cost, additional units can be produced at near-zero incremental cost. In e-business, many products and services also demonstrate what economists call network effects: The more widely they are used, the high-
er their value becomes. Network effects and increasing returns have led to the rise of simple yet revolutionary business models such as those of eBay (“the classifieds killer”), the MP3 music format (the music industry’s biggest nightmare), comparison shopping (such as Pricewatch.com, Cnet.com, Shopper.com, and mySimon.com), rebirth of the iMac, and the Linux phenomenon. These business models very suddenly and challengingly threaten the very existence of stable lines of business without the slightest forewarning.

As increasing returns and network effects begin to dominate business models, economies of scope and economies of networks supercede economies of scale—a shift that most old-age business have trouble grasping. Increasing returns are increasingly path dependent: Other businesses necessarily have a hard time coming up to speed with a competitor that has started utilizing increasing returns assets relatively early on.

**Accelerated Clockspeed**

In the Internet-driven economy, rapidity of unpredictable change predominates. Clinging to old ways often causes severe mismatches of internal and external pace. Change cannot be controlled; instead, it can be led. To cope with such unpredictable changes, managers cannot afford to pace themselves any slower than Internet time. Businesses must have real-time access mechanisms to apply knowledge across the value chain and integrate it to interpret and respond to business changes—technological, environmental, regulatory, or customer related. This requires coordination, knowledge sharing, and collaboration, and organizational and technical mechanisms that support speedy adaptation.

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**PATHS TO LEARNING**

In *Paths to Learning*, Alfred Chandler traced two knowledge-intensive industries—personal computers and biotechnology—that emerged in the 1980s. The PC industry blossomed by giving away its secrets, with the singular exception of Apple which guarded its designs only to lose out. The biotechnology firms on the other hand still exist, but unlike the multi-billion-dollar PC industry, most of these companies have never turned a profit despite all their patents and legal forms of protection. The only way to protect your business knowledge is to apply, reuse, update, evolve, and outdate it too fast for competition to be able to copy it.


Transparency, Information Symmetry, and Knowledge Asymmetry

Customers have access to near perfect information through the Web. As business processes and activities become increasingly transparent, and as information asymmetries (such as those that once allowed travel agents and stockbrokers to enjoy healthy margins) disappear, information by itself no longer provides any advantage to businesses. Differences in the levels of which businesses assimilate knowledge and actually mobilize it—knowledge management asymmetries—then differentiate firms. As a business’ knowledge becomes increasingly networked with others’, it can create a win-win situation for all organizations involved because networked knowledge is more potent than aloof knowledge. Although e-business relationships are bathed in knowledge, the fine line between collaboratively sharable and competitive, strategic knowledge must be drawn meticulously.

Low Switching Costs, Lock-Ins, and Price Discovery

The outlays needed to acquire customers are considerably higher for e-businesses. In the brick-and-mortar business world, customers were often loyal by necessity, not by choice. Convenient store locations, information asymmetries, and agreeable terms often let businesses get away with mediocrity, inconsistency, and less than thrilling levels of service. Profits in e-business—even survival—may be elusive goals unless these customers stick around long enough and repeatedly buy from you. “Your competitor is a click away” is almost a cliché. Just as the costs of switching from one long-distance service provider are relatively low for consumers, switching suppliers for many commodity-like products are low and falling further. The key reasons for low switching costs are: (1) perfect information availability and (2) commodification of products (wherein they become undifferentiated, substitutable commodities).

