Chapter 2
Investigating Factors Affecting Adoption of eCRM in the Australian Service Industry

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ABSTRACT

In order to grow and survive in a highly competitive market like the service industry, Electronic Customer Relationship Management (eCRM) has become a popular tool for Australian service organizations to attract, manage, and enhance customer relationships. However, due to increased competition and decreased product/services marketing cycle time, managing and building customer relationships have become a challenge for most service organizations. Ineffective eCRM adoption process can result in financial losses for the organizations. Hence, case studies are conducted to identify and examine potential IT costs and risk factors involved in the adoption of eCRM projects. The findings in the chapter provide senior executives with a more realistic insight into dealing with issues and challenges arising from the adoption of eCRM.

INTRODUCTION

In order to become more efficient and effective in delivering products and services to customers via the use of IT, many service organizations have started to rethink the ways in which they build relationships with their customers by initiating electronic customer relationship management (eCRM) projects (Nguyen, 2011; Roseman & Stuhura, 2013; Singala, 2008). According to Gartner (2013), global spending on CRM software had increased from US$16 billion in 2011 to US$18 billion in 2012 and is likely to increase to US$36.5 billion by 2017, showing a 15.1% compound annual growth rate from 2012 to 2017. A five percent increase in customer retention is likely to result in an eighteen percent reduction in operating costs (Karakostas, Karakostas, Papathanassiou, 2005). A survey conducted by Gartner on European organizations showed that

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the top two objectives for the adoption of eCRM/CRM are to increase customer satisfaction and engagement (Davies, 2014).

Despite technological advances and high level of investments in CRM/eCRM, it still faces numerous difficulties and challenges. It also has a positive and significant relationship with customer satisfaction, customer experience, customer loyalty, sales and profit, factors affecting the adoption of eCRM have not been well researched (Davies, 2014; Finnegan & Currie, 2010; Meadows & Dibb, 2012). It has been reported that stalled or failed CRM projects are often the result of organizations lacking a thorough understanding of what CRM initiatives and implementation entail (Hendricks, Singhal, & Stratman, 2007; Krigsman, 2009). Moreover, many studies reported that CRM implementations do not return the expected ROI (Foley, 2002). For example, CRM failure rates conducted by various research institutions (e.g. Gartner, Bulter, AMR, Forrester Research) between 2001 and 2009 varied widely, ranging from 18% to 70% (Krigsman, 2009). CRM ranked in the bottom three categories among 25 popular tools evaluated for customer satisfaction in a Bain & Company survey of 451 senior executives in 2001 (Mello, 2002). The high eCRM/CRM failure rate might be due to the fact that senior management tends to be myopic when considering their IT decisions (Ernst & Young, 1999).

Building an excellent learning capability is important for organizations to understand customer behavior such as repeat purchases and cross-sales (Lusch, Vargo, & Tanniru, 2010). This can provide requisite pre-decision information to senior executives since inaccurate evaluation processes may reward and encourage suboptimal IT investment projects (Huang, Chung, & Lin, 2009; Kuo, Lin, His, & Huang, 2006; Standing & Lin, 2007). For example, senior executives need to realize that the technological advancements have resulted in increasingly global and fierce competition and it is of vital importance to understand the rapidly changing customer buying patterns and demands (Ernst, Hoyer, Kraft, & Krieger, 2011; Nguyen & Mutum, 2012). Thus, there is a need to identify potential IT costs and factor for the adoption of eCRM so as to offer management a more realistic insight on the impact of their investment on their business. Hence, case studies were conducted to identify and examine potential IT costs and risk factors involved in the adoption of eCRM projects. The findings provide senior executives with a more realistic insight in dealing with issues and challenges arising from the adoption of eCRM.

BACKGROUND

Customer Relationship Management (CRM)

Customer relationship management (CRM) is a strategy to build, communicate, and manage long-term relationships effectively with their customers on an individual basis (Lam, Cheung, & Lau, 2013; Mojtaba, 2009). It is a comprehensive business and marketing strategy that integrates technology, process and business activities around the customer (Mojtaba, 2009). The main goals of a CRM adoption are to shape customers' perceptions of the organization and its products through identifying customers, creating customer knowledge, building committed customer relationships, as well as improving customer expectation and loyalty (Azila & Noor, 2011; Ragins & Greco, 2003). A well-designed and well-resourced CRM can be used to involve and engage customers and to learn more about customers' individual needs (Payne, Storbacka, & Frow, 2009; Vargo, 2009). It is a broad term that has evolved from systems such as Marketing Information Systems, Database Marketing, Decision Support Systems, Call Centre Management, and Transaction Support Systems and can cover a wide array of technologies and business processes (Woodcock & Starky, 2001). CRM is also a term for methodologies, processes, systems and software that help an organization to