

IT Evaluation Practices in Electronic Customer Relationship Management (eCRM)

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INTRODUCTION

Organizations are becoming increasingly aware of the need to scrutinize their bottom-line financial returns of business automation initiatives. To achieve this, organizations have to become more customer-centric. According to Karakostas, Karadaras and Papatthanassiou (2005), a 5% increase in customer retention can result in an 18% reduction in operating costs. Therefore, the need to build and maintain customer relationship has become a priority for organizations. However, according to a KPMG survey, only a small percentage of companies were able to obtain even basic customer information despite the fact that 89% of companies consider customer information to be extremely important to the success of their business (McKeen and Smith, 2003). As a result, many organizations are adopting electronic customer relationship management (eCRM) applications in order to gather, organize, understand, anticipate, and respond to the constant evolution of customers' requirements and demands.

Indeed, eCRM is forecasted to become increasingly important as businesses seek to deliver their services and information as well as to provide transactional facilities via online and wireless platforms, in addition to the more traditional means of communication channels (e.g., call centers and customer service) (Tan, Yen and Fang, 2002). The market worldwide for eCRM applications is predicted to grow from US \$3.4 billion in 2000 to US \$10.5 billion in 2005 (EPS, 2001).

Yet, despite the huge investment and widespread agreement that eCRM has direct and indirect impact on customer satisfaction, loyalty, sales, and profit, it has been found that 70% of eCRM solutions that have been implemented by businesses fail (Feinberg, Kadam, Hokama and Kim, 2002). Moreover, studies carried out by Gartner, Forrester, AMR Research, and the Yankee Group claim that most of CRM implementations did not return the expected ROI (Foley, 2002). This is because management tends to be myopic when considering their IT (information technology) decisions, primarily because they are unable to evaluate (specifically the indirect benefits and costs) eCRM applications (Ernst and Young, 1999).

To address this issue, this paper sets out to investigate the current evaluation practices by Australian organizations

implementing eCRM. The other objective is to identify the key issues faced by managers to justify and measure their eCRM. Hopefully, the finding can help business organizations to better manage their eCRM investment and its contribution to improving their long term profitability.

BACKGROUND

eCRM Characteristics and Elements

Advances in IT have provided businesses with an opportunity to deliver CRM functions more effectively. The use of IT to deliver CRM has led to the emergence of electronic customer relationship management (eCRM) and specialist software vendors in the marketplace. This new generation of customer relationship management products is called eCRM because it supports the multiple electronic channels that are now available to customers (Bernett and Kuhn, 2002). The "e" is usually dropped when speaking about eCRM when it refers to CRM that has technology-facilitated interfaces with customers in a broad electronic commerce context which goes beyond the web (Chen and Chen, 2004). The followings are some of the definitions of eCRM found in the literature (Table 1).

Many researchers consider eCRM to be a subset of CRM, meaning that eCRM is one more channel through which an organization can deploy its customer relationship management strategy. eCRM differs from CRM in three important ways (EPS, 2001):

- It includes email, wireless channels, and Web;
- It is enterprise-ready rather than focused on departments or call centers; and
- It extends to cover partner channels such as extranets.

eCRM falls into three main types: operational, analytical, and collaborative (Fjermestad and Romano, 2003). Operational eCRM is concerned with the customer touch points such as automating sales force while the analytical eCRM utilizes technology to process and analyze large amounts of customer data (Sigala, 2004). Collaborative eCRM, on the other hand, focuses on creating a real-time eCRM infra-

Table 1. Various definitions of eCRM

Citations	eCRM Definitions
Steinmueller (2002)	eCRM is the collection of techniques that is employed, or that might be employed, to capture, retain, analyze, and productively utilize information about customers (or potential customers) for the purposes of pre-sales support, making sales and arranging delivery, and providing post-sales support.
Fjermestad and Romano (2003)	It is a combination of hardware, software, processes, applications, and management commitment.
Karakostas et al. (2005)	eCRM means that the sources of customer-related data are collected from the customer interactions with the Web and Internet-based systems.

structure for enterprise sales, service, marketing, and product development to better support customer requirements.

Evaluation of eCRM

As mentioned earlier, organizations invested substantial financial and organizational resources in eCRM annually, but had encountered extremely high failure rates, unhappy customers, and wasted money. While most eCRM vendors promised lots of benefits and dramatic return on investment results, it is difficult to substantiate their claims without undergoing proper evaluation and benefits realization processes (Lin, Pervan, McDermid, 2005; Love, Irani, Standing, Lin, and Burn, 2005). For example, a research conducted by Capgemini indicated that 52% of organizations surveyed could not measure their eCRM investments (Capgemini, 2004). Although there is now a well established field of research concerned with IT evaluation, there has been limited academic and practice based work undertaken on in the domain of eCRM applications (Kim, Suh and Hwang, 2003). The difficulties associated with determining the benefits and costs of IT are the major constraint to investment justification for eCRM. Consequently, many service organizations are faced with a dilemma, that is, how to manage the performance of an enterprise system that has both an internal and external focus and, thus, adds value for stakeholders (Dibb, 2001).

The difficulty in evaluation centers on the fact that both benefits and costs are difficult to quantify (Sugumaran and Arogyaswamy, 2004). In particular, the less precisely bounded environment of electronic commerce technology such as eCRM adds more complexity to the measurement problem as this type of investment is physically distributed between suppliers and customers, making the evaluation process even more difficult (Straub, Hoffman, Weber and Steinfield 2002). Indeed, many organizations have found that these IT project costs and benefits can be difficult to estimate and control.

Some new and old measures need to be differentially applied for evaluating phenomena such as electronic commerce and the Internet (Straub, et al., 2002).

RESEARCH METHODOLOGY

As mentioned earlier, the benefits and added value that can be obtained from implementing eCRM have not materialized for many businesses (Ernst and Young, 1999). This is because there is currently a lack of clearly defined and measurable benefits as well as systematic approach to evaluate the eCRM systems (Auer and Petrovic, 2003). Effective evaluation of IT investments is critical to its successful implementation (Lin and Pervan, 2003; Tsao, Lin and Lin, 2004; Ward and Daniel, 2006). To address this issue, specific objectives of the research are to:

1. identify the key factors and issues faced by organizations to justify the implementation of eCRM projects; and
2. determine the current evaluation practices by Australian organizations implementing eCRM projects.

Case study utilizing semi-structured interviews (tape-recorded), observation, and document review were employed for this research, since the need for using multiple sources of data arises from the ethical need to increase the reliability and validity of the research processes (Mingers, 2001). According to Remenyi and Williams (1996), case study is one of the most frequently used research methods in information systems research.

A series of exploratory in-depth formal and informal interviews were conducted in Australia with senior managers and key personnel from several organizations to gain an overview of the business processes and the evaluation practices of their eCRM investments. Interviews were

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