

eCRM in the Travel Industry

SUMMARY

We are bombarded with Internet forecasts and statistics every day, however there is little doubt that the Internet has permanently changed the face of travel promotion and distribution. While only a minority of consumers are actually prepared to buy online at the present time, this minority is growing and there are large numbers of consumers who wish to use the Internet for information and communication. Travel and hospitality companies are selling an information-rich product and will need to leverage the full range of offline and e-channels to engage their customers in dialogue. The Internet does not have any respect for geographic or organisational boundaries and companies will have to forge new business models, involving partnerships and customer-driven product design, in order to meet the needs of the online consumer. There are major challenges and opportunities for companies wishing to add the “e” to their CRM strategy.

INTRODUCTION

A previous article in the Travel & Tourism Analyst on database marketing (January 1999) indicated that Customer Relationship Management (CRM) would be a buzzword for travel marketers in the 21st century. This has certainly proved to be the case so far with many travel marketing and technology conferences and seminars containing CRM themes and presentations. Increasingly, however, the term is being preceded with the letter ‘e’ reflecting the impact of Internet technology on the discipline of CRM. The latest research from PhoCusWright suggests that the on-line European Travel market will explode from \$2.9 billion in 2000 to \$10.9 billion in 2002. Recent findings of the Internet European Travel Monitor study reveal that Europeans initiated 27.263 million international and domestic trips on the Internet in 1999, 5.738 million of which were booked and paid for online. There are undoubtedly opportunities and threats on the Web. Before their parent company pulled the plug, uTravel.com, a UK-based online agent, was enjoying customer acquisition costs of around 10 UK pounds as opposed to the industry average of 14 UK pounds. On the other hand while the average industry customer churn rates were about 25 per cent, uTravel.com was running at around 60 per cent. This raises the issue of how loyal customers are to travel web sites and the challenge involved in developing a successful customer retention strategy – a primary CRM objective.

What is CRM?

Before considering eCRM it is useful to take a concise view of CRM. According to OnlineDM, a CRM solutions provider, it is simply a question of following these steps:

- I know you
- We communicate
- You tell me what you want
- I provide it
- I remember for next time

The Peppers and Rogers Group, Marketing 1 to1, Inc. takes a similarly concise view:

- *Identify* your customers
- *Differentiate* them
- *Interact* with them
- *Customize* your service

What is eCRM?

eCRM is more than just another piece of Internet jargon. While the basic principles and objectives of traditional CRM hold true – customer retention versus acquisition, customer lifetime value, etc., the interactive nature of the World Wide Web and the personalization available through Internet technology is adding a new dimension to the discipline.

Technology, particularly relational databases, has always played a central role in CRM, as indicated in the following definition by Dr Tzokas from the CRM Institute at the University of Strathclyde: “[CRM is an] IT enhanced value process, which identifies, develops, integrates and focuses the competencies of the firm to the ‘voice’ of the customer to deliver long-term superior value, at a profit, to existing and potential customer segments (www.crm-forum.com).”

At a 1999 Tourism Society seminar on CRM (www.toursoc.org.uk), CRM in the Internet era was referred to as the strategy, which gels together a combination of technologies, processes and services. These might include a sales force automation system, customer support application, automated call centre, customer data warehouse and data mining, customized content, targeted banner advertising and targeted email delivery. eCRM therefore is not primarily a technology issue but a business one concerned with driving customer acquisition, retention and development. Hilton Hotels maintain the perspective that eCRM should be part of the overall business strategy and be driven by it – not the other way around.

eCRM is a strategic, not a technology issue

Professor Merlin Stone, IBM Professor of Relationship Marketing at Bristol Business School in the UK, echoes this strategic perspective of eCRM. At a recent Chartered Institute of Marketing Travel Industry Group (CIMTIG) seminar (www.cimtig.org) Professor Stone underplayed the importance of technology, emphasizing that CRM involves a combination of the following elements:

- Analysis and planning
- The proposition
- Customer management activity
- People & organisation
- Measuring the effect
- Customer experience
- Information and technology

Professor Stone’s research in the UK and Europe revealed people, customer management and detailed measurement to be the most critical elements in determining success. Only if

these elements are in place can IT act as an enabler of eCRM. This emphasizes the importance in eCRM of looking after *internal* customers – i.e. employees – as well as *external* customers. Expedia echoes this view of technology in their rules for implementing CRM:

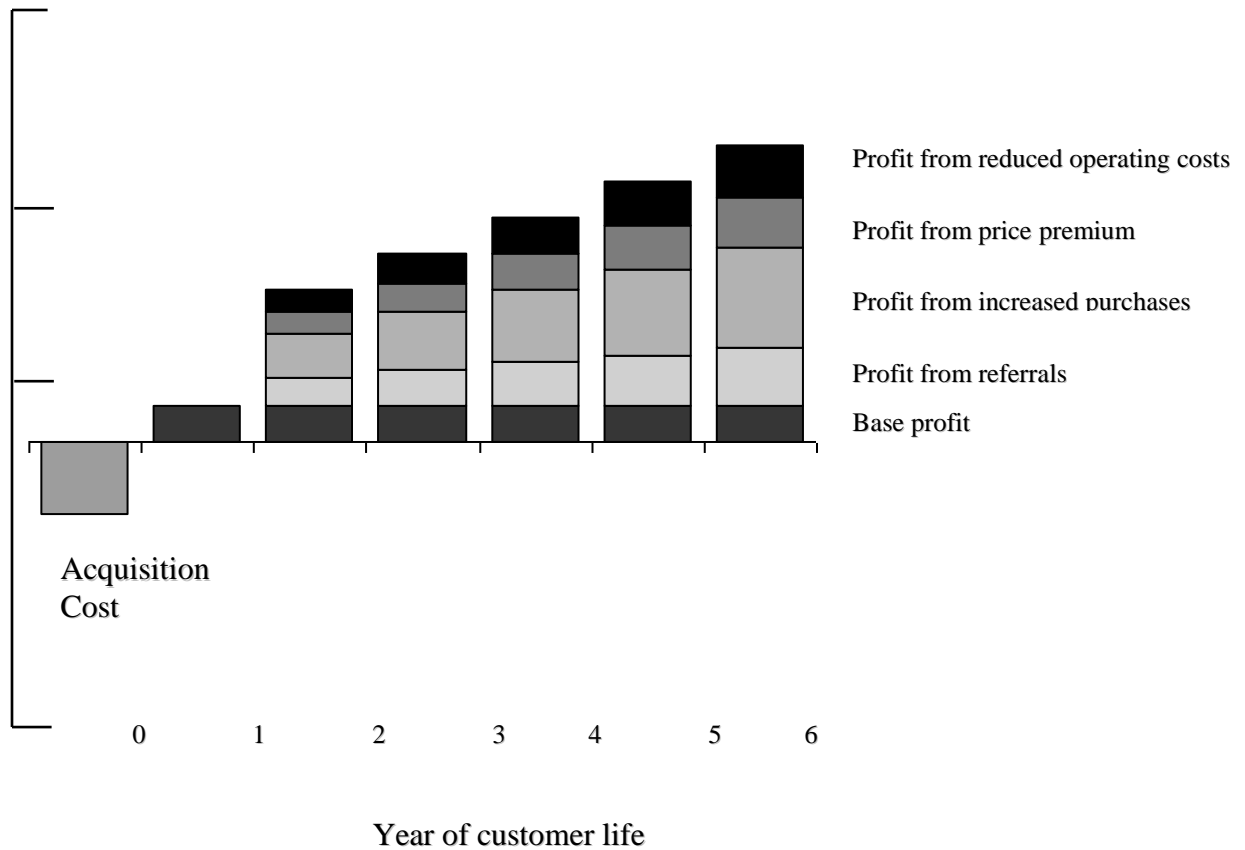
- Rule 1: Do not start with technology first
- Rule 2: Senior management buy-in critical
- Rule 3: Need a ‘whole of company’ approach
- Rule 4: The customer’s needs are the focus
- Rule 5: Finished does not mean completed

According to the Gartner Group a recent study identified that in 32 per cent of sales technology projects, little or no use was made of the technology 12 months after deployment, underlining the fact that technology is only one piece in the eCRM jigsaw.

Customer lifetime value (figure 1) is often cited as one of the underlying arguments for establishing the CRM business case.

Customer
lifetime
value

Figure 1: Customer Lifetime Value



Source: Service Management Interest Group - Harvard Business School

Loyal customers tend to buy more, are less sensitive to price increases and represent good targets for cross selling and up selling. This is supported by research at Hilton, which revealed that a small increase in customer satisfaction resulted in a 15 per cent increase in expenditure. It costs considerably less to retain a customer than to acquire a new one, with satisfied customers providing positive word of mouth referrals.

The concept of lifetime value has led a growing number of travel companies to talk about customer retention as well as customer acquisition. For example, Hilton Hotels cite the following figures to support their customer retention strategy:

- It costs 7 times more to recruit a new customer than to retain an existing one
- A 5 per cent increase in customer retention improves the bottom line by 20-125 per cent

Despite the cost of acquiring a customer Microsoft's Expedia claim that the average company loses half its customers every five years. It is not surprising then that Expedia emphasises the customer value concept in their definition of CRM:

- Customers should be treated differently based on their worth to your organisation
- The best ones should get the most attention

An International Hotel and Restaurant Association (www.ih-ra.com) think tank, in preparation for a 1998 congress on one-to-one marketing in the Philippines, identified a number of new marketing paradigms (table 1) for the interactive age.

eCRM
and new
marketing

Table 1: New Marketing Paradigms

	OLD PARADIGM	NEW PARADIGM
Focus	Marketing Driven	Market Driving
Positioning	Unique Selling Proposition	Value-Added Proposition
Message	Benefits	Solutions
Research	Monologue	Dialogue
Customer	Transaction Value	Lifetime Value
Competition	Benchmarking	Leapfrogging
Branding	Market by Market	Global/Instant/Virtual
Development	New Products	Work In Progress
Service	Hours of Operation	24-7
Promotions	Interruption Marketing	Permission Marketing
Advertising	Prime Time/Space	On-demand
Distribution	Travel Agents	Disintermediation
Structure	Teamwork	Network
Pricing	Revenue Management	Demand Management
Tracking	Market Share	Mind Share
Measurement	Customer Satisfaction	Customer Intimacy
Performance	RevPAR	ProfPAC

(Source: Dr C. Dev, IH-RA Congress, Philippines 1998: Emphasis added by author)

This author has highlighted those paradigms, which present particular challenges within the context of eCRM. Increasingly customers are looking for solutions to their needs as opposed to specific product benefits. The significance of this was emphasised in a 1999 World Tourism Report “Marketing Tourism Destinations Online”, which criticised Destination Marketing Organisations (DMOs) for adopting a product-led as opposed to customer-led web site design. DMOs should aim to conspire with the customer in the way that some online travel sites allow users to create their own home page with content specific to their interests. The question is often asked, “Who owns the customer?” during eCRM debates. The new ‘mind share’ paradigm suggests that the customer will most likely buy into relationships with a number of companies and the aim of eCRM is to secure a place on that list.

eCRM
across
channels

The Internet revolution means there are now many more channels for listening to the voice of the customer and many more ways in which the firm and the customer can interact with each other. However the new era of eCRM also brings its own challenges, as the customer experience must now be managed over an increasing number of channels. In addition to the traditional ones such as the high street travel agent, the call centre, direct mail and direct response advertising, there are the new e-channels, including the company web site, WAP (Wireless Application Protocol) enabled phones and Personal Digital Assistants (PDA), Interactive Digital Television (iDTV) and email.

