

Electronic-Customer Relationship Management Effects on Online Retailers' Performance

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ABSTRACT

Due to internet evolution and its fast acceptance and penetration Online Retailing Market is growing with very fast pace on the globe. India is also not untouched with this. Even India's online retail industry has grown at a swift pace from around Rs 15 billion revenues in 2007-08 to Rs 139 billion in 2012-13, translating into a compounded annual growth rate (CAGR) of over 56 per cent and CRISIL Research expects the buoyant trend to sustain in the medium term, and estimates the market will grow at a healthy 50-55 per cent CAGR to Rs 504 billion by 2015-16. This has given birth to intense competition in the online retailing segment. To cope with this competition companies are adopting many strategies one of most popular is E-CRM. This has even attracted the attention of researchers and academicians towards E-CRM in Online Retailing in India. This research paper focuses to identify the effect of E-CRM on performance of Online Retailing by recognizing the parameters on which performance of online retailing can be calculated. Data was collected from 100 executives working in Online Retailing business, located in Mumbai. A Chronbach's alpha test was conducted and Regression method was adopted for analysis purpose.

Keywords: E-CRM, Online Retailing, Performance, SWOT, India

1. INTRODUCTION

Due to internet evolution and its fast acceptance and penetration, in organized retailing new term is arising E-tailing or Online retailing. Internet is the terminology includes email, world wide web, chat rooms, e-forums, blogs and so forth(Kennedy,2006). India is also not untouched with this wave of e-world. Indian e-commerce market has been categorized into three broader heading for easy understanding (Figure 1).

B2B means Business to business transaction. It includes activities such as purchasing and procurement, supplier management, inventory management, payment management, and service and support amongst the organizations as also between organizations and retailers.

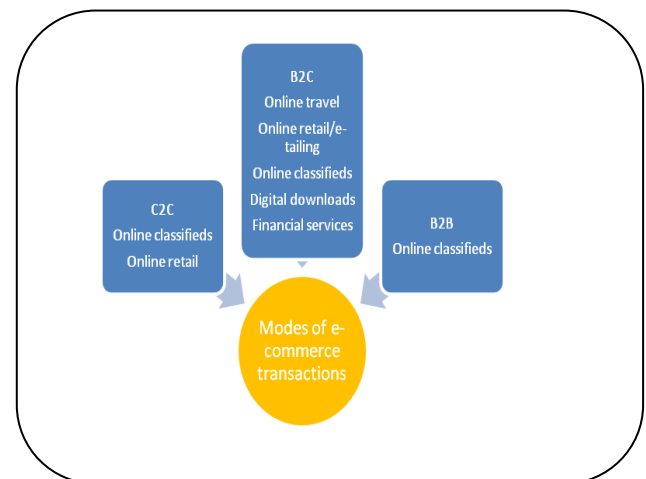


Figure 1: Types / Modes of e-commerce transactions

The **Indian B2C/C2C** e-commerce sector has grown rapidly in past few years to reach USD11Bn in 2013 and expected to grow to USD 60Bn by 2017(Chart 1).This has made India as the fastest growing e-commerce market in the APAC region. The major factors driving this growth are decreasing cost of devices (PC & mobile), increasing internet penetration, more

payment options backed and lastly changing consumer preferences.

Source: eMarketer, Deloitte analysis

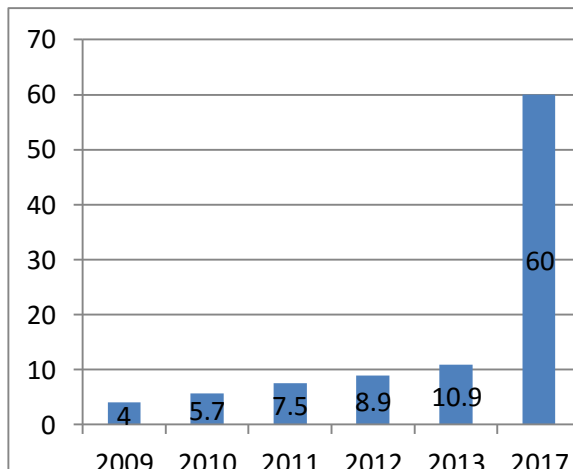


Chart 1 : Growth (Actual 2013 & Estimated 2017) of B2C/C2C online Market in India.



