# The Importance of "Emotional" Features in Web-Based CRM System

Noor Raihan Ab Hamid, Multimedia University, Cyberjaya 63100 Selangor, Malaysia; E-mail: raihan.abdulhamid@mmu.edu.my

Ali Khatibi, Multimedia University, Cyberjaya 63100 Selangor, Malaysia; E-mail: ali.khatibi@mmu.edu.my

## ABSTRACT

*The notion of managing customer relationships would lead to better profitability has gained more attention from companies today. Companies' CRM efforts are not only limited to the physical contact points with customers: CRM program extends even to the online channel. However, recently researchers tend to focus on the importance of managing customer experience within the CRM initiatives. Past studies claim that CRM is not just a system solution to improve marketing and selling product/services. CRM system should also enable the features that would increase customers' emotional value and better experience. However, what are the "emotional features" that can be delivered in an online environment and what are the effects of those features on customer retention? Based on the literature, this study investigates the relationships between emotional features and customer retention. As such, questionnaire surveys were used to gather consumers' perceptions toward the internet as a shopping medium. In this study, we use structural equation model to test the fitness of data to the research model and reported the path loadings of studied variables. The findings determine that "emotional" constructs: personalization, place/track orders and online community influence customer retention. We discuss the results and suggest some directions for future research.*

## 1.0 INTRODUCTION

The battle for customers has never been more intense. Heighten customer expectation and globalizations of trades are the uprising pressures which lead to a rise in competition. These factors force companies to switch from a product-centric approach to a customer-centric approach (Xu, Yen, Lin & Chou, 2002). At this junction, retailers who are at the front end of the supply chain and interact directly with customers are in a critical position to fully comprehend what induces repeat purchases (retention) (Feinberg & Kadam, 2002). Many researchers argue that in order to keep customers companies need to emphasize on customers emotional values, that is, the service attributes that make customers feel they are treated well enough to attract them to keep coming back (Anonymous, 2006). These "emotional" features can provide better customer experience leading to higher retention rates (Markwick, 2006).

Past studies have examined the roles of customer experience and emotional values in the traditional marketing environment (Schmitt, 1999; Wolf, 1999). However, limited research focuses on the influences of "emotional" features in an online environment. Since the Internet has become a significant (if not the only) channel of marketing for many firms, the study to understand the effect of emotional features on online retention merits further investigations.

### 1.1 Why Electronic Customer Relationship Management (E-CRM)?

E-CRM refers to the marketing activities, tools and techniques, delivered via the Internet which includes email, world wide web, chat room, e-forums etc. bearing on locating, building and improving long-term customer relationships (*Lee-Kelley, Gilbert & Mannicom, 2003). Driven by economics of customer management – well defined segmentation will lead to cost effective marketing efforts and increased profits, enabling technology such as the Internet is vital for firms to identify the differences in customers' behavior- preferences and attitude toward company's products. Coupled with other technology at the back-end such as customers' database, warehousing and data mining, value adding and personalized products or services could be offered, which in turn create an edge over competing companies.*

Driven by intense competition and cost-efficiency inspiration, firms are closely looking at marketing strategies that could win consumer loyalty. Businesses on the Internet are confronted with greater challenges as consumers' searching costs for price, quality information and comparisons across stores are much lower (Bakos 1997; Lynch & Ariely 2000), hence switching barriers almost do not exist (Yang & Peterson 2004). Research in understanding consumer retention has been the subject of investigation in the marketing area for a few decades. The motivation is driven by consumer economics in which keeping consumers may lead to securing sales (Jackson 1985) and serving repeat consumers costs less than acquiring new ones (Reichheld 1996). Consumer retention has been a primary goal of almost all companies, including Web-based companies (Peppers & Rogers 1995; Reichheld and Schefter 2000).

### 1.2 The Internet as a Tool of Retaining Customers

Front-end internet applications such as email, World Wide Web and chat room need to be supported with a well-built back-end system that utilizes the power of, among others, intelligent agents and database engines. Without a powerful back-end system, these Internet applications will not be able to function effectively. The E-CRM process begins at the first customer contact point such as a browser. That is, when customers visit a company's website the activities will be captured by a cookie file and logged in a server for initial profiling purposes. In turn, this profile allows firm to understand customer's surfing pattern which may be useful for future marketing plans. Added with users' information obtained from a web form, individual customer's profile is built up and stored in a database at the back-end. At this point, customers can interact with the database to check product availability, retrieve order details, track an order as well as personalize certain services.