The increasing uptake of broadband services by consumers across Europe (table 2) will provide a number of channel opportunities for travel providers and intermediaries. The uptake of broadband is forecast to almost double by 2003. This is twice the rate of uptake of PC-based Internet access. This will see the Internet coming into consumer homes via iDTV, the provision of services such as video on demand and the opportunity to create ‘sticky’ web sites through broadband multimedia content.

Table 2: Estimated uptake of broadband (Germany, France, Netherlands, Sweden and UK)

	2000	2001	2002	2003
Population	178.8	179.5	180.3	180.9
PC	69.0	73.4	78.5	83.7
Internet	40.3	46.0	50.8	58.7
Broadband	11.2	13.7	17.3	21.3

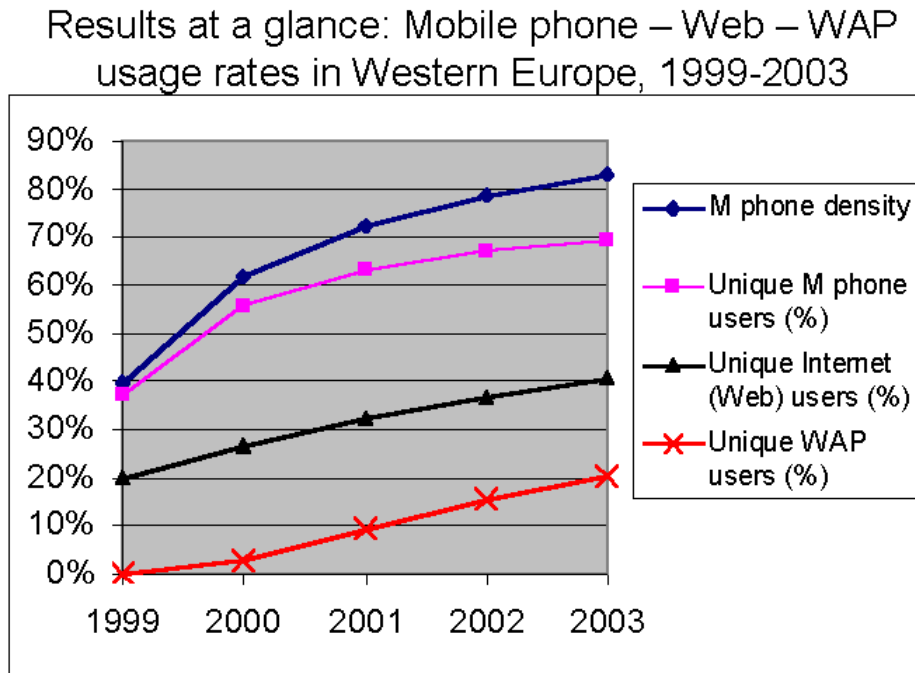
(Figures in millions)

(Source: Genesys Information; Telecommunications, May 2000)

Research by Dr K. Marcussen at the Bornholm Research Centre in Denmark indicates there will be a 20 per cent increase in the number of WAP users in Western Europe between 1999-2003 (figure 2). However there will still be twice as many stationary

Internet users as WAP users and it is likely that WAP services will still be of a premium nature targeted at the business traveller.

Figure 2: WAP usage rates in Western Europe 1999-2003



Source: Carl H. Marcussen, Research Centre of Bornholm, www.rcb.dk, 22 Oct. 2000.

Low
conversion
rates

Although travel is the largest category for people looking on the web the conversion rate of lookers to bookers is still very low. A 1998 study of 3000 hotels worldwide conducted by Horwarth highlights the small role, which the Internet plays in hotel distribution (table 3).

Table 3: Booking channels in the hotel industry

Horwath Worldwide Hotel Study

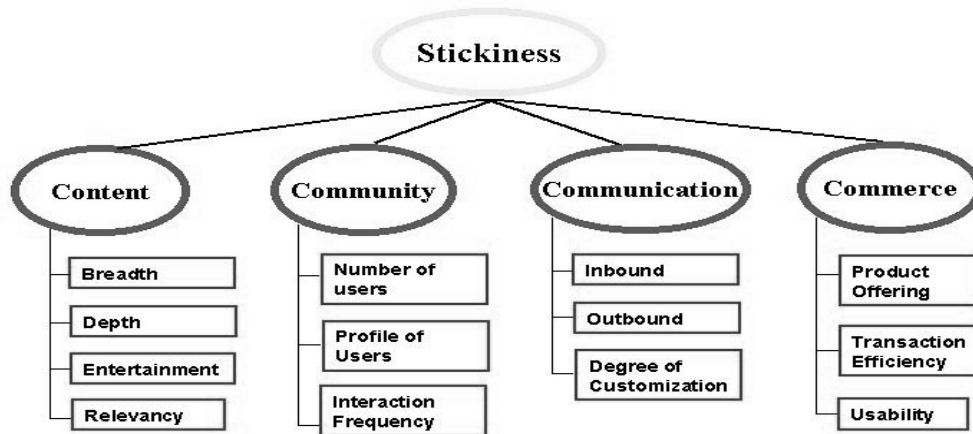
Worldwide Results, Advance Reservation in %