Switching costs lowered by the Web in business-to-consumer (B2C), business-to-business (B2B), and consumer-to-consumer (C2C) transactions eventually commoditize any and all undifferentiated product and service offerings. Relationship building prevents such commodification by differentiating it from other similar products or services, and through intimate customer knowledge that creates lock-ins. Lock-ins increase switching costs: Time, money, and energy expended by buyers in schooling a new seller all about their needs and preferences might not remain worth it. In e-businesses, loyalty-driving lock-in—the glue of e-business—is the ultimate objective. Thanks to the Web, price fixing is being replaced by joint price discovery by buyers and sellers. When the price is right—not necessarily the lowest—lock-ins can be sustained, and customers retained. Creating such lock-ins requires thorough knowledge of a business’ customer base and of the interdependent business processes that serve them.
Modular Innovation and Recombinations

Knowledge management has focused on preventing imitations, but with e-business, the additional threat of substitution comes in. MP3 player manufacturers do not need to make a better CD player; they simply substitute it. Dialpad.com does not offer more services than Sprint or MCI; it replaces it. eBay does the same for your neighborhood yard sales and local newspaper classifieds, eSteel for steel trading consortiums, and the list goes on. One of the substitute New Economy business models is the E-hub (like eSteel.com, Chemdex, and Ariba Networks); another threatens to substitute the entire packaged software development industry (application service providers, or ASPs, that rent software applications through the Internet).

In e-business, it is essential to stay tuned to other businesses that can potentially eliminate the need for your business’ offerings by providing a substitute. Substitution rarely requires amazing new technology; often old technology combined in a new novel way can create a substitute offering. Of course, the old worry of looking out for competitors and copycats still exists. Resource recombinations help assemble new packages of existing capabilities and reconfigure existing products to meet emerging market needs in real time. This concept is called modular innovation. In addition to knowledge-facilitated novel recombinations, an e-business needs knowledge to adapt its business model for each successive round of competition.

Tech Talk
Modular Innovation: Innovation and breakthroughs that are achieved by recombining and reconfiguring existing technologies in novel ways.

Rapid and Ad Hoc Alliances

As unpredictable opportunities for value creation emerge, e-businesses must be able to see these windows of opportunity and fill them through what management guru Peter Drucker calls purposeful opportunism. Effective response to changes in the e-business environment requires efficient response mechanisms. Knowledge workers, their productivity, and the scope of their relationships are the most valuable capability determinants of adaptability within an e-business. Collaborative competition (“coopetition”) is now the norm as reliance on partners and competitors for the rapid formation of ad hoc alliances to deliver such response increases. In e-business, ad hoc alliances are formed rapidly and opportunistically. For example, affiliate programs—electronic commerce based on interorganizational relationships—on the Internet generated about $5 billion, or 10 percent of all U.S. online electronic commerce spending in 1999 alone.
Old sources of advantage based on proprietary knowledge are rendered irrelevant by the rapidity of knowledge obsolesce. New knowledge must be integrated on an as-needed basis through the formation, dissolution, and reformation of nonpermanent collaboratives in which partners and members necessarily come and go. In these collaboratives, process transparency, not combative attitude, prevails. Time-to-market and organized abandonment of business concepts that might have served well in the past are cardinal.

Products as Experiences

Products and services are increasingly being defined as experiences rather than their tangible selves. Associated services have become more important determinants of value than the product itself. Businesses are also increasingly codeveloping products with their customers. Dell, Apple, and Gateway are good examples from the computer industry. Levis has done the same with custom-fitted jeans; Ford is planning to do the same with cars as another Japanese high-end bicycle manufacturer does to deliver customized bicycles. More than anywhere else, businesses that interact with their customers through the Web must define the experience to the customers’ needs and wants. Such customization needs intimate customer knowledge and a continuing relationship. The role of the firm is then not that of a car manufacturer, PC market, clothier, or bookseller; it is one of a knowledge integrator.

The shift is not easy: It needs a different organizational culture, reward systems, and motivators across the channel, and seamless integration across the supply-chain. As control is redistributed, organizational boundaries blurred, and collaborative partnerships formed and dissolved in real-time, search, transfer, coordination, and collaboration cost economics become strikingly different from those found in the Old Economy. Businesses that do not recognize these subtleties will self-destroy their margins by commodifying their offerings.