Subsequently, a data warehouse application can be applied to sort periodical reports of customers' activities, which in turn, serve as input to an entailing data mining process. Next, the extraction of valuable information from a mining process may be used to produce buying trends vital to determine particular patterns in customers' behaviour leading to more effective customer segmentation. Indeed a consumer will revisit a Web site until there is another Web site that offers better quality service. In other words, it is the quality of products/services that makes the difference (Feinberg & Kadam 2002). Thus the imperative of understanding the level of quality of service rendering better customer experience, which may lead to retention should be investigated and is discussed next.

## 2.0 THEORETICAL FRAMEWORK
### 2.1 Customer Experience

In recent years, there seemed to be an increase in interests toward understanding the roles of customer experience in managing relationships. In particular researchers shifted their focus from merely investigating the impact of CRM systems to Customer Experience Management, also known as CEM, on improving relationships. In fact, many researchers claim that the economy, in particular the service sector, has been transformed into an attention economy (Davenport & Beck, 2002), entertainment economy (Wolf, 1999), emotion economy (Gobe & Zyman, 2001) or an experience economy (Pine & Gilmore, 1998; Schmitt, 1999). As many of service offerings have been commoditized, firms are advised to seek new ways to achieve competitive advantage by focusing on management of customers' experiences (Pullman & Gross, 2004).

Customer experience has been defined as the quality of event that accounts for anticipation, **emotional involvement,** a uniqueness that makes the aforementioned stand out from the ordinary, and reaches some form of completion (Dewey, 1963). In addition, Price et al. (1995) suggests that extraordinary experiences are those activities characterized by high levels of emotional intensity which is usually triggered by an unusual event. The goal of providing such experience is to orchestrate experiences that are functional, purposeful, engaging compelling and memorable (McLellan, 2000). Hence, properly executed experience management will induce sense of loyalty not only through a functional design but also by creating **emotional connection** through engaging, compelling and consistent context (Pullman & Gross, 2004). However, the literature lacks studies that investigate the importance of "emotional features" leading to customer retention in an online environment.

### 2.2 Putting Customer Experience into the Online CRM System
Since the goal of CRM systems is to increase customer retention, and managing customer experiences are vital to encourage retention, this study examines the effect of several "emotional features" available on companies' Web sites on customer retention. The emotional features included in this study are:

*Personalization Component*
Consumers' involvement in designing products/services offered by Web sites is imperative since consumers have the very best understanding of their needs and relay the information to the providers (Von Hippel 1998). This knowledge of consumers' preferences is vital to avoid the sacrifice of consumer goodwill and maintain superior satisfaction (Du et al. 2003). Indeed, personalization attracts consumers to come back repeatedly since it turns consumers into product 'makers' rather than simply product 'takers' (Winer 2001), Thus, consumers are empowered in ways that they can choose their own preferred design, colour, product updates and other attributes that go well with their tastes. Slywotsky (2000) refers to this process as a "choiceboard" where consumers take a list of product attributes and determine what they want. The consumers are actually facilitating the activities of the company especially in product design, data collection and consumer service, which in turn extract value from participating in the marketing process (Moon 1999). Hence, the first hypothesis is:

H1:  Personalization component offered by companies' Web sites influence customer retention.

*Placing Orders and Order Tracking Components*
Certainly, consumers will feel empowered and in control when they are able to easily find a product/service, learn more about it and quickly make a purchase decision. For example, a site may provide features such as shopping carts, one-click ordering and order tracking to provide superior convenience and higher levels of consumer control (Batty & Lee 1995). Indeed, users who experienced superior values rendered by a site may never bother to switch and face uncertainties of service quality offered by other sites. A second hypothesis follows:

H2:  Placing orders and order tracking components offered by companies' Web sites influence customer retention.