Figure 2 : Classification of B2C E-Commerce Market In India

India's online retail industry has grown at a swift pace in the 5 years from around Rs 15 billion revenues in 2007-08 to Rs 139 billion in 2012-13, translating into a compounded annual growth rate (CAGR) of over 56 per cent. The 9-fold growth came on the back of increasing internet penetration and changing lifestyles as per Goldman Sachs report. He further added India's attractive demographics - the youngest population in the world - should lead to over 300 million new online shoppers in the next 15 years, making e-tailing the largest online segment.

CRISIL Research expects the buoyant trend to sustain in the medium term, and estimates the market will grow at a healthy 50-55 per cent CAGR to Rs 504 billion by 2015-16 (See chart 2).

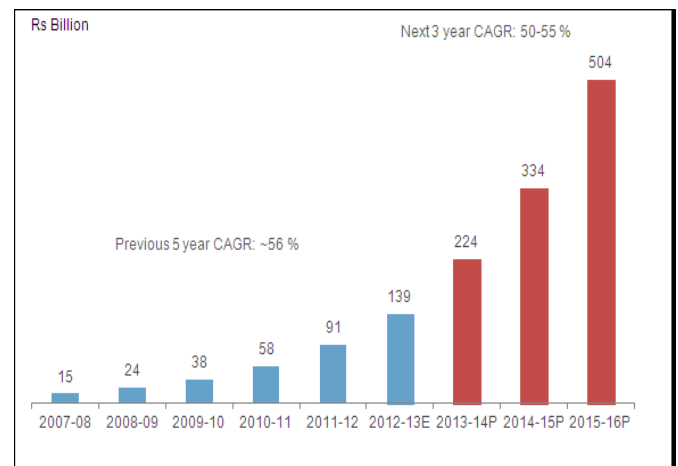


Chart 2 : Online retail market size and growth

Source: CRISIL Research

The entry of new players in niche segments such as grocery, jewellery and furniture, along with large investments by existing players in the apparel and electronics verticals, will be

the drivers. To stay in the game, traditional retailers have been working on their internet strategy. Current list of top online

retailers in India are shown in Chart 3.

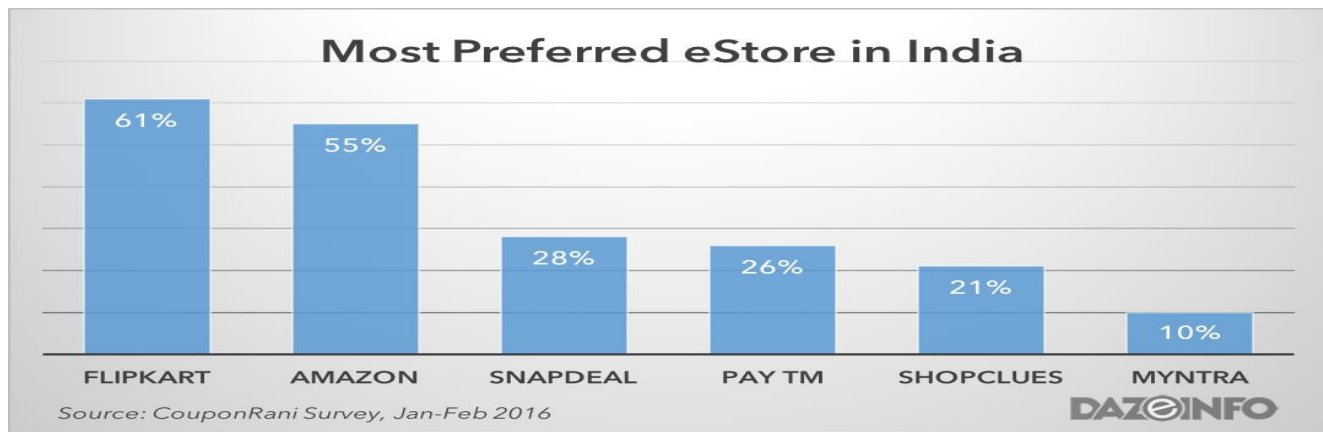


Chart 3 : Most Preferred e Store in India

The e-commerce/e-tailing market is growing with very fast pace and has drawn the attentions of investors and businessmen resulting into intense competition in e-commerce. To create more profit and cut down costs, companies are one after another introduced electronizations (Liu, Tseng, Chuang, Huang 2012). So there is greater stress on e-commerce business to retain customers (customer repeated spending) as these are keys to enhance profitability for organization in this intense competitive environment. Therefore, it is essential to build the bond among customer and organizations for long-term co-existence. According to Brain and company, “a 5% improvement in customer retention rates will yield between 25% to 100% increase in profit across a wide range of industries” so, the last thing companies can afford is to lose any of their customers. According to a research conducted by Peppers & Rogers (1993), an enterprise is cost for developing a new customer is 10 times as much as the cost for maintaining an existing customer. To establish customer relationships, constant and regular interaction is necessary for realizing customer preferences and needs in order to sustain good relationship with customers. With the speedy development of electronic business/online retailing and increase of Internet-based services, the internet has make available a podium to carry CRM functions on the Web i.e. e-CRM (Electronic customer relationship management). E-CRM is a set of activities, tools, and technologies such as web sites, E-mail, communication rooms, which is used for creating and

reinforcing long-term relationship with customers through Internet (Abbott, 2001).

