Chapter 8

Impact of e-CRM on Website Loyalty of a Public Organization’s Customers

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ABSTRACT

Web-enabled customer relationship management, or e-CRM, is able to simultaneously achieve the conflicting goals of strategic flexibility and operational efficiency in developing and executing innovative e-commerce marketing strategies. A multi-disciplinary field, involving such areas as marketing, economics, business strategy, information systems, social psychology and consumer behavior, e-CRM strengthens customer relationships via a portfolio of trust-building practices with the support of powerful information technologies. While most literature in e-CRM has examined how firms formulate and implement e-CRM initiatives, there is little information on the overall quality of an e-commerce firm’s e-CRM practices from the consumer point of view. This research proposes such a consumer-oriented concept, e-CRM value, based on existing e-CRM research, and examines the effect of e-CRM value on website loyalty. An empirical study is conducted to validate the theoretical model. Customers’ perceptions of e-CRM value have positive causal effects on their website loyalty. Valuable implications can be derived from this finding for public organizations in managing their customer relationships.

INTRODUCTION

An integral component of information infrastructure for business operations and managerial decision making, Internet technologies are playing a strategic role in all major business activities. The World-Wide Web (or simply the Web), by far the most visible aspect of the Internet, now contains information and knowledge about virtually any domain one can practically think of. Its global connectivity and interactive features are even more valuable and influential for all management and business purposes. These two mutually reinforcing forces provided by the Web, content and com-
munication, are helping to reshape the business landscape in the era that is driven primarily by knowledge and innovation. Marketing activities, especially, are increasingly incorporating the Web in the strategic initiatives and rely on the website as the primary platform of interaction with existing and prospective customers that are otherwise difficult to reach for technical or financial reasons. In some information and knowledge-intensive industries (information technology, insurance, and banking, for example), the website is becoming an ever more important source of impact upon customers’ purchasing decisions. Leveraging the great power of information and knowledge in the knowledge economy, both companies and customers are looking to website tools as strategic vehicles for obtaining maximum value in the e-commerce market.

In light of the strategic value of the Internet as a crucial enabling technology, companies are increasingly placing their emphasis on managing customer relationship (CRM) through effective website design and management. Technological advances in such areas as search engines, blogs, Really Simple Syndication (RSS 2.0), social networking services, highly distributed databases, multimedia, personalization, localization, and computer-telephone integration (i.e., voice-over-IP technology) have provided a rich set of system capabilities and are prompting for implementation of innovative and highly interactive mechanisms to serve prospective as well as existing customers (Chen et al., 2007). Given the growing popularity of Web-enabled CRM (or e-CRM), it is clear that business researchers and management of all sectors must possess a systematic understanding of important aspects of this important business movement.

Due to the multidisciplinary nature of the field, a variety of issues surrounding e-CRM have been investigated from different points of view. In particular, research in information systems has identified the importance of evaluation technology applications from the user perspective (Gefen & Straub, 2000). Whereas information system specialists often speak technological languages with each other, users are mainly concerned about functional capabilities associated with business operations and decisions. Looking at the applications from the user’s point of view increases the probability that technological investment and business imperatives are properly aligned from the early stage of decision cycle. Tung (2007) viewed e-CRM as a major business innovation and studied the process and pattern of organizations adopting e-CRM. The study re-confirmed and therefore increased the validity of the well-recognized conceptual framework in technology innovation management. For the early adopters, e-CRM has indeed become an integral component of their major business processes. Both the scope and the depth of e-CRM applications are increasing in many of those organizations.

Chen and Chen (2004) investigated the success factors of e-CRM strategies in practice. Min et al. (2002) examined Internet applications in marketing in terms of generation, distribution, and application of market information. Both studies revealed the importance of collecting, processing, and communicating customer and market information both within the organization and across the organizational boundaries. Although these two and several other studies investigated e-CRM from the organization’s perspective, the crucial role of users was evident and was emphasized throughout their discussions. To stay competitive, organizations must work hard to engage customers in major business processes, such as developing innovative new product/service and customer support. Information management is indeed ubiquitous in these processes, for both the organization and the customer. Operationally, one would increasingly find it difficult to identify a product or service, physical or logical, that does not significantly depend on information gathering, processing and dissemination in most, if not all, stages of marketing activities.
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