*Online Community Component*
To make a Web site more enticing Winer (2001) suggests building an *online community* of site users. This would make it more difficult for the consumer to leave the acquaintances who also patronize the company. Consumers can exchange information with each other and obtain online help from their online members when a product related problem arises (Moon 1999). These experiences create stickiness - the extent to which a company is able to attract consumers to use a site relatively longer and return (Strauss & Frost 1999), and consumers are more likely to revisit the site (Singh 2002). Therefore, online community can serve as an exit barrier since the relationship that develops among the members of the group may make it difficult for consumers to switch. Therefore, this study proposes the third hypothesis:

*Figure 1. Hypothesized relationships*
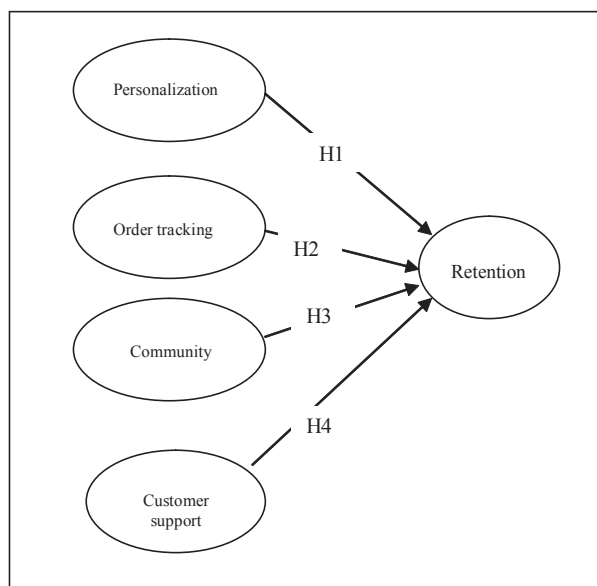


H3:  Online community component offered by companies' Web sites influence customer retention.

*Customer Support Component*
It is a necessity that an online company maximizes its efforts in communicating the firm's image and purpose to its consumers (Bitner 1992). Consumers constantly demand for careful, continuous, and useful communication with company representatives (Lohse & Spiller 1998). Since these attributes are frequently identified as salient dimensions in store selection behaviour (Jarvenpaa & Todd 1997; Kolesar & Galbraith 2000), company representatives should have the knowledge and basic technology skills to answer online questions. They should understand consumer-specific needs, have the capacity to handle problems that arise and address consumer complaints in a friendly manner (Yang & Peterson 2004). Hence, the fourth hypothesis is:

H4:  Customer support component offered by companies' Web sites influence customer retention.

Figure 1 depicts the relationships between the constructs being studied.

## 3.0 METHODOLOGY
### 3.1 Questionnaire Design
The questionnaire used in this study was designed based on the research objectives discussed. The questionnaire consisted of three parts. The first part, Section A, consisted of demographic information such as a respondent's age group and income level. Section B consisted of general information about a respondent's internet activities. These questions included respondents access location, number of years using the Internet, types of Internet activities and time spent in a week on the Internet. The third part, Section C, was designed to assess the attributes affecting respondents' satisfaction, retention and loyalty on the Internet respectively. The respondents were asked to indicate their opinions pertaining to various dimensions of the three variables being studied. A 5-point labelled Likert type scale was used with anchor from 1="Strongly Agree" to 5= "Strongly Disagree".

### 3.2 Operationalization of Variables
The items for the studied variables: *personalization, place/track orders, online community, customer support and retention* were constructed from the literature

*Table 1. Measurement items*

| Variable | Items | Cronbach's Alpha |
|---|---|---|
| Emotional features:<br>*Personalization* | Create my own account<br>Knows my preferences<br>Greet me by my name<br>Offers what I want | 0.86 |
| *Place/Track orders* | Allows to check order status anytime<br>Place orders anytime<br>Keep me well informed | 0.82 |
| *Online community* | I feel sense of belonging<br>Enjoy sharing ideas and information<br>Enjoy exchanging information | 0.75 |
| *Customer support* | Quick response to enquiries<br>Professional handling of complaints<br>Always updated with customers' activities | 0.74 |
| *Retention* | I will re-visit the Web site<br>I will recommend to my friends<br>This is the site of my choice<br>I will definitely return | 0.89 |

pertaining to the respective subject matter. Table 1 summarizes the list of items used to measure each research variable.

### 3.3 Sampling

Primary data for this research were collected using a personally-administered questionnaire as this method will ensure a higher response rate. Research assistants helped in contacting respondents via email, and distributing and collecting the questionnaire in person. Secondary data for this study came mainly from newspapers, the Internet, journals, publications, magazines, books, and databases accessed via the Internet.