Thus, the research objectives of this study are :

- To identify, the effect of E-CRM on performance of Online Retailing.
- To recognize the parameters on which performance of online retailing can be calculated.

2. LITERATURE REVIEW

With the arrival of new technology “internet”, a new concept of CRM is born and termed as Electronic Customer Relationship Management (E-CRM) or Web-based CRM or Online CRM (Norton 2001-2007, Greenberg2000). ECRM refers to the intersection between two important industry initiatives, the booming Internet market and the shifting focus to customer-centric strategies(Bradway and Purchia,2000). E-CRM helps to attract and keep economically valuable customers and take out the customers who are not benefit for the firm. He also states that E-CRM is closely related to MIS and other sciences such as computer science, marketing, and psychology(Romano,2002). This includes all the processes needed to be acquire new customers, built and maintain customer relationship through e-business operations with existing customers (Azila and Noor,2011). E-CRM is a combination of hardware, software, process, applications and

management commitment to improve customer service, retain customer, and provide analytical capabilities (Norton,2007).

Thus, E-CRM can be defined as the electronic strategy to enhance customer retention which ultimately helps companies to improve their profitability.

The few major benefits of E-CRM are that it helps to *retain customers* and *acquire new customers* (Azila and Noor,2011), increase profitability (Freeland,2003), to build brand identity(Hamid and Kassim 2004), it allows customers to access company e-services from any location and at any time i.e. *convenient multiple touch points* (Pavithira 2010), increase *customer value* (Zineldin 2006), to *reach remote customer* (Parekh,2002), to provide *personalization services* to customers (Adebanjo,2003, Winer, 2001 and Anon, 2002) and *Customized services* as One to one and two way communication through e-mails etc is made possible (Stefanou,2003 and Adebanjo2003), link every operation in a business that affects the customer experience *by involving multiple stakeholders* i.e. customers, employees, channel partners and suppliers(Kennedy,2006).

Thus, in nutshell it can be said that E-CRM implementation enhance customer loyalty and retention through the improvement of customer satisfaction, leads to repeat purchase and positive word-of-mouth and ultimately more profit and reduced cost for firms are the main objectives of E-CRM.

Jutla in 2001 have designed the E-CRM processes into four chief components as engage, purchase, fulfil and support (Figure 3)

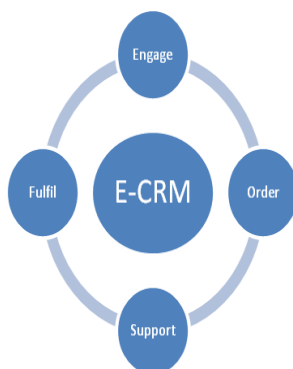


Figure 3 : Components of E-CRM

- **Engage component:** identifying needs and solving customer problems in the context of engage enablers means explaining the product or service to fit the customer needs.
- **Order component:** Ordering is the process where a customer selects and makes a commitment to purchase a product. This includes a variety of selection, payment mechanisms and order management mechanisms
- **Fulfillment component:** The critical enablers in fulfillment are back-end process integration, delivery capability and global sales governance.
- **Support component:** Support function is an application of personalization and trust that includes the ability of the system to hold customers' requirements.

Thus, after literature review, it was found that most of research is conducted on focusing E-CRM framework, benefits and components. But very limited research carried forward on the effect of E-CRM on organizations' or online retailers' performance and performance measuring parameters. So, this research paper focuses on the impact of E-CRM implementation on online Retailers' performance.

Thus, **Hypothesis formulated** on the basis of E-CRM implementation association with the Online Retailers' performance variables.

3. RESEARCH METHODOLOGY

The research is exploratory and descriptive in nature. The data was collected by self designed questionnaire. It consists of ten parameters to measure the performance of organization (Thaker,2009), here used for online Retailers on 5 point likert scale i.e. Strongly Agree represents 5 points to Strongly Disagree represents 1 points.

