Chapter 6.8
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 EC-CRM 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).

The same as for conventional CRM, companies have invested large sums in ECCRM implementations, lured by the prospect of higher profitability. Yet, it seems that the resulting business value or benefit often fails to emerge, putting managers under high pressure to justify their investments. AMR Research (2002) finds disastrous evidence for the lacking effectiveness of CRM implementations in practice, stating that only "16% of [all CRM] projects reach the promised land and measurably influence business performance," while a fraction 12% of implementations already "fail to go live," and business change and adoption fail in another 47%.

So far, research has not been able to contribute much guidance for managerial practice on this issue (Malis, 2000). Especially, the question of central interest to decision makers—If and to what extent do the high investments in ECCRM translate into bottom-line benefits at the corporate level, such as increased profitability or a better competitive standing?—has received only little attention (Tan, Yen, & Fang, 2002). As can be seen from a recent overview of existing ECCRM research (Romano & Fjermestad, 2001b), previous studies have frequently focused on technical aspects of corporate Web presences (e.g., design, usability, features, and the acceptance of Web pages) or on marketing issues (e.g., customer behavior, satisfaction, and retention, as well as trust). Further, past ECCRM studies have often concentrated on specific industries (e.g., the financial industry) or business models (e.g., Web-centric business models). Additionally, to the best of the authors' knowledge, there have been no comprehensive studies comparing the effectiveness of ECCRM for business-to-business (B2B) and business-to-consumer (B2C) companies or for different company sizes.

The objective of this chapter is to present broad empirical evidence on the effectiveness of ECCRM at the corporate level, thus addressing the gap in existing research and providing guidance for managerial practice at the same time. We summarize and discuss the results of an empirical study based on 469 cases from a representative survey comprising 1,308 cases in the German-

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