HOW WE GOT HERE: THE LONG-WINDED ROAD

How did we get to the juncture where access to other businesses’ competencies and knowledge becomes crucial? Why have businesses had to begin listening to customer, and made them co-creators of their products rather than nonconversing masses of statistically similar buyers? Why have active dialog and customer communities created mega e-businesses like eBay and Ratingwonders.com?
Knowledge and relationship management work optimally only if they are established as an integrated business model rather than as a set of independent capabilities. Alignment of business and Information Technology (IT) goals, senior management support, middle management motivation are the keys to integration success. Unfortunately, technology is the hammer to which almost every problem looks like a nail. Most often, problems result from systems perspective-driven investments that precede customer strategy formulation. Conversely, customer relationship management is not about technology; it is about knowing your customers. It is about retaining the right set of customers, selectively attracting new customers, and guiltlessly getting rid of unworthy customers. The value of a customer is not that of one transaction, but about the customer’s lifetime value (net present value (NPV) based on estimates of the customer’s relationship duration).

**Tech Talk**

Knowledge-Enabled Customer Relationship Management (KCRM): Managing customer knowledge to generate value-creating lock-ins and channel knowledge to strengthen relationships and collaborative effectiveness. Knowledge-enabled CRM is more of a business model/strategy than a technology-focused solution.

The answer lies in looking at the past, for those who forget the past are condemned to repeat it. To illustrate this, Table 1-2 shows how marketing evolved from the 1970s to the present.

We examine this evolution in further detail in Chapter 2. For the moment, let us take a closer look at the two key imperatives in e-business as we evolve through the columns of Table 1-2.

**THE NEW-NEW IMPERATIVES**

As business processes become increasingly knowledge intensive, transaction costs decline, and new relationships are defined opportunistically, the focus of attention shifts to core capabilities of the firm—the few things it can do well. In any type of e-business, the challenge begins once customers are onboard: retaining them, expanding their business, and keeping them coming back for more. Such competitive strength building loy-
ality comes from (1) integrating and turning customer and channel knowledge into action and (2) forging strong relationships with customers and channel partners.

Customer Knowledge Integration

As customers increasingly contribute knowledge to businesses that they transact with, it is still the business’ job to be able to assimilate and integrate this knowledge. Firms that can convert knowledge in the heads of their employees and customers (human capital) into actual capabilities (structural capital) and relationships (relationship capital) are the ones that will lead the way.

Knowledge management is a potent competitive tool for an ever more brutally competitive age of shrinking margins, shorter product development times, and fickle customers if and only if you are willing to listen to customers rather than just talk. Moreover, you must be willing and able to change your behavior toward an individual customer based on what you know about that customer.

Customers on the Web are price rational, but not price obsessed. Why do 70 percent of Amazon.com customers return to pay more when many of them know of other places on the Web where they can find the same item for less? If you cannot pinpoint reasons for your own customers or business partners to do the same, you are most like-

### Table 1-2 Evolution of Knowledge-Enabled CRM

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Target Marketing</th>
<th>CRM</th>
<th>KCRM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time frame</td>
<td>Late 1970s</td>
<td>Mid to Late 1990s</td>
<td>2000s</td>
</tr>
<tr>
<td>Horizon(^1)</td>
<td>One-shot</td>
<td>Sequential</td>
<td>Ongoing/lifetime</td>
</tr>
<tr>
<td>Output</td>
<td>Offer</td>
<td>Information</td>
<td>Predictive knowledge</td>
</tr>
<tr>
<td>Customer</td>
<td>Average statistic</td>
<td>Individual statistic</td>
<td>Value cocreator</td>
</tr>
<tr>
<td>Customer role</td>
<td>Passive</td>
<td>Passive</td>
<td>Active part of fabric</td>
</tr>
<tr>
<td>Channels</td>
<td>Mail/phone</td>
<td>Multiple touchpoints</td>
<td>Simultaneous touchpoints</td>
</tr>
<tr>
<td>Scope</td>
<td>Marketing</td>
<td>Front-office</td>
<td>Enterprise</td>
</tr>
<tr>
<td>Collaboration</td>
<td>Marketing/sales</td>
<td>Cross-functional</td>
<td>Cross-institutional</td>
</tr>
<tr>
<td>Data</td>
<td>Purchases</td>
<td>Contacts</td>
<td>Relationships</td>
</tr>
<tr>
<td>Updates</td>
<td>Monthly</td>
<td>Daily</td>
<td>Real time</td>
</tr>
<tr>
<td>Reaction time</td>
<td>Billing cycle</td>
<td>Transaction</td>
<td>Proactive, instantaneous</td>
</tr>
<tr>
<td>Goal</td>
<td>Efficiency</td>
<td>Revenue enhancement</td>
<td>Sustained relationship</td>
</tr>
</tbody>
</table>