	All hotels	Africa and the M. East	Asia	Australia and New Zealand	Europe	Latin America	North America
Direct Inquiry	35.1	31.8	31.0	38.9	38.9	31.9	29.5
Intermediates	64.9	68.2	69.0	61.1	61.2	68.1	70.5
Own Reservation System	14.0	12.2	14.4	12.7	10.8	23.8	23.6
Ind. Reservation System	5.3	7.2	4.9	6.4	5.8	4.5	4.1
Travel Agents	19.8	23.6	26.5	20.9	18.7	17.1	17.3
Tour Operators	18.1	16.5	13.9	14.6	19.0	11.6	16.9
Hotel Representatives	4.3	4.2	4.8	4.2	3.7	5.2	7.0
Transportation Company	2.0	2.7	2.2	2.9	1.7	3.9	0.7
Web Site, Internet	1.4	1.8	2.3	0.4	1.5	2.0	0.9
Total	100	100	100	100	100	100	100

(Source: Horwath Worldwide Hotel Industry Study, 1998)

There is a clear business case, in terms of reduced distribution cost and increased opportunities for personalisation, for migrating customers to electronic channels. However this is not an easy goal to achieve and the customer relationship needs to be built over time. The conversion rate on Radisson Hotels' site increased from just 0.006% in 1997 to over 2% in 1998. In order to improve on this Radisson undertook email-marketing campaigns with its partners in order to drive traffic to its web site and improve its 'stickiness' (figure 3).

Figure 3: A framework for evaluating web site stickiness



(Source: eDreams, 2000)

In 1998 this eCRM initiative incorporated its “Hot Deals” campaign aimed at its 21,000 email subscribers, involving cross promotions with partners and the delivery of 600,000 emails per week. This was followed up in June 1998 with their “*E-scapes*” campaign, the hotel industry’s first-ever e-mail service offering notification of vacation packages that match a customer’s stated travel preferences. The result was an increase in on-line bookings by 1,000 to about 6,000 in July 1998.

THE INTERNET AND CRM

An examination of the underlying tenets of CRM (table 4) reveals that the Internet is a natural fit and eCRM a logical extension of CRM.

Table 4: Transaction Marketing vs. Customer Relationship Management

Transaction Marketing	Customer Relationship Management
Focus on single sale	Focus on customer retention
Socio-economic groups	Fusion of life-stage, lifestyle and socio-demographic data
Media placement	Telemarketing/Targeted messages
Emphasis on product features	Emphasis on product benefits
Short time-scale	Long time-scale
Low customer service emphasis	High customer focus
Quality as a production issue	Quality concerns all staff
One-way communication	Ongoing dialogue with the customer
Limited customer commitment	High customer commitment
Focus on new customers	Focus on cross-selling to existing customers

(Source: Author's research)

Fusion of data

The interactive nature of a web site makes it an ideal forum for gathering customer data. Features such as online registrations, chat rooms, newsletters and site feedback provide a rich source of life-stage, lifestyle and socio-demographic data. This is enhanced with behavioural data generated through analysing the site's log files. These files enable the web team to examine users' click streams, providing a range of information on customer needs, interests and preferences.

Competitive advantage through customer focus

The strategy guru Michael Porter set out three strategies for achieving competitive advantage – cost leadership, product differentiation and customer focus. While it can be argued that eCRM provides all three, it is in the area of customer focus where the battle will be won. A customer data mart or warehouse driving personalised communication across multiple channels represents a significant barrier to any competitor.

The Internet however moves beyond general market data to data, which can be linked to individual persons. The Web at its best can offer a high degree of personalisation with messages and product benefits targeted at individual users according to their profile.

Amazon.com, the online book retailer, is recognised as being a leading proponent in this field, providing the user, through the use of cookie technology, a highly customised offering. This includes greeting the user by name and recommending books based on behaviour recorded by the site during previous visits.