The main source of users list came from various education, government and corporate institutions in Klang Valley, Penang, Johor Bahru and Kuching. The nature of work that people do in these institutions requires the use of Internet hence they are appropriate source of primary data for this study. For example, it is common for university staff and students to use the internet for communication or to conduct research. Likewise, most companies in the selected cities have internet connections on their premises and the method of communication within these companies is mainly email. Malaysian government is one of the leading examples in implementing e-government in Asia. Most of the government offices are internet-enabled and in fact, the use of intranet within these departments is common. Thus, the choices of these institutions are deemed appropriate for this study. 1000 respondents were chosen using systematic random sampling. A total of 671 (67.1%) responded to the survey while the remaining respondents either could not be contacted or declined to participate. Descriptive analysis was used to report the profile of research respondents while measurement model was conducted to examine the items of research constructs: personalization, place/track orders, online community, customer support and retention. In addition, Structural Equation Model (SEM) was conducted to test the cause-effect relationships of these variables.

### 4.0 DATA ANALYSIS AND RESULTS
#### 4.1 Respondent Profile

The respondents were almost evenly split by race (37 per cent Malay, 34 per cent Chinese, 24 per cent Indian and 5 per cent others) and gender (50 per cent were male and 50 per cent female). Most of the respondents were 21 to 30 years of age (51 per cent), followed by the age groups of 31 to 40 and below 20 years at 29 per cent and 10 per cent, respectively. These three groups contributed approximately 90 per cent of the overall total in term of age. 49 per cent of the respondents had

spent at least 15 years in education. Most of the respondents were executives (48 per cent) and more than half of them earn between RM12, 000 to RM36, 000 per annum (51 per cent).

#### 4.2 Structural Equation Model (SEM)

To test the fitness of research model to the data, SEM was conducted. Drawn from the literature, this study posits that customer retention on the Internet may be influenced by several emotional features: personalization, place/track orders, online community and customer support.

The results indicate that indicate a good fit to data: $\chi^2/df$= 2.88, RMSEA= 0.058, CFI=0.98, TLI= 0.96 and AGFI= 0.92 (see Table 2). Hence, the causal diagram fits the study data well. In terms of hypothesized relationships between the exogenous constructs, it can be seen personalization ($\beta$= 0.24), place/track orders ($\beta$= 0.46) and online community ($\beta$= 0.37) and favourably influence customer retention. However, this study indicates that customer support has no significant influence on customer experience ($\beta$= 0.11): the path coefficient was not significantly different from zero. The path loadings are illustrated in Figure 2 below.

### 5.0 DISCUSSION AND CONCLUSION

Certainly, the internet is a "new" medium of commerce which attracts different types of consumers than that of traditional shopping channel. The internet channel is perceived as fast, real time access to information and process, and allowing some level of control, thus expectations of online service provider performance

*Table 2. Goodness-of-fit statistics for the research model*

| Goodness-of-fit measures | 4-dimension | Recommended value |
|---|---|---|
| Chi-square | 176.30 | |
| $\chi^2/df$ | 2.88 | ≤3.0[a] |
| Root mean square of error of estimation (RMSEA) | 0.060[1] | ≤ 0.06[b] |
| Adjusted Goodness-of-fit index (AGFI) | 0.92 | close to 0.90[c] |
| Tucker-Lewis Index (TLI) | 0.96 | >0.95[d] |
| Comparative Fit Index (CFI) | 0.98 | >0.95 |

*Figure 2. Path loadings from cause-effect tests*
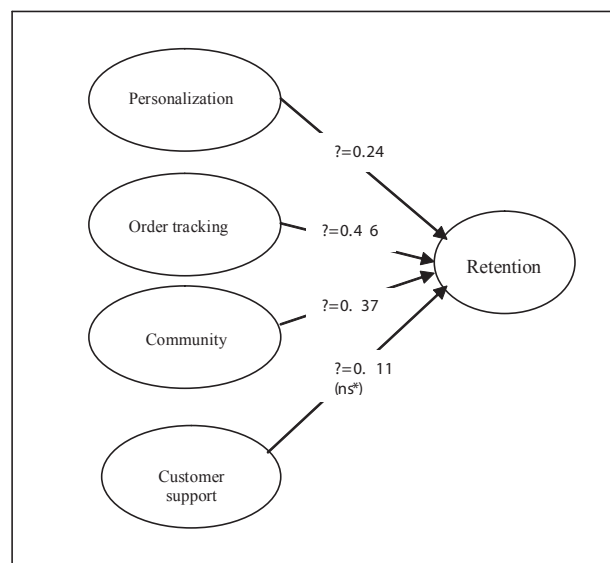


