

The priority factor model for customer relationship management system success

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Abstract

As the market competition becomes keen, constructing a customer relationship management system is coming to the front for winning over new customers, developing service and products for customer satisfaction and retaining existing customers. However, decisions for CRM implementation have been hampered by inconsistency between information technology and marketing strategies, and the lack of conceptual bases necessary to develop the success measures. Using a structural equation analysis, this study explores the CRM system success model that consists of CRM initiatives: *process fit, customer information quality, and system support*; intrinsic success: *efficiency and customer satisfaction*; and extrinsic success: *profitability*. These constructs underlie much of the existing literature on information system success and customer satisfaction perspectives. We found the empirical support for CRM implementation decision-making from 253 respondents of 14 companies which have implemented the CRM system. These findings should be of great interest to both researchers and practitioners.

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1. Introduction

With an ever-increasing competition for marketing dominance, many firms have utilized the customer relationship management (CRM) system for improved business intelligence, better decision making, enhanced customer relations, and good quality of services and product offerings. The underpinning of the customer-oriented managing concept is that identification and satisfaction of customer needs lead to improved customer retention, which is based on corporate profitability (Day, 1994; Sivadas & Baker-Prewitt, 2000). They recognize the CRM system could carry into the foreseeable future of hyper-competition, and try to implement off-the-shelf CRM solutions for CRM planning as is done for enterprise resource planning (ERP) systems, e-commerce systems, and advanced database systems (Holland & Light, 1999; Shao & Lin, 2002).

When a CRM project is started, many organizations may expect a substantial payback, increased revenue, reduced cost, loyal customers, real-time customer information, and satisfied CRM system users. The expenditures on CRM system equipment, a commitment of dedicated resources and services, have skyrocketed initially and thereafter. However, after implementing a CRM system, many organizations are left wondering enough return on investment. More in depth, many are asking the question, “Does CRM system lead to higher customer satisfaction and superior economic returns? If so, which factors critically improve customer relationship and profitability?” Although the widespread acceptance of this relationship is evident in the growing popular literature on market-oriented and Information System (IS) success models, it is not yet clearly understood why and how CRM becomes successful while others fail.

In the realm of IS, the IS success model has been treated as a major issue of MIS research. The Davis’s (1986) technology acceptance model (TAM), an adaptation of the theory of reasoned action (TRA) (Fishbein & Ajzen, 1975) and DeLone and McLean’s (1992) IS success model provide the basic idea of user acceptance of IS and IS success

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measures. In addition to these models, numerous researches have tried to find the underlying factor that may contribute to the relative success of dynamically changing IS (Cavaye & Cragg, 1995; Johnston & Carrico, 1988; Reich & Benbasat, 1990). The measurements of several dimensions of success factors have been used to assess IS success, such as process fit, customer information quality, and system support (Wixom, 2001). For many firms, the strong quality management of process, customer information, and system has become an essential ingredient for successful competition (Fok, Fok, & Hartman, 2001). In the marketing and service management, the impacts of customer satisfaction and its profitability have been a major focus. The literature propose that there is a strong theoretical underpinning for an empirical exploration of the linkages between customer satisfaction and customer loyalty, which in turn affects profitability (Anderson, Fornell, & Lehmann, 1994; Day, 1994; Garbarino & Johnson, 1999; Hallowell, 1996; Sivadas & Baker-Prewitt, 2000). This CRM issue should therefore be examined in light of both marketing and IS literatures. Customers have also increasingly become the end-user of information technology applications with the emergence of electronic commerce (Khalifa & Liu, 2002).

The specific research goals are to further develop the CRM success model based on empirically evident instruments that (1) measure factors that influence intrinsic CRM success and extrinsic CRM success, (2) identify the scales of these factors, (3) test the relative importance of various factors, and (4) are appropriate for use by academics and practitioners. In particular, we aim to examine the full range of variables that have been identified in prior studies and test the completeness of the model. This study intends to test many of the posited interrelationships by the sample of CRM system users. We discuss the causal relationships among CRM initiatives and intrinsic/extrinsic success instruments which contain the user-based measures and customer-based measures of CRM system for profitability. The paper first outlines existing research findings concerning the factors which contribute to the successful implementation of CRM and extends the previous work by bringing together empirically. In addition, the paper explores which success factors have the priority for CRM implementation and suggests managerial and technological implications.

2. Theoretical perspectives

DeLone and McLean (1992) formulated an IS success model using information and system quality to determine the effectiveness of an IS. Their comprehensive review of IS success measures makes two important contributions to understanding of IS success. First, it postulates a scheme for classifying a multitude of IS success measure into six aspects: system quality, information quality, system use, individual impact, organizational impact, and user satisfaction. Second, it suggests a model of ‘temporal and causal’

interdependencies between these categories. Based on their model, several IS success measures are proposed: system effectiveness, business profitability, improved decision quality and performance, perceived benefit of systems, level of system usage, and user satisfaction (Pitt, Watson, & Kavan, 1995; Yoon, Guimaraes, & O’Neal, 1995).

Among the numerous dimensions that measure IS success factors and IS success itself, we formulate the CRM success model into the causal phases, which comprise CRM initiatives, intrinsic success and extrinsic success of CRM. These factors are the basis for our research model and hypotheses.

2.1. CRM initiatives

An enterprise-wide understanding of what factors lead to CRM success and where they start from is the vital starting block for effective CRM implementation and deployments. Researchers studying IS success have focused the main determinant success factors of CRM on process fit, information quality and system support.

Process fit. To leverage the marketing and sales effort, the CRM system must be designed around an elaborate understanding of a CRM process. This will impede the CRM system initiatives and can be a key success factor. It is related to the description of structural contingency theory on technological fit, which identify the feasible set of process and technology (Drasin & Van de Ven, 1985). A review of the literature reveals that IS researchers offer a great diversity of views on the appropriate form for stating process theories (Markus & Robey, 1988; Orlikowski, 1993). The process fit, in this study, is viewed as having four important CRM processes: fitness level of customer interaction process, sales channel process, personalization process, and after-sales service process.

Customer information quality. A function of the output value produced by the CRM system as perceived by the system users. Making effective use of customer information resources is the critical issues facing IS executives. This reflects the high value of customer data resources and the importance of managing them effectively. Knowing customers is critical to overall CRM success; however, just gathering customer data is not enough. With customer information analytics, these organizations can begin to realize the value from their CRM implementation. Customer information analytics is more than just information about the facts. It builds insight into customer and market behaviors, enabling businesses to take the correct action necessary in ever-changing market environments.

Many different information characteristics, generated by an information system, are considered as important determinants of information quality perception including: integrity, usefulness, currency, output timeliness, reliability, completeness, conciseness, format, and relevance (Bailey & Pearson, 1983); understandability (Srinivasan, 1985); report usefulness (Mahmood & Medewitz, 1985). DeLone and

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