



The effects of customer relationship management relational information processes on customer-based performance



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ABSTRACT

This study investigated the influence of the completeness of CRM relational information processes on customer-based relational performance and profit performance. In addition, interaction orientation and CRM readiness were adopted as moderators on the relationship between CRM relational information processes and customer-based performance. Both qualitative and quantitative approaches were applied in this study. The results revealed that the completeness of CRM relational information processes facilitates customer-based relational performance (i.e., customer satisfaction, and positive WOM), and in turn enhances profit performance (i.e., efficiency with regard to identifying, acquiring and retaining, and converting unprofitable customers to profitable ones). The alternative model demonstrated that both interaction orientation and CRM readiness play a mediating role in the relationship between information processes and relational performance. Managers should strengthen the completeness and smoothness of CRM information processes, should increase the level of interactional orientation with customers and should maintain firm CRM readiness to service their customers. The implications of this research and suggestions for managers were also discussed.

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1. Introduction

In the contemporary business marketplace, firms must make a great deal of effort to compete with rival companies. In order to quickly respond to customer requirements and further establish favorable relationships, firms develop customized products or services to create different levels of value for individual customers. Based on this market trend, customer relationship management (CRM) has been widely recognized as an important business approach to build long term, profitable relationships with specific customers [12,30].

CRM is a set of processes enabling systems to support a business strategy. It is comprised of four major dimensions, including customer identification, attraction, retention, and development of lifetime value based on serving customers better and developing sustainable relationships [30]. Wang pointed out that development of close and long-term relationship with customers and turning them into loyal customers are important aspects of successful marketing because customers are crucial assets that firms must learn from and manage well for full competitive value [48]. However, whether long-term customers can bring profit to firms is always a paradox inherent in CRM implementation.

Coltman et al. pointed out that the relationship between IT investment and firm performance can be either negative or positive [12]. This is very dependent on how firm performance is defined. In the

context of CRM, there are various metrics used to define firm performance, including financial [31], the elements of the Balanced Scorecard [10], and those that are either process-related [25] or sales related [4], as well as those that are related to customer satisfaction and economic performance [23]. In addition, Coltman et al. proposed a model of CRM performance, evaluated from the perspective of human knowledge, IT infrastructure and business architecture [12]. However, studies using firm-based CRM performance evaluation metrics have seldom emphasized customer-based evaluations of CRM performance. Another important purpose of firm implementation of CRM is shortening the distance between firms and their customers by providing quick response time and developing long-term relationships. This implies that customer opinions and reactions can also be considered to be an important source of information related to firm implementation of CRM. Whether CRM relational information process can facilitate consumer-based performance becomes an important question that needs to be answered. Therefore, it is necessary to study customer-based performance of CRM, as it has rarely been discussed in prior studies.

Customers are considered to be important capital leading to firm sustainability. Ramani and Kumar proposed a consumer-centric metric for the purpose of measuring consumer-based performance, which was developed based on the concept of interaction orientation [37]. In their study, consumer-based performance included two measures, customer-based relational performance, which consists of customer satisfaction, customer ownership, and positive word of mouth (WOM), and customer-based profit performance, which includes successful identification of profitable customers, efficiency of the acquisition and

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retention process, and conversion of unprofitable customers to profitable ones [37]. Accordingly, the current study attempts to propose a model and adopts the concept of Ramani and Kumar to evaluate CRM customer-based relational performance and profit performance, which is believed to be more comprehensive and to cover both attitudinal and behavioral dimensions [37]. Furthermore, this study also posits that the CRM relational information process can indirectly facilitate profit performance via relational performance.

Taking into consideration the trend toward individual marketing, this study also includes the concept of interaction orientation in the research model. Homburg and Muller pointed out that interaction orientation may support the formation of a trustworthy, personal relationship with customers and may in turn lead to an increase in customer loyalty [19]. Ramani and Kumar (2008) considered the idea that interaction orientation reflects a firm's ability to interact with its individual customers and to take advantage of information obtained from them through successive interactions in order to achieve profitable customer relationships [37]. Thus, interaction orientation is proposed to assist in smoother accomplishment of CRM relational information processes and further, cooperatively promotes customer-based performance.

