Predicting the Initial Adoption or Upgrading of Electronic Communication Systems

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ABSTRACT

This study examines the factors that make a firm more or less likely to adopt or upgrade an electronic communication program. Both the factors and their relative importance are hypothesized to differ, depending on whether initial adoption or upgrading is the predicted behavior. Such information is important to marketers, because it can be used to more effectively target and provide value to the electronic communications market. A survey of firms’ intentions to adopt customer relationship management software is used to test the hypotheses. The theoretical bases of the study are the Gatignon and Robertson (1989) model of diffusion and the behavioral delineation of continuous and discontinuous innovations (Rogers, 1983).

Keywords: adoption; communication; continuous; customer relationship management; discontinuous; electronic communication; innovation

INTRODUCTION

Customer relationship management (CRM) is a form of electronic communication system that is growing in importance in today’s business environments. For example, at a recent National Retail Federation convention, all of the executives indicated that they intended to invest in CRM activities in the coming year (Levy & Weitz, 2004). The Aberdeen Group (2003) predicts that CRM total spending (software, services, and related hardware) will grow at a compounded annual growth rate of 6.7% from 2003 to 2006, by which time it will attract $17.7 billion in spending.

CRM is defined as “a business strategy to select and manage the most valu-
able customer relationships. CRM requires a customer-centric business philosophy and culture to support effective marketing, sales, and service processes. CRM applications can enable effective customer relationship management, provided that an enterprise has the right leadership, strategy, and culture” (Thompson, 2003). Thus, while CRM is a business strategy that does not require an electronic communications program to implement it, in practice it often involves the use of such a program.

However, research is limited regarding the different factors that influence a firm’s likelihood of adopting such a communication program. Research examining the differential impact of factors when a firm is upgrading an existing communication program rather than initially adopting a program is even more limited. This assertion provides the foundation for our study concerning the diffusion of communication-related technology. Rogers (2004) reports that, to date, more than 5,000 academic publications have been reported related to the concept of diffusion of innovation across a multitude of social science domains. The goal of this study is to contribute to this line of inquiry by determining whether the factors influencing the initial adoption of electronic communication technologies differ from the factors influencing upgrades of electronic communication technologies. The theoretical bases of the study are the diffusion of high technology products framework tested by Gatignon and Robertson (1989) and that of continuous/discontinuous innovations (Rogers, 1983).

Results of the study are important, because they should provide strategic guidance to electronic communication service providers. The results also should offer information regarding whether service providers should use a differentiated or non-differentiated strategy. Using the correct strategy should offer cost savings to communication service providers. Finally, the study is important, because it offers guidance on the relative importance of the factors influencing adoption. Electronic communication service providers could use this information to focus on those factors seen as relatively more important by their customers.

CONCEPTUAL BACKGROUND

We suggest that electronic communication programs can be perceived by customers as either continuous or discontinuous innovations. An innovation is defined as “an idea, practice, or object that is perceived as new by an individual or other unit of adoption” (Rogers, 1983, p. 11). Rogers suggests that the innovation does not have to be new to the world, as long as it is new to the adopter. Innovations have been described along a continuum anchored on one end by innovations that are really new to the organization (i.e., discontinuous) and anchored on the other end by those innovations that involve incremental changes to an existing product (i.e., continuous) (Arnould, Price, & Zinkhan, 2004). The position of an innovation along such a continuum is based on the amount of behavioral change it causes the organization (Robertson, 1971).
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