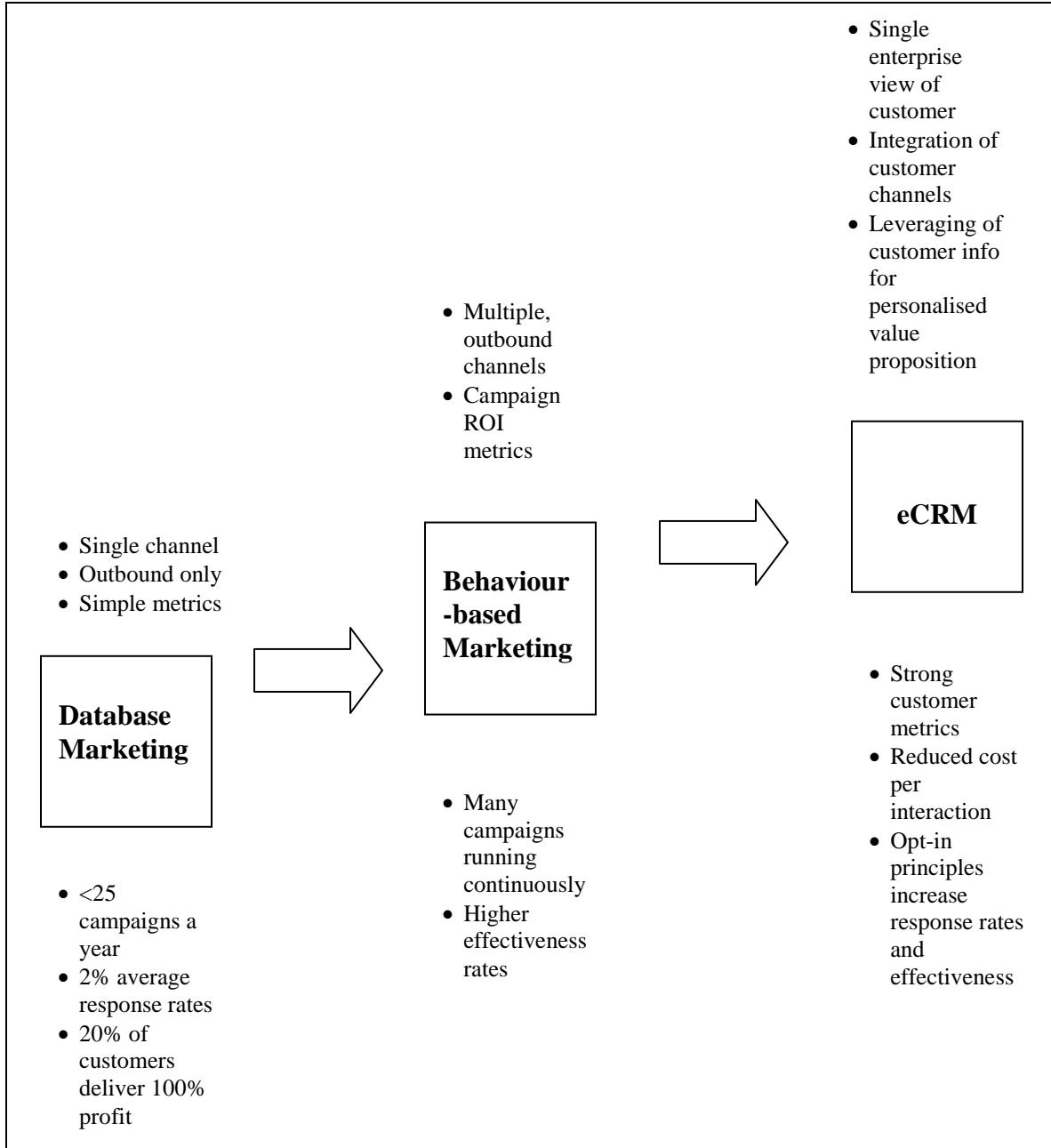
Personalisation at Thomas Cook

Thomascook.com the e-division of the established high street agent captures customer data through online registrations, sales and click streams. These data are used to extend personalisation across a number of communication channels. On the site users can register for email updates and are asked for a range of information including contact details, date of birth, preferred holiday activity and composition of travel party. In return for providing these data they are entered in a prize draw. The user also has the option of entering a mobile phone number in order to receive text messages. It is debateable how useful this is for the leisure customer given the limited amount of information, which can sent in a text message. However it could be used to drive traffic to the web site. With the customer's data held on a database the information captured online is used by Thomascook.com to improve the level of service offered by the call centre staff. By accessing the customer's profile the call centre is able to prioritise that customer and possibly explore up sell and cross sell opportunities. Based on a registered customer's behaviour on their web site the call centre operator is armed with the detailed knowledge to offer a highly personalised service. A customer who has expressed an interested on the web site in heli-skiing, for example, could be offered this as an add-on to the standard ski package. Potentially this level of personalisation could be extended to the high street agent. This would help the agent evolve from being a booking shop to assuming a more proactive consultative role.

Customer touch points

Thomas Cook is a clear example of a bricks and clicks business model involving significant marketing activity online and offline, above the line and below. The result is an increasing number of customer communication channels and touch points. In order for Thomas Cook to successfully optimise relationships with their customers they will have to adopt a customer-centric strategy. This is absolutely fundamental and marks the evolution from simple database marketing to fully-fledged eCRM (figure 4).

Figure 4: eCRM – An Evolutionary Process



(Source: www.xchange.com)

The importance of the Internet and CRM is evident from RCCL's strategic online vision:

“Leverage the Internet (www.royalcaribbean.com and www.celebritycruises.com) for both brands to more broadly develop and enhance long term, life enhancing relationships with travel agents and consumers to create competitive advantage, and business process efficiencies, in cruise vacation distribution.”

RCCL considers both its agents and consumers to be customers and eCRM is an integral part of this 'bricks and clicks' strategy. The major challenge, which RCCL face is the duplication of data held in different systems. For example, data may be held about the same customer in the reservation system, customer database, complaints database, loyalty programme and web site. Resolving this issue is not made any easier by the existence of their legacy systems which make integration of customer data hard to achieve. However the company is going through a "customer transformation" phase with the aim of collating this information in a single data mart in order to obtain a holistic, 360 degrees view of the customer. This transformation process has three key elements – people and processes, profit and technology. The emphasis is very much on the first of these with information technology being regarded as the least important. It is a long-term strategy, which will involve replacing the reservation system and sourcing a complete eCRM solution from a third party in an attempt to place the customer at the centre of the organisation.

