

Implementing CRM Systems in Online Enterprises

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INTRODUCTION

Companies are increasingly embracing customer relationship management (*CRM*) as a major element of corporate strategy, for two important reasons: new technologies now enable companies to target chosen market segments, microsegments, or individual customers more precisely; and new marketing thinking has recognised the limitations of traditional marketing and the potential of more customer-focused, process-oriented perspectives (Payne, 2002; Ragins, & Greco, 2003).

The first *CRM* procedures were implemented to provide more efficient customer transactions. The gradual shift from transaction to interaction, as a long-term process, required the implementation of analytical marketing procedures, based on databases and data processing technology. Brobst and Rareyk (2004) outlined the evolution of analytical *CRM*, identifying five distinct stages (see Table 1). The interactive marketing stage is possible only using the *Internet* as a *CRM* strategic channel—

which allows real-time, continuous collection, analysis, and use of data to adapt the company's offer and communication to the individual profile and behaviour of the customer. The introduction and use of *CRM* in the online environment requires a complex process of planning, analysis, strategy design and implementation. This article presents a model for the implementation of a customer-centric strategy in online businesses, discussing the advantages and the challenges of this new system.

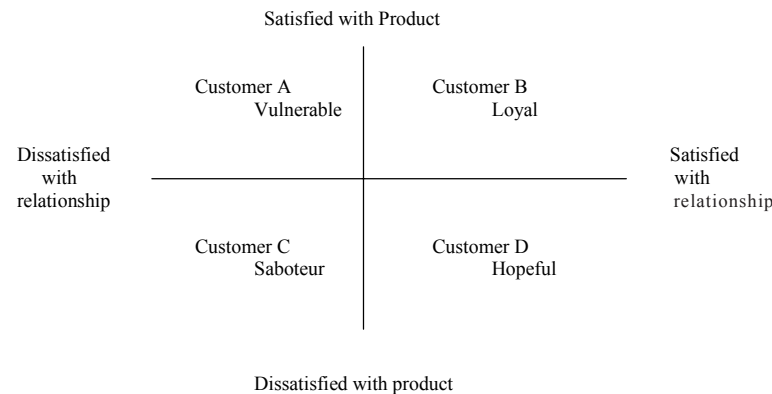
BACKGROUND

The *Internet* user has the opportunity to switch the suppliers with several mouse clicks, to compare price and products on a worldwide basis, and to select without external pressure the best available offer. The winning combination of low price/high quality product does not work properly on the *Internet* because the same offer may be available at hundreds of other online retailers

Table 1. The five stages of analytical CRM (From Brobst & Rareyk, 2004)

Stage of analytical CRM	Main Strategic Orientation	Challenges
Mass marketing	Create a database of customers improving the effectiveness of mass marketing operations and reducing the costs of blanket marketing campaigns	Data and database quality—reliability and elimination of double entries
Segment marketing	Deliver product offers differentiated by customer segment. Use ad hoc analysis to develop an understanding of customer segments and design product offerings appropriate to each segment	The capacity to dynamically segment the market based of various criteria applied to the customer database. Performance management and proactive capacity planning for the database is a prerequisite to success
Target marketing	Treat each customer as an individual. Every customer and prospect is scored based on their propensity to buy and targeted accordingly	The introduction of data-mining technology combined with the calculation of customer lifetime value
Event-based marketing	Focuses on enabling personalised marketing communication driven by individual behaviour patterns.	The implementation of "software event detectives," to identify events relevant for customer relationship and then initiate personalised communications in response to such events. Events detection implies more frequent data acquisition and updating
Interactive marketing	Real-time interaction with customers, adapted to their profile, behaviour, and reactions	Integration of analytical and operational CRM—databases connected with customer management applications

Figure 1. The eLoyalty Matrix (Adapted from Conway & Fitzpatrick, 1999)



(Wundermann, 2001). The only possibility to increase the competitive advantage of online retailing is to create not only product-related satisfaction but also customer-firm relationship satisfaction (Bradshaw & Brash, 2001).

The eLoyalty Matrix (see Figure 1), an economic model developed at eLoyalty (Conway & Fitzpatrick, 1999), considers the situation of a company-customer long-term relationship, in which, to a given moment, various types of customers experience a variation in the level of satisfaction determined by relationship and/or product strategies.

Customer A is satisfied with the product purchased, but dissatisfied with his or her relationship with the company. This customer type is vulnerable to switching. The customer/company relationship profoundly affects how a product or company is viewed and affects customer behaviour. Properly managed and serviced, this category of customer can become a significant source of future transactions and move into the loyalty quadrant.

Customer B is very satisfied with the product and the relationship with the company. The company can count on his or her repeat purchase and will most likely benefit from referral business via positive word of mouth.

Customer C is a saboteur to the organisation. Because of a negative experience, these customers will never buy from the company again, and they can also discourage other potential customers from ever interacting with the company.

Customer D was not satisfied with the product but is hopeful that the next purchase will be satisfactory. A good relationship creates a reservoir of goodwill upon which the customer is willing to give the company another chance. However, the good relationship cannot represent an absolute deterrent of customer defection, and the company needs to take urgent measures to adapt its product offer to the customer's needs before it is too late.

As the eLoyalty Matrix indicates, CRM implementation represents the key to increasing customer loyalty in the digital environment (Lindström & Andersen, 2000; Reichheld & Scheffer, 2000). Despite a rising consciousness about the importance of loyalty marketing, 70% of online retailers lack operational strategies for cultivating their all-important customer relationships (FollowUp.Net, 1999).

The implementation of an efficient customer relationship management strategy requires the introduction of a customer-focused organisational culture (Rheault & Sheridan, 2002). The key operations for building an effective CRM strategy include the following (Conway & Fitzpatrick, 1999):

- identifying the characteristics of the main customer segments;
- modelling the current and the potential value of each customer;
- creating proactive strategies and operational plans, or business rules, which will support the desired experience for the customer, starting with the highest value customers; and
- redesigning the organisation, processes, technology, and reward system to implement the relationship strategies.

The strategic planning process of an e-business organisation needs to be adjusted to the needs of a *customer-centric culture*. This adjustment has two major stages:

1. Implementing the tools of the CRM system within the operational structure of the firm
2. Introducing customer-centric values, objectives and procedures in the organisational culture

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