

Chapter 14

Customer Relationship Management (CRM) Implementation Intensity and Performance: A Study of Web-Hosting Companies

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ABSTRACT

Competition in the Web-hosting industry has become very intense in recent years as the market becomes saturated with existing as well as new players. To survive in this very competitive environment, Web-hosting companies need to be more responsive to their customer needs. Customer relationship management is thought of as a key solution to this. Thus the purpose of this study was to test the effect of CRM implementation intensity on CRM performance among Web-hosting companies. The more intense the implementation the better the CRM performance should be. Data was collected via online questionnaires from 81 respondents representing various online Web-hosting companies around the globe. The results indicated CRM implementation intensity had a direct positive influence on CRM performance.

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INTRODUCTION

Competition in the web-hosting industry has become more intense in recent years due to the highly saturated market and a high degree of fragmentation (Kargar, 2007). In addition to the pure web-hosting companies, new players such as application server providers (ASP), Internet service providers (ISP), telecommunications companies, computer hardware suppliers and large information technology firms are also entering this industry. Consequently this has resulted in an excess supply of web-hosting services over demand. To survive in this very competitive environment, web-hosting companies attempt to outdo each other in terms of prices, reliability (reduced down time), quality technical support, technology (having the necessary software and platform), strategic alliances, search engine tools and web design portfolios. While competing against others on the basis of product offerings seems a viable strategy to attract customers, it may fail to guarantee the retention of customers in the long run. Moreover in today's web-hosting industry, customers are savvier about the service they should be getting and are voting with their wallets based on the experience they receive. For this reason, many web-hosting companies have currently become more customer-centric in their business philosophy by implementing customer relationship management (CRM) as their strategy. CRM is generally believed to create a competitive edge for organizations, as well as to have a positive impact on organizational performance (Sin et al., 2005). The premise underlying CRM is integrating people, processes, and technology throughout the value chain to understand and deliver customer value better (Kim et al., 2004). CRM includes all the tools, technologies and procedures to manage, improve or facilitate sales, support and related interactions with customers, prospects and business partners throughout the enterprise (Davenport et al., 2001).

Divergent views exist regarding the nature of CRM (Zablah et al., 2004). Apart from being deemed as a business philosophy (Hasan, 2003), some perceive it to be a specialized collection of technological tools (Shoemaker, 2001) while others suggest it is actually a process that focuses on managing customer relationships (Srivastava et al., 1999). On the other hand, there are those who propose that CRM is best interpreted as a kind of strategy for customer retention (Verhoef & Donkers, 2001). Despite all these differing perspectives, all the conceptualizations focus on building and managing long-term relationships with customers. All in all, Bennett (1996) listed that key elements of CRM should include continuous interaction with customers, use of knowledge about customers to better satisfy them, delivering customer value and mutual benefit and commitment.

In their application of the CRM philosophy, many web-hosting companies have integrated the CRM software into their daily business operations, ranging from simple technical support centres to sophisticated customer personality analysis applications. The software tool enables better relationships to be developed with customers through the acquisition and management of customer information (Rigby et al., 2002). Basically, the CRM software tool allows the system to detect the different needs of various customers so that products can be target-marketed and sold to the most appropriate clients. Such implementation of CRM technology is touted to enhance the performance of organizations (Boulding et al., 2005; Hitt & Snir, 1999; Melville et al., 2004). However, this alleged association requires the support of empirical evidence from research studies. Reactions and reviews on the value of CRM implementation have been mixed. Some have been convinced of its positive impact for the practicing organizations (Ahearne et al., 2007; Kim et al., 2004; Reinartz et al., 2004) while others in the mainstream sources have expressed skepticism

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