RCCL stress the importance of listening to the customer in order to achieve this customer-centric vision. The cruise and resort sectors are unique in that the customer is effectively a captive audience for the duration of their holiday. The company is planning to use this opportunity to capture transactional data, with the aim of building a behavioural profile of the customer. For example, the customer may have purchased a scuba diving course indicating a preference for adventurous activities. However cruising is also unique from the perspective of ensuring the flow of data from ship to shore.

The importance of activity is reflected in the RCCL advertising campaign, which is activity- rather than ship-based in an attempt to overcome the stereotype image of cruising and reach a new market. To supplement this target marketing RCCL are considering buying in extraneous information from third party lifestyle data providers. While this is a means of augmenting existing customer data it is no substitute for information provided willingly by its own customers.

Over 4,000 potential cruise-takers visit the RCCL web site every day providing a potentially rich source of customer data. Understanding their behaviour more clearly will open the door to more effective yield management and cross selling opportunities. However the ultimate goal for RCCL is a complete eCRM solution and this won't happen until data integration across systems and channels can be achieved.

Who owns the customer?

RCCL is aware that there are different suppliers providing the total product – travel agent, cruise company, hotel and air. From the consumer’s perspective he wants a seamless service and the Net is no respecter of organisational boundaries. This reflected in research carried out by DreamTicket.com, which revealed that online consumers want products to meet all their needs. On the Net the customer is in control and expects an integrated and consistent service – it does not respect organisational culture or product oriented silos. It may be a question not of managing the customer but making it flexible enough for the customer to manage the relationship himself. Aiming for share of wallet as opposed to outright customer ownership. This emphasises the relevance of the ‘share of mind’ and ‘solutions’ paradigms referred to in table 1.

Hilton Hotels are aware of this ‘ownership’ issue and include ‘Enterprise Relationship Management’ as part of the eCRM definition, emphasising the importance of having a cohesive vision for managing these relationships. Hilton refers to its network of alliances as *the enterprise*. The underlying rationale is that taking a longer-term view of the customer (i.e. lifetime value) will enable all partners in the alliance to enjoy a ‘share mind’.

Affiliate marketing

On the away.com web site affiliate marketing is presented as a win-win partnership, with top affiliates earning over \$4,000 a quarter. It is a commission-based system with an affiliate receiving a payment for each user who registers for an away.com product or service, for example a screensaver or the away.com “Daily Escape” email newsletter. Referrals do not have to buy anything but they must register in order for the affiliate to receive a commission. In this way away.com builds its customer database while the affiliate site is able to offer extra features and content on its site.

In August 2000 Thomas Cook reached a million site visits in a month and sold over £1m worth of holidays, becoming the top web travel agent. Affiliate marketing is a cornerstone of their online customer acquisition strategy. Over 30 affiliations have been developed with other web sites such as Yahoo and Excite, and the company also uses a web brokering service to gain access to many small but relevant sites. Thomascook.com receives 20 per cent of all visits from its affiliates, resulting in 19 million page impressions.

EMAIL – THE KILLER APPLICATION FOR eCRM

According to eMarketer, there were 96.6 million email users in the US in 1999 (43.8 per cent of the population). eMarketer estimate this will rise to 140.3 million (61.5 per cent) by 2003, outnumbering Internet users.

Ongoing dialogue through email

A profitable relationship depends on ongoing dialogue with the customer and email provides the ideal low cost channel for achieving this. Combined with a good profile of the customer, email can be used to achieve the marketer’s dream – offering the right product to the right customer at the right time. It can also be used, via email newsletters,

to test new products and promotional messages. TravelNow.com regularly emails newsletters, which contain trackable URLs, enabling the company to measure response to promotions and other features. Travel is an intangible product, which relies on imagery to sell it. HTML features embedded in email messages allow users to see the product and click on the pictures for further information. TravelNow.com enjoyed considerably higher click through rates by personalising the messages and including the newsletter's main feature in the email subject box.

Furthermore email is fast and inexpensive. According to OnlineDM, the benefits of email lie in response rates of 15% or more, which can rise to 50 per cent if combined with other media; immediate feedback from customers and costs up to 90% less than traditional direct marketing. Experience at DreamTicket.com, underlines the speed of email. In a targeted email marketing campaign undertaken with partner companies, DreamTicket.com received 11,000 responses within one hour.

eCRM at
away.com

away.com has a Director of Interactive Product Development, whose team is responsible for offering tailored holidays online to away.com's million plus members. The company has opted for an eCRM solutions provider to enable it to generate personalised permission-based email campaigns. away.com is able to:

- Personalize emails with database-driven content and conditional content
- Send emails in more than 20 languages
- Have access to real-time, online reporting
- Create and edit campaign content from within the application
- Expand their e-marketing solution to incorporate offline channels

