



# Integration of E-CRM in Healthcare Services: A Framework for Analysis

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## ABSTRACT

*The quality of service which could be delivered by the U.S. healthcare system is in contrast with the customer's perceived expectations and reported levels of satisfaction. Due to the uncertainty about stakeholder views and the anomaly of the third-party payment system, healthcare service providers are accused of not relating to their patients. This article examines how—by using an analytical framework—a healthcare provider can develop competitive advantage through implementing electronic customer relationship management (e-CRM) systems that create perceived customer value for its patients. This framework allows the firm to systematically look at points where the customer interacts with specific organizational assets. By examining individual interactions and understanding how the customer perceives an interaction, the firm may then develop specific e-CRM systems to maximize the value a customer may realize through that interaction. Due to the in-depth and lengthy nature of most patient relationships with a healthcare provider, the healthcare industry is used as an example of how this framework can be used by all service providers.*

*Keywords:* e-CRM; healthcare; strategy

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## INTRODUCTION

In different times, perhaps 50 or more years ago, the neighborhood grocer was able to anticipate the demands of his customers. His product offerings would be based on intimate knowledge of his customers, their families, lifestyles, and preferences. These insights were gathered through a series of personal interactions with his customer base. The value of the relationship was clear to both the grocer and the customer in terms of appropriate inventory

levels and availability of products. In modern times, with restructured societies, increased customer anonymity, and the use of electronic transactions, maintaining a close and personal relationship with the customer is extremely challenging, if not impossible, for most businesses. Whether operating in a business-to-business (B2B) or a business-to-consumer (B2C) environment, relationships must be restructured, rekindled, and managed in new ways—hence the renewed popularity of CRM.

The concept of CRM is based on value maximization. The core concept of CRM is that value creation between the firm and the customer is related in such a way that an increase in customer value leads to an increase in firm value (Mithas, Krishnan, & Fornell, 2005). In the words of Payne and Frow (2005, p.168):

*CRM is a strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. CRM unites the potential of relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to both understand customers and co-create value with them. This requires a cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology, and applications.*

With the increase in use of electronic B2B and B2C commerce, our ability to further the cross-functional integration of firm resources and the customer has grown tremendously. In this context, CRM efforts are often labeled e-CRM, since they typically involve improving relationships via the Internet—including e-mail, the Web, chat rooms, e-forums, and so forth (Lee-Kelley, Gilbert, & Robin, 2003). An excellent roadmap to CRM research can be found in Boulding, Staelin, Ehret, and Johnston (2005).

While the need for CRM tools seems to have been well understood by many organizations, it appears the tools have not yet been widely implemented. A recent study of Irish companies documented a severe lack of access to information needed to answer vital business questions such as “who are your best customers?” (McGarry, 2006). The author found that the majority (67%) of these companies had no mechanism for recording, managing, and analyzing vital customer information.

The expectations regarding the value of CRM and e-CRM programs are well documented. Tsiriktsis, Lanzolla, and Frohlich (2004) found that an increase in expected performance benefits leads to an increase in the adoption of e-CRM. Gupta, Lehmann, and Stuart (2004) found that a 1% improvement in customer retention can increase firm value by 5%, further motivating development of new tools to capture (and improve) the customers’ value. In addition, Mithas et al. (2005) found that for a cross section of U.S. firms, the use of CRM applications is positively associated with improved customer satisfaction. By using customer knowledge as a mediator for customer satisfaction, their study suggests that in addition to implementing CRM, managers should also ensure that customer knowledge is disseminated across customer “touchpoints” in order to gain benefit in terms of customer satisfaction. Thus, managers need to institute measurement systems to capture the gains in customer knowledge following the implementation of CRM applications.

While the aforementioned studies provide positive motivation to develop e-CRM applications, other research has shown that there are challenges associated with CRM. “Although companies are investing record amounts of money ... in customer relationship management (CRM) technology ..., most of these initiatives end in disappointment” (Beaujean, Davidson, and Madge, 2006). Band, Kinikin, Ragsdale, & Harrington, 2005, report that over half of completed CRM projects do not meet or exceed expected business benefits. Tafti (2002) reports CRM project failure rates of up to 70%. There are several reasons for such disappointing results. On one hand, the methods for developing CRM systems have not, until recently, been well defined. Further, developing and implementing useful CRM systems depends on a deep understanding of firm resources and processes, as well as customer perceptions, and these are complex issues for which structured tools are largely not available.

On the methodology side, Bose (2002) proposed an 8-phase CRM development

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