\(^1\) Horizon of relationships.
ly not integrating subtle tacit knowledge into your business processes well enough. In-depth knowledge of your customers can allow you to engage in dynamic pricing (called price discrimination in economics) where you price your offerings based on what the customer is willing to pay.

**Relationship Management in E-Business**

The Web is a marketer’s dream for relationship building for three reasons: (1) inexpensive, individual addressability, (2) two-way exchanges between buyers and sellers that supercede the broadcast strategy of traditional marketing, and (3) its instantaneous, real-time nature. Taking advantage of this medium, however, requires businesses to get out of the illusive trance of rigor and accuracy that is associated with collecting lots of customer data and leads businesses to falsely believe that the ensuing data-based decisions will be good, accurate, objective, and rational.

In their analysis of e-loyalty (*Harvard Business Review*, July-August 2000), Reichheld and Schefter noted that increasing customer retention rates by 5 percent typically increases profits by 25 to 95 percent. Engaging in an indiscriminate frenzy of customer acquisitions and obsessing over the raw number of unique visitors, page hits, and sales revenue are not the nirvana of e-business. Neither is trying to be all things to all people by accommodating all levels of service requirements, price points, and brand pull.

The biggest strength of the Web is its ability to forge communities (as demonstrated by the early success of AOL chat rooms). However, little is understood about how trust built in e-business-centric communities can be transferred to the companies that host them. Nevertheless, examples of companies that have succeeded at this abound: eBay, Dell, AnandTech, and Amazon to name a few. The key lies in broadening and deepening relationships over time, gaining the loyalty of your most profitable customers and maximizing their business, and selectively acquiring the right type of new customers. Referring to the new co-opetitive nature of collaboration, one executive described this as moving away from the idea of the lone corporate wolf hunting for new business to that of hunting as a wolf pack.

**Value Proposition**

Knowledge-enabled customer relationship management promises to help build several core capabilities in e-business. Specifically KCRM allows e-businesses to:

- **Apply existing knowledge.** Increase the application of information that flows through e-business transactions to personalize future interactions facilitates real-time response to events occurring over vast networks by using transaction-level triggers. Establish an ongoing dialogue with your
customers. Leverage the Web as a direct interaction medium that lets them pull the answers that they need, and when they want them. Highly paid knowledge workers can spend less time looking for information needed to make streamlined and expedited decisions; instead, they have more time to share, leverage, and apply their tacit knowledge.

• **Predict and infer.** Use customer history (historical behavior monitoring) to infer and predict new needs (tactical behavior monitoring), and target cross-sell and up-sell pitches through the right channel. Interpret changes in customer behavior, provide real-time reasoning, deduce generalizations, selectively discard old customer knowledge, and change customer-related behavior accordingly. Target your marketing efforts based on your knowledge of customers’ preferences, behavioral patterns, and history.

• **Coordinate.** Coordinate sales, service, and support across all customer touchpoints and channels and present a single, unified face—not the typical blame-transferring one—to customers. The ability to attract and retain customers is directly related to customer perceptions; these are managed through a hierarchy of complex internal and external communication and knowledge-sharing patterns. An integrated, enterprise-wide view of the customer helps present a single face to the customer and builds a 360-degree view of her value.