Note: * non-significant path loadings

are higher compared to the traditional channel. Undoubtedly, online consumers seek for better characteristics than those that merely satisfy them in order to entice consumers to come back; such as ability to personalize services, ability to decide on purchase immediately and track the status of their orders and offline-online synchronized orders. Facilities such as tracking order status, history of purchases or activities and allowing certain degree of customization enhances consumers' experience, in turn, these pleasant encounters form emotional values which attract customers to return. Evidently, companies like Amazon have gained competitive advantage from all these emotional features: one-click ordering, personal name greeting, product recommendation and reviews from previous users. Providing these features on one's site may improve their relationship with consumers and gain a competitive edge.

Interestingly, this study reports that customer support does not influence customer retention. A possible explanation for this is Internet customers have higher expectations of service if compared to the traditional channel. The Internet enhances customers' empowerment through its self-service oriented transactions. Hence, customers' expectations of service leading towards retention would be the features that encourage empowerment, sense of control and appreciation (such as personalization, tracking and online community). These emotional values may not be realized and achieved through mere email communication with customer support personnel, helpdesk or frequently-asked-questions (FAQ).

Our study emphasizes that firms striving for building long-term relationships with online consumers should be well aware of the emotional features that help them encourage customer retention. This study contributes in identifying the online features forming emotional values leading to increased retention. Indeed, on the Internet, consumers who are dissatisfied with the experience on a particular Web site may easily switch to another provider. Therefore, superior service quality placing reasonable attention on and delivering features that induce customer pleasant experience and increasing emotional value should be considered.

This study is subject to several limitations. Firstly, the respondents from this research were mainly working adults in urban localities, well educated and have at least three years of experience using the Internet. Further research is needed to generalize the results across different groups of Internet users in Malaysia. The results of this study may be applied to other countries with similar culture and business environment. Therefore, before conclusions and implications can be made to other countries with different culture and business environment (such as the Western region), further research should be conducted.

## REFERENCES

Anonymous (2006). Building loyalty by creating positive customer experiences, Teller Vision, August, 2-3.

Bakos, JY (1997), 'Reducing buyer search costs: implications for electronic marketplaces', *Management Science*, vol. 43, no. 12, pp. 1676-1692.

Batty, JB & Lee, RM (1995), 'Intershop: enhancing the vendor / customer dialectic in electronic shopping', *Journal of Management Information System*, vol. 11, no. 4, pp. 9-31.

Bitner, MJ, Booms, BH & Mohr, LA (1994), 'Critical service encounters: The employees viewpoint', *Journal of Marketing*, vol. 58, no. 4, pp. 95-106.

Davenport, T & Beck, J. (2002). The attention economy: Understanding the new currency of business. Harvard Business School Press.

Dewey, J. (1963). Experience and education. Collier Books, New York.

Du, X, Jiao, J & Tseng, MM (2003), 'Identifying customer need patterns for customization and personalization', *Integrated Manufacturing Systems*, vol. 14, pp. 387-396.

Gobe, M., & Zyman, S. (2001). Emotional branding: The new paradigm for connecting brands to people. Allworth Press, New York.

Feinberg, R., & Kadam, R. (2002). E-CRM web service attributes as determinants of customer satisfaction with retail web sites. International Journal of Service Industry Management, 13, 432-51.

Jackson, BB (1985), 'Building customer relationships that last', *Harvard Business Review*, vol. 63, pp. 120-128.

Jarvenpaa, SL & Todd, PA (1997), 'Consumer reactions to electronic shopping on the World Wide Web', *International Journal of Electronic Commerce*, vol. 1, no. 2, pp. 59-88.

Kolesar, MB. & Galbraith, RW (2000), "A service-marketing perspective on e-retailing: implications for e-retailers and directions for further research", *Internet Research: Electronic Networking Applications and Policy*, vol. 10, no. 5, pp. 424-438.

Lee-Kelley. L., Gilbert, D., & Manniconm, R. (2003). How e-CRM can enhance customer loyalty. *Marketing Intelligence Planning*. 21, 239-48.

