



Chapter I

Customer Relationship Management – A Strategy for Success in Electronic Commerce*

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Abstract

Customer relationship management (CRM) is a concept for increasing companies' profitability by enabling them to identify and concentrate on their profitable customers. The term "electronic commerce customer relationship management" (ECCRM) refers to the application of CRM in electronic commerce, i.e., when business relationships are maintained via the Internet or World Wide Web. Previous studies on the effectiveness of ECCRM have often focused on the process level, technical aspects, or on marketing issues. Yet only little evidence has been reported for the impact of ECCRM on the company level. In this chapter we present the results from a large-scale empirical study investigating the impact of ECCRM on

corporate success in electronic commerce. The study comprises 469 cases of general companies in the German-speaking market. We find that ECCRM is a critical success factor in electronic commerce, independent of companies' time on the Web. It is especially critical for B2C and small companies.

Introduction

Customer relationship management (CRM) is a strategic concept enabling companies to systematically build up and extend the knowledge of their customers, thus empowering companies to actively conduct, i.e., manage, the business relationships with their customers. CRM can be understood as a revolving process during which companies interact with their customers, thereby generating, aggregating, and analyzing customer data obtained from all channels, and employing the results for service and marketing activities (Seybold, 2001; Strauß & Schoder, 2002, p. 81f).

Companies may pursue several goals when employing CRM to manage their customer relationships. An economic goal which companies seek to achieve by the use of CRM is to increase profitability by concentrating on the economically valuable customers, thus increasing revenue (“share of wallet”) from them, while possibly “de-marketing” and discontinuing the business relationship with non-profitable customers. Strategic considerations represent another motivation for companies to employ CRM: By providing customized products and services to them, companies can increase their customer satisfaction, which is likely to lead to higher customer loyalty and longer customer retention. This, in turn, makes it less probable that their customers will defect to other companies (i.e., it lowers the churn rate).

Electronic commerce customer relationship management or ECCRM (Kundisch, Wofersberger, Calamis, & Kloeper, 2001; Romano & Fjermestad, 2001a) strongly relies on Internet or Web-based interaction of companies with their customers, yet also includes customer data obtained through the other channels (such as phone or fax). As the term suggests, ECCRM is a key element of CRM by specifically aiming at supporting electronic commerce, which we understand as the activities related to initiating, negotiating, and executing business transactions online. Since the beginning of the commercial use of the Web, ECCRM has received increasing attention from both practitioners (Adams, 2000; Holden, 2001; Malis, 2000; Orr, 2001) and researchers (Romano & Fjermestad, 2001b).

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