• **Build preemption strategies.** Anticipate the needs of customers, sometimes even before they realize what they want. Preempt customer defections by leaving no excuse for not exhilarating them.

• **Present one face.** It is commonly said, “On the Internet, no one knows that you’re a dog.” Likewise, a fragmented, patchy, distributed business that comes across the same way will lose face, however customer oriented it may be. On the other hand, even a small e-business that presents a unified, consistent, and knowledgeable face will make a positive impression. On the Internet, no one knows or cares that you were once a great company.

• **Integrate external knowledge.** As ad hoc teams are built in real time, external knowledge is integrated to avoid costly errors instead of getting lost in the information glut. As customers and noncustomers visit any channel, clickstream analysis and treatment differentiation approaches help analyze their potential needs and methods for fulfilling them.

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**Tech Talk**

**Clickstream Analysis:** Analysis of a series of mouse clicks from a customer’s computer when she is visiting a Website to discern behavioral patterns. These patterns may, for example, reveal that she puts an expensive dress in her shopping cart every time she visits the site but never checks out with it.
Companies are expected to spend an estimated $90 billion on CRM initiatives in 2003, according to IDC Worldwide. This is considered staggering growth compared to the $40 billion spent in 1999, and an indicator of how keen companies are to “do something about” customer retention and relationship management.

The Devil Is in the Details

Many early e-businesses have found the promise of cheap and easy customer service through the Web to be hollow. Traditional businesses lured by the promise of the Web are the ones that are most flirting with disaster, as they are unable to singly recognize the customers who came on foot, those who came through the Web, and those who call their catalog business. The severity of this problem is somewhat less pronounced in born-on-the-Web businesses that do not carry a legacy from their brick-and-mortar days. Just as a person’s character is characterized by what he does when he is not being watched, an online customer’s loyalty is judged by whether she buys from you without the coupons and other last ditch customer acquisition attempts by soon-to-fail e-businesses. Loyal relationships are not built by pouring more fuel down the black hole of technology but by integrating, managing, and applying deep knowledge of customers, markets, and business partners. The starting point is a vision for getting closer to your customers and channel partners using sales, service, marketing, and knowledge-centric relationships that increase the exchange of value and value of exchanges between your company and them. The chapters that follow will help you understand how the devil hidden in the details of implementing KCRM can be systematically slayed, and how e-business vision can be translated into reality.

In the next chapter, we examine the three facets of e-business, customer relationship management, and knowledge management to understand how knowledge-enabled customer relationship management emerges at their intersection. This provides the foundation for the chapters that follow.

TEST YOUR UNDERSTANDING

1. What is so new about the New Economy? How is the New Economy different from the Digital Economy, if at all?

2. If e-business is so great, and over 60 percent of the U.S. population had Internet access by 2001, why are some early adopters having a hard time even staying in business? How does e-business differ from electronic commerce?
3. What is knowledge management? Why should e-businesses care about knowledge management any more than their brick-and-mortar counterparts did?

4. Why did Windows become the de facto standard for personal computing if Apple has been consistently several years ahead of Microsoft, as is commonly believed? (The cost differential cannot be considered a valid argument because Apple computers typically outlast Windows machines by several years and iMacs can be had for as little as $700.)

5. What is the significance of network effects and increasing return economics in the e-business era? What do they imply for knowledge management?

6. We discussed that price fixing has been replaced by price discovery. If that is true, are price tags on those nifty little hand-held computers at your neighborhood Office Depot meaningless, and can the customer and the store manager collectively “discover” a fair price?

7. How did mass-marketing pitches evolve into customer knowledge management from the 1960s to the 2000s?

8. What are the two imperatives in e-business? Should technology novelty be counted as one of them?

9. If your business manages to retain just an additional 5 percent of its customers, how much can it expect its revenues to increase? Why not 5 percent? Do economics of increasing returns have anything to do with this figure?

10. What is purposeful opportunism and what does knowledge management have to do with it?