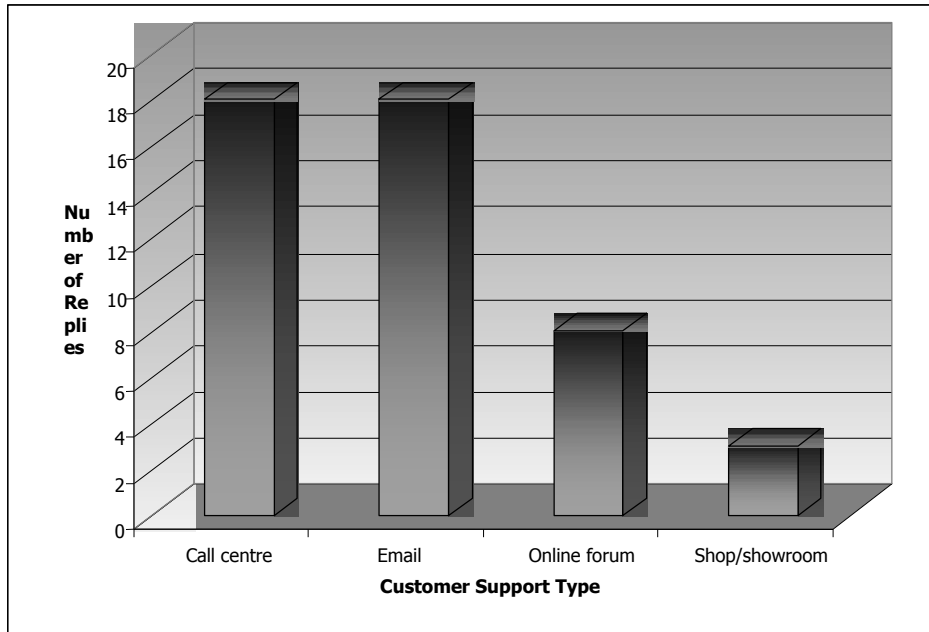
e-comm-
unities

The success of away.com (over one million registered users) is in large part down to its strategy of creating and servicing a range of e-communities formed around common travel interests. E-communities are an effective means of controlling a space in the market as customers, through their feedback and interaction with other community members, will let you know their specific needs. The community site therefore becomes a fluid space with the customer dictating the type of products and services they need.

Customer
support by
email

A recent survey by Genesys Information (www.genesysinformation.com) of key informants from across the UK travel industry reveals the importance of email as a means of providing customer support (figure 5).

Figure 5: Customer Support Tools



(Source: Genesys Information: 2000)

Respondents were of the opinion that in order to succeed in an online travel environment the customer had to be given email and call centre support above all else. Research carried out by this author in preparation for TTI's "eBusiness in the Travel Industry" report (July 2000) indicates that email is not a priority communication channel for travel businesses. The content of 100 web sites in the Pacific Asia and US regions was analyzed during March to May 2000 and the presence of a number of features recorded. To further test the quality of online customer service an email was sent to each site requesting simple information such as schedules, fares, availability, opening times, etc. 80 sites did not reply. Of those that did only 5 replied in less than 24 hours. This demonstrates an almost total lack of appreciation of the importance of email in developing an online relationship with consumers. Traditionally the travel industry has focussed on the sale and the product to the neglect of the customer. A shift in mindset is needed whereby the customer is supported before, during and after the purchase.

CUSTOMER NEEDS ONLINE

Consumer behaviour online is different from that offline and carries with it a specific set of needs. Dreamticket.com the online travel agent carried out research among its users, which revealed that online consumers are looking for ...

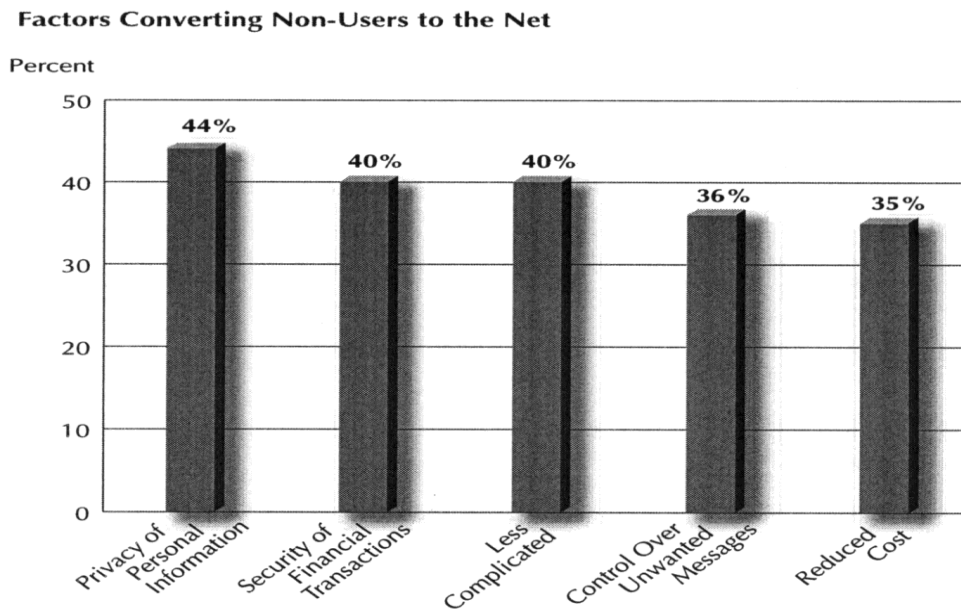
Buyer
behaviour
online

- clear unambiguous pricing - the price you see is the price you pay
- an integrated call centre
- for a product offering, which closely matches their stated preferences
- the ability to save their search results, as they are unlikely to book on the first visit. dreamticket.com offer their users a travel file for this purpose
- products to meet the full range of their needs

Online conversion rates are around 2-5 per cent while in the high street the figure is around 20-25 per cent. At present the majority of consumers initiate their holiday booking on the Internet but are closing the deal offline. Thomas Cook recognise this and now have a hundred staff in their call centre dedicated to handling thomascook.com calls, while the Internet group it self has grown from 15 to 70 people in eighteen months. Bookings at away.com quadrupled after the introduction of a call centre. Despite this evidence, Forrester Research estimate only 15% of web sites have a call centre behind them and only 14% of those companies can see the web site that the customer is viewing, thereby missing a unique insight into the customer's preferences.

