DIGITAL MONEY

eRelationship Management

By Vary Coates and Steven Bonorris

The future of shopping, many Internet merchants insist, is electronic commerce – using your computer as a shopping cart and the World Wide Web as a giant mall. There is already plenty to buy – from software to automobiles, from specialty teas to statistical data – without leaving home. But how will you pay for your purchases?

Today, if you want or need to pay online, you'll probably key in your credit-card number and expiration date, then cross your fingers because you've heard all the horror stories about cyberthieves. Despite the secure transmission protocols now used by many Internet merchants, many consumers are still fearful of entering credit-card numbers online.

Credit card companies are working hard to develop better Internet security measures, such as a new Secure Electronic Transaction protocol (SET) for encryption and authentication of transactions. Unfortunately, such protocols also slow down processing so much that transactions may take several minutes. That is surely a minor delay compared with a trip to the store, but one that irritates those who've become spoiled by nearly instantaneous electronic exchanges.

photo by M. Washington

Edwina Wasson and Ronald Taylor are the owners of Stellar Coffee (located at 6003 NE Martin Luther King Blvd.). They offer the "Stellar Card" similar to a debit card which can be used for purchasing food there. The cards are sold like pre-paid calling cards for anywhere from $10 to $50 maximum. Their new customer service technology is convenient and gaining in popularity.

WHAT DO CONSUMERS WANT?

No one is yet sure what kind of electronic currency, if any. For example, would you want it to be unattributed or anonymous, as is a $10 bill, so that once you have received the goods and paid the merchant with electronic tokens no record exists of who made the purchase? That kind of privacy is valuable to people who are concerned about the financial trail created by the use of ATMs, credit cards, and debit cards. On the other hand, in exchange for anonymity you would have to live without consumer protections such as limited liability if the smart card is lost or stolen. Many enthusiasts want digital money to become just like paper money – they look forward to the day when it can be freely exchanged between any two people holding it, rather than only between pre-certified, licensed customers and merchants.

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If digital money is to be like paper money, it will have to be not only anonymous but also:

·Portable – which would mean at a minimum transferable between computer, laptop, and a smart card so that you can access it wherever you are.

·Widely accepted, so that you can use just one kind of digital money and spend it in many places, for many things.

·Interchangeable – the value of money may change over time, but at any given place at a given time, one $10 bill is worth exactly the same as another $10 bill.

·Indefinite – you don't want it to expire unspent, although this poses the problem of how long any encryption can be expected to resist those determined to break it.

·Divisible – you want to be able to "make change," or break large units down into smaller ones that are simple to use.

FOR MERCHANTS

Digital money could have big appeal over credit cards if they are paid immediately and if transaction costs are a lot lower. Immediate payment depends on the design of the digital money being used; lower costs already look promising, but not yet certain. One new "e-cash" system now being field tested in Australia will charge consumers thirty cents a transaction on top of the charge for loading funds into an electronic wallet on their hard drive. If consumers react to such costs with a resounding "no, thanks,' it is likely that issuers will find a way to shift those charges to merchants, leaving them little better off than with credit cards.

Uncertainties remain: What if the issuer of your digital money goes bankrupt after you buy its monetary tokens but before you spend them? Can you be sure to find a merchant who accepts the tokens and that there's something you want to buy? Do you care if digital money allows issuers and merchants to build a dossier on your spending habits, the better to target you with customized advertising? If privacy concerns you, perhaps you will opt for a kind of digital money that promises anonymity, at least at the transaction stage. But then you must give up indemnity for lost or stolen tokens.

What then is the outlook for digital money? The likeliest scenario is that a simple form of electronic token will evolve, possibly issued by banks but available also from brokers, that is easily exchangeable among smart cards, store-based readers, bank ATMs, and computer hard drives.

Digital money may prove most popular and useful to consumers for very small purchases of information and related services and amenities over the Internet. Some consumers may also use digital money along with credit and debit cards for store purchases as well.

In short, digital money is likely to start small, more of an electronic change purse than a stuffed wallet.

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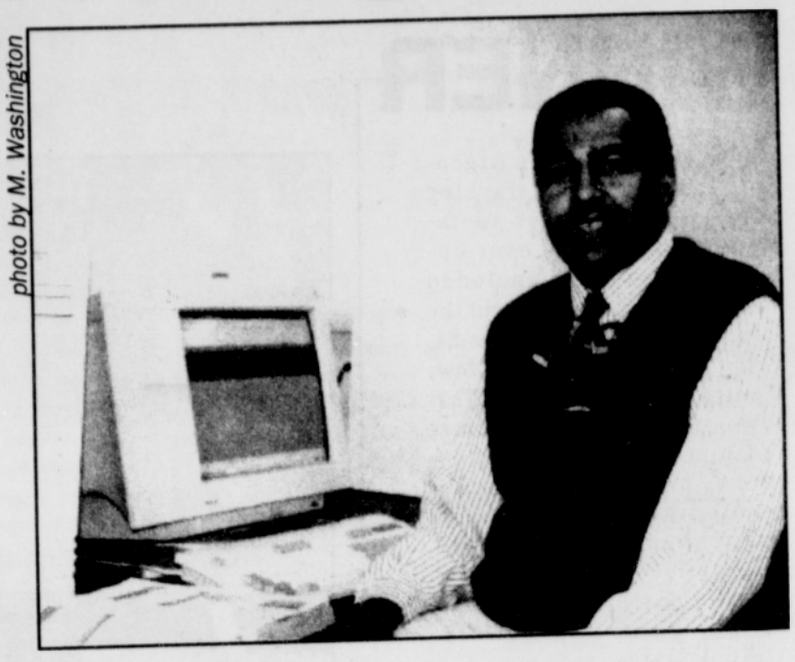

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Industry Leaders like Hewlett-Packard, Lucent Technologies and Apple Computer have not turned a deaf ear to the growing demands of Web users. In fact, for these companies, moving costly customer services to the Internet is critical to staying competitive.

And providing customer services on the Internet means a lot more than just having a Web site.

"As Internet users demand more services on the Internet, we are helping companies like Hewlett-Packard realize their e-services strategies on the Web," says David Swan, CEO of World Wide Web Associates, the leading eRelationship Management company.

"The largest corporations and e-giants are focused on today's most pivotal business problem: adding the 'e' to customer relationship management," says Swan. "The top companies worldwide will require customer-directed e-business solutions to be leaders in this new economy. Our customer-companies like HP, Lucent Technologies and Apple Computer are taking the lead."

Traditionally, managing valuable customer relationships is an expensive and time-consuming effort. But companies moving Customer Relationship Management (CRM) services to the Web can serve their customers better while realizing huge cost savings on customer-related business processes.

eRelationship Management (eRM) is also better for the customer: on-demand access to information, less hassles with better support, and less expensive services.

Applying Internet technologies to a company's customer-related processes can involve integrating numerous communications channels and devices, automating services and transactions, and providing interactive support on the desktop that connects directly to the Web.

For more information on eRelationship Management, go to wwwa.com or www.forrester.com on the Internet.