The use of a CRM system is a technology-oriented business strategy. Yang mentioned that a successful CRM is largely depended on internal IT service capability [50]; it has been shown to contribute to the ability of firms to achieve superior performance. Reinartz et al. suggested that CRM-compatible organizational alignment and CRM technology positively moderate relationships between CRM processes and economic performance [38]. This infers that a firm's CRM readiness is a facilitator of information processes leading to better firm performance. Firm CRM readiness has rarely been adopted in prior studies on this topic; therefore, the current study includes it in the research model as a moderator.

Based on the discussion above, this study presents a framework with which to explore how a CRM information system is manipulated and how the performance of a CRM informational system is affected in a service industry. The main purpose of this study is (1) to evaluate whether well-built information processes have a positive influence on customer-based relational performance (customer satisfaction, customer ownership, and positive word of mouth), and profit performance (successful identification of profitable customers, efficiency of the acquisition and retention process, and conversion of unprofitable customers to profitable ones); (2) to examine the indirect effect of the information process on profit performance via relational performance; and (3) to assess the moderating effect of interaction orientation and CRM readiness on information processes leading toward customer-based performance.

2. Literature review and hypotheses development

2.1. CRM relational information processes

CRM takes advantage of information technology (IT). It not only enhances the flow of information within an organization, makes it easier to store customer data and increases information accessibility [17], but also leads to greater insights into customer needs, behavior and expectations by developing and maintaining interactive one-to-one relationships [42]. Jayachandran et al. proposed a CRM relational information process, which included information reciprocity, information capture, information integration, information access, and information use, and expected the process to enable facilitation of CRM performance [22]. Hillebrand et al. pointed out that relational information processing is a process in which firms actually engage in the systematic registration, integration, and analysis of customer information [17]. The key objective of the relational information process is a focus on initiating, maintaining, and retaining long-term customer relationships [3].

Accordingly, information reciprocity refers to processes that enable customers to interact and share information with firms and also enable firms to respond to customers [22,28,40]. Information capture processes acquire information from customer interactions with various sources and channels that are critical aspects of relevant information processes. Information integration means firms integrate customer information collected from various sources, such as inter-organizational and external sources [17]. Information access is defined as a situation in which employees in organizations access updated customer information that has been gathered from other departments. Information use means that organizations utilize customer information to tailor their products for individual customers and provide different marketing strategies and services.

Based on the above discussion, the relational information process is defined as the process of segmenting customers and tailoring relevant offerings in order for them to create value for a firm [22]. Firms can have contact with their customers and gather relevant data at the same time through various channels. Data then are stored in databases that can be analyzed and transformed into useful information and concurrently supplied to front offices to enable the management of customer relationships.

2.2. Customer-based performance

Chang and Wong mentioned that CRM enhances a company's competitive capabilities, such as those related to cost reduction and market share enlargement, within an environment consisting of a web-based value chain integrated by internal operations, suppliers and customer relationships [8]. This study applies customer-centric performance measures: customer-based relational performance and customer-based profit performance [37].

2.2.1. Customer-based relational performance

The primary focus of CRM is the building and maintaining of profitable customer relationships [11]. However, long term customer retention is based on consumer attitudes toward firms. Measurements of customer-based relational performance stress the evaluation of the relationship between firms and customers based on customer attitudes toward a given firm. Ramani and Kumar identified measures of customer-based relational performance in terms of three indicators: customer satisfaction, customer ownership, and positive word-of-mouth (WOM) [37].

Satisfaction and WOM have been widely adopted for measuring the attitude of customers toward firms (e.g., [16,44]). Eisingerich et al. mentioned that satisfying customers not only can fortify the strength of their relationships with firms, but also can generate positive WOM [16]. Customers who make personal referrals not only believe that a company offers superior economic value, but also perceive advantages related to their relationship with the company [6]. Customer ownership refers to the degree to which customers feel accountable to firms and actively seek a firm's financial well-being [37].

2.2.1.1. CRM relational information processes and customer-based relational performance. CRM solutions must enable firms to acquire, store and analyze information about customer needs in order to obtain revenue [50]. Wang et al. pointed out that effective information acquisition and dissemination is essential to create and manage close customer relationships [47]. Through CRM relational information processes, firms can capture customer data completely and transform that data into useful information; thereupon, firms can apply the information to understand customer needs and to develop marketing strategies. Customers are approached using individualized offers generated from specific information, such as transaction history and personal preferences that are more likely to match their specific desires [28]. As a result, customers can actually have their needs met, and customer satisfaction for firms is increased. Additionally, satisfied customers will generate positive WOM. Customer satisfaction and WOM facilitate the ability of firms to sustain long term relationships with customers.

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