Any relationship whether offline or online, in the Business-to-Consumer (B2C) or the Business-to-Business (B2B) arena is based on trust. Research carried out by PricewaterhouseCoopers indicates however that it assumes particular importance online (figure 6).

Figure 6: Factors converting non-users to the Net



Source: PricewaterhouseCoopers, 2000

Addressing consumers' concerns regarding privacy and security will play a major role in acquiring non-Internet users. Simple measures such as posting a privacy policy on the site and obtaining third-party verification of compliance with privacy policies would reassure consumers. Both these factors rated higher than the appeal of lower prices on the Internet. This raises some interesting questions with respect to customer loyalty online. Loyalty is a key aim of any relationship programme and huge investment is poured into frequent buyer programmes by airlines, hotels, car rental companies and others in order to foster loyalty. However the rules online are different and research by Forrester found that splitting online travel consumers into three categories - loyal, disloyal and curious, some 69 per cent claimed to be disloyal. Not only is the disloyal group the largest, but also it is the most lucrative, spending an average of \$1,040 of their travel budget over the net. One factor that may explain this is the ease with which consumers can shop around online where competitors are only a few clicks away. However another explanation may lie in the relatively poor design of Internet sites and the inadequate levels of customer support.

Research carried out in the UK by the Future Foundation (figure 2) indicates that above all consumers expect to be able to access information quickly on the Internet. The same consumer, who queues for 5 minutes in a bank or a travel agency, is likely to exhibit significantly less patience online. The research reveals that consumers place great importance on email communication and yet this fast low cost communication channel appears to be overlooked by many Internet sites. In a survey carried out by this author of 100 travel sites across the Pacific Asia and North American regions, only 1 site replied to an email enquiry within 24 hours and 80 sites did not respond at all. This is not the basis on which to build a customer relationship. Research by Kana the enterprise relationship management company (www.kana.com) emphasised the importance of contact in customer retention, with 68 per cent of respondents citing 'lack of contact' as the reason why they did not stay loyal to one site. This was well ahead of the other two significant factors - 'problem with the product' (15 per cent) and 'competition' (9 per cent). The implications of this are that consumers may be prepared to put up with a certain degree of service problems providing there is a good level of contact and support.

PERMISSION-BASED MARKETING

The low costs and convenience associated with email make it vulnerable to abuse, either by unscrupulous operators or poorly managed campaigns and customer databases. Unsolicited communication in the offline world is subject to legal penalties. For example, in the UK, if an individual registers with the Telephone Preference Service, and they subsequently receive a telemarketing call, the company that made the call could be fined £8,000. The law regarding email is less well established, not surprising given the newness of the medium. However over 15 states in the US have email laws in place and it is inevitable that penalties will be introduced for email abuse. However potentially much more damaging than legal penalties is the negative impact it has on your customer relationships. The rules online are very different than those offline - the customer is in control. An alienated customer angry at receiving unsolicited email can easily email his

network of friends and post information on a web site highlighting the bad practice of the offending organisation. Negative word of mouth can spread very fast.

MessageMedia, an email solutions provider in the US, lists a number of rules on its web site (www.messagemedia.com) for PBM:

- Send e-mail only to those who have "opted-in" to receive it. There is a clear distinction between "opt-in" and "opt-out". The former is more stringent in obtaining the customer's permission to be contacted by email. After the customer checks the box to indicate he is prepared to receive email, the company then emails him to confirm that permission and only when the customer reaffirms his permission is the opt-in complete.
- Make it easy for customers to opt-out if they so desire. This can be achieved by including a web address in every message where the consumer can opt-out of the service.
- Allow users to specify their preferences. Knowing what type of information a customer would be interested in and how often they want to be contacted is the key to a mutually beneficial relationship. Online consumer research conducted by Dreamticket.com found that the customers were looking for products, which closely matched their preferences. Getting to know the customer's preferences should be a gradual and iterative process. In other words nurturing the relationship will lead to the collection of meaningful and relevant data.
- Do not sell or rent customer lists to third parties. Customers should be given the opportunity to opt-in to receiving promotions from partner companies and could be given an exclusive on the offer for a limited time period in order to add value to the opt-in. Similarly a company should not use rented lists unless strict opt-in policies have been implemented.
- Develop and post a privacy policy on the web site and ensure that it is adhered to.
- Respond to customer e-mail inquiries promptly. The intangibility and inherent risk of the online environment makes it particularly important that customers are reassured with prompt email response.

Following the rules of PBM will also prevent companies in Europe falling foul of legislation contained in the 1998 Data Protection Act, which updated the 1984 Act. The most significant difference between the two Acts lies in the re-definition of "personal data":

“... data consisting of information, which relates to a living individual who can be identified from that information, or other information in the possession of the data user.”

This means that even if a company does not hold a contact name the data could still be personal data.

CONCLUSION

The interactivity of Internet technology brings with it a range of opportunities and challenges for the marketer aiming to build customer relationships. The principal opportunity lies in the ability to offer highly personalised content on a one-to-one basis. However increasingly the customer is in control and will expect to receive a consistent and personal service across the range of communication channels he chooses to use. Technology can only act as an enabler in delivering this service successfully - a total solution must involve people and processes. In the rapidly changing e-environment travel companies cannot afford a 'wait and see' approach and should take comfort in the fact that eCRM is an evolutionary process with the cue to each next step often provided by the customer.