Lohse, GL & Spiller, P (1998), 'Electronic shopping', *Communication of ACM*, vol. 41, no. 7, pp. 81-89.

Lynch, JG & Ariely, D (2000), 'Wine online: Search costs affect competition on price, quality and distribution', *Marketing Science*, vol. 19, no. 1, pp. 83-103.

Markwick, N. (2006). Creating a sense of belonging works for customers online, Revolution, September, 82.

McLellan, H (2000). Experience design. Cyberpsychology & Behavior, 3, 59-69.

Moon, Y (1999), 'Interactive technologies and relationship marketing strategies', *Harvard Business Review*, 9-599-011, pp. 1-12.

Peppers, D & Rogers, M (1995), 'A new marketing paradigm: share of customer, not market share', *Planning Review*, March/April, pp. 14-18.

Pine, B. & Gilmore, J. (1998). Welcome to the experience economy. Harvard Business School Press.

Price, L., Arnold, L., & Tierney, P. (1995). Going to extremes: Managing service encounters and assessing provider performance, Journal of Marketing, 59, 83-97.

Pullman, ME. & Gross, MA (2004). Ability of experience design elements to elicit emotions and loyalty behaviours, Decision Sciences, Summer, 35, 551-578.

Reichheld, F.F., & Teal, T. (1996). *The loyalty effect: The hidden force behind growth, profits and lasting value.* Harvard Business School Press, Massachusetts.

Reichheld, F.F., and Schefter, P. 4 (2000). E-loyalty: Your secret weapon on the web. *Harvard Business Review, 78,* 105–13.

Schmitt, B (1999). Experiential marketing, The Free Press, New York.

Singh, M (2002), 'E-services and their role in B2C e-commerce', *Journal of Managing Service Quality*, vol. 12, no. 6, pp. 434-446.

Slywotsky, A.J (2000), 'The age of the choice board', *Harvard Business Review*, pp. 40-41.

Strauss, J & Frost, R (1999), *Marketing on the Internet*, Prentice-Hall Inc., Upper Saddle River, NJ.

Von Hippel, E (1998), '*Economics of product development by users: The impact of `sticky' local information', Management Science*, vol. 44, pp. 629-644.

Winer, R. (2001). A framework for customer relationship management. *California Management Review*, 43, 89-105.

Wolf, MJ (1999). The entertainment economy-How mega-media forces are transforming our lives, Times Books, New York.

Xu, Y., Yen, D. C., Lin, B., & Chou, D. C. (2002). Adopting customer relationship management technology. *Industrial Management & Data Systems.* 102, 442-52.

Yang, Z., & Peterson, R.T. (2004). Customer perceived value, satisfaction, and loyalty: The role of switching costs, *Psychology & Marketing*, 21, 799–822.

## Related Content

Enabling Modern Technology Jobs through Optimised Human Resource Management Practices
Güera Massyn Romo (2015). *Encyclopedia of Information Science and Technology, Third Edition (pp. 3685-3693).*
www.irma-international.org/chapter/enabling-modern-technology-jobs-through-optimised-human-resource-management-practices/112803

Integrating Conceptual and Empirical Approaches for Software Engineering Research
Annette Lerine Steenkampand Theresa Kraft (2012). *Research Methodologies, Innovations and Philosophies in Software Systems Engineering and Information Systems (pp. 298-319).*
www.irma-international.org/chapter/integrating-conceptual-empirical-approaches-software/63269

Optimized Design Method of Dry Type Air Core Reactor Based on Multi-Physical Field Coupling
Xiangyu Liand Xunwei Zhao (2023). *International Journal of Information Technologies and Systems Approach (pp. 1-20).*
www.irma-international.org/article/optimized-design-method-of-dry-type-air-core-reactor-based-on-multi-physical-field-coupling/330248

An Adaptive CU Split Method for VVC Intra Encoding
Lulu Liuand Jing Yang (2023). *International Journal of Information Technologies and Systems Approach (pp. 1-17).*
www.irma-international.org/article/an-adaptive-cu-split-method-for-vvc-intra-encoding/322433

On the Study of Complexity in Information Systems
James Courtney, Yasmin Merali, David Paradiceand Eleanor Wynn (2008). *International Journal of Information Technologies and Systems Approach (pp. 37-48).*
www.irma-international.org/article/study-complexity-information-systems/2532