Chapter 6.12

Investigating the Impact of Customer Relationship Management Practices of E–Commerce on Online Customer's Web Site Satisfaction:
A Model–Building Approach

Su-Fang Lee
Overseas Chinese Institute of Technology, Taiwan

Wen-Jang (Kenny) Jih
Middle Tennessee State University, USA

Shyh-Rong Fang
National Chung Hsing University, Taiwan

ABSTRACT

This study addresses the effect of customer relationship management (CRM) practices on online customers' satisfaction with their experience in interacting with the company Web sites. Recognizing the importance of maintaining a healthy relationship with customers, companies are actively seeking ways to enhance the customer value of their offerings through relationship marketing. Since effective managing of customer relationships essentially involves managing customer information flow, Internet technologies have become an important element of a firm's CRM program. The company Web site is functioning as the focal point of contact for interacting with existing and prospective customers. An important concern is how the company Web site affects customers' overall perception of the Web site. Using the concepts of Internet-mediated market orientation in marketing and user satisfac-

tion in information systems, this study formulated and validated a theoretical model to analyze causal relationships between CRM practices, customers' perception of a Web site's online customer orientation and online customer Web site satisfaction. Based on the structural equation modeling analysis of the primary data collected in Taiwan, the study found that CRM practices positively impact online customers' Web site satisfaction through their perception of the Web site's customer orientation.

BACKGROUND

The Internet technology has evolved into a convenient platform for the development of corporate information infrastructures to support a wide range of innovative business strategies. The open and flexible communication protocols that collectively define today's Internet technology are now playing a vital role in processing highly distributed transactions, supporting knowledge-intensive decision making, and facilitating ambitious organizational collaboration (Turban, King, Lee, & Viehland, 2004). The ubiquitous connectivity and user-friendly interfaces have indeed offered a rich set of technological capabilities, allowing for development of value-creating systems to attract customers (Fahey, Srivastava, Sharon, & Smith, 2001).

In the e-marketing discipline, Internet technology is viewed as "a market space where a firm interacts, makes transactions, and builds relationships with suppliers, distributors, competitors, as well as consumers" (Min, Song, & Keebler, 2002, p. 3). In addition to the functional capabilities, the appeal of Internet technology also comes from the rapid growth of consumer acceptance it has enjoyed since the network was made available for commercial usage. An industry research from Jupiter Research (http://www.find.org.tw/), for example, indicates that annual online retail sales in the United States will reach 65 billion dollars during the year of 2004 and 117 billion

dollars for the year of 2008 with the composite annual growth rate of 17%. According to this research, although the growth rate of first-time online shoppers in the United States will slow down as the Internet population saturates, the average purchasing amount is expected to increase steadily as a growing number of customers gain and feel satisfied with their experience with Internet shopping. The strategic role of Internet technology becomes even more obvious as one observes how companies in various sectors are integrating sophisticated knowledge management capabilities (e.g., online communities) into their new product development process and other customer-facing functions (Gebert, Geib, Kolbe, & Brenner, 2003).

An important e-marketing area that has received much attention from marketing researchers is relationship marketing. The aim of relationship marketing is to build long-term, mutually satisfying relations with customers, suppliers, and distributors with the objective to earn and retain their long-term preference and businesses (Kotler, 2000, p. 13). Today's highly competitive business environment requires the adoption of both offensive marketing strategy (recruiting new customers) and defensive marketing strategy (retaining existing customers) (Stefanou, Sarmaniotis, & Stafyla, 2003). To implement these customer-centric strategies, companies must have access to information about customers and provide customers with valuable knowledge to help them use the products they purchased from the company. In addition, instead of treating all customers equally, it is essential for companies to understand customers' requirements and customize the product and service offerings accordingly. Maintaining constant two-way communications with customers, therefore, is an important prerequisite for successful management of meaningful customer relationship.

A variety of information systems have been used to help with interactions with the customers. Often referred to as CRM systems, these systems

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