The parameters for measuring the effects of E-CRM implementation on Online Retailers performance are revenue, customer satisfaction, market share, stakeholder's Value, acquire new customers, customer retention, new product sales, reduces overall cost of organization, Competitive advantage and customer loyalty. Hypothesis formulated are shown in Table 1.

TABLE 1: Hypothesis Detail

Hypothesis	Dependent Variable	Independent Variable
H1 : E- CRM implementation enhanced the revenue	Revenue	E-CRM
H2 : E- CRM implementation improves customer satisfaction.	Customer Satisfaction(CS)	E-CRM
H3 : E- CRM implementation increase market share	Market Share(MS)	E-CRM
H4 : E- CRM implementation maximize stakeholder's Value	Stakeholder's Value(SV)	E-CRM
H5 : E- CRM implementation helps to acquire new customers	Acquire New Customers(AC)	E-CRM
H6 : E- CRM implementation enhanced customer retention	Customer Retention (CR)	E-CRM
H7 : E- CRM implementation generates new product sales	New Product Sales (NPS)	E-CRM

H8 : E- CRM implementation reduces overall cost of organization	Cost Reduction Of Organization(CR)	E-CRM
H9 : E- CRM implementation helps to get Competitive advantage	Competitive Advantage (CA)	E-CRM
H10 : E-CRM implementation positively effects Customer Loyalty	Loyalty (CL)	E-CRM

Data was collected from 100 executives working in Online Retailing business, located in Mumbai. A Chronbach's alpha test was conducted to evaluate the reliability and validity of questionnaire. Alpha value above 0.7 indicates ample reliability of variables, here the alpha value 0.897855(Detail in Table 2), which indicates it is valid. For analysis Regression method is executed as linear relationship to be established between E-CRM implementation and Online Retailing Performance variables. Potency of relation is categorized on basis of R square value supported by researchers in previous papers, are as follow :-

- R square value = 0.4 , WEAK Co-relation
- R square value 0.4-0.6 MODERATE Co-relation
- R square value 0.6-0.8 Strong Co-relation
- R square value 0.8-1.0 Very Strong Co-relation
- R square value 1 Perfect Co-relation

TABLE 2: Means, Standard Deviation(SD) and Cronbach's Alpha Value

Variable	Standard Mean	Total Deviation	Total Mean	Coef	Corr Std.Dev.	Alpha	Other Total	Items
ECRM	4.5	0.7719842	32.54	6.534168	0.8748	0.9291	0.9809	
Revenue	3.67	0.4725816	33.37	6.833747	0.8862	0.8889	0.9276	
CS	3.17	0.899551	33.87	6.486435	0.8769	0.8382	0.9055	
MS	2.97	1.077361	34.07	6.380613	0.8787	0.7850	-0.2789	
SV	3.72	1.271919	33.32	7.06375	0.9316	0.0640	0.1600	
AC	2.66	0.9557905	34.38	6.428755	0.8755	0.8481	0.9011	
CR	3.33	0.7528397	33.71	6.767861	0.8901	0.6177	0.6028	
NPS	2.92	0.981444	34.12	6.516924	0.8831	0.7217	0.9439	
CRx	4.14	0.8042815	32.9	7.020173	0.9075	0.2422	0.2270	
CA	2.97	1.077361	34.07	6.380613	0.8787	0.7850	-0.2789	
CL	2.99	1.01	34.05	6.479766	0.8820	0.7378	0.9645	

Total**37.04****7.257069****0.8979****Cronbach's Alpha 0.897855 Std. Cronbachs Alpha 0.917354**

4. ANALYSIS RESULTS

To test the relationship between ECRM implementation on Online retailers' performance, correlation and regression analysis were conducted. The value level of significance was less than 0.0500 in case of revenue, customer satisfaction, market share, stakeholder's Value, acquire new customers, customer retention, new product sales, reduces overall cost of organization and customer loyalty thus hypothesis is accepted while in case of Competitive Advantage value of level of significance is greater than 0.05 so hypothesis rejected.

ECRM has direct and significant effects on revenue, customer satisfaction, customer's acquisition, customer retention, new product sales and customer loyalty of online retailers. This implies that ECRM has chain effects. It enhances customer satisfaction which leads to repeat purchase i.e. customer retention and positive word-of-mouth i.e. customer acquisition. Even positive word-of-mouth saves expenses on Advertisement. But online retailers mostly utilize this for sales promotion activities to motive customers to remain loyal to online retailers who in return get benefits from Loyalty Rewards Programs

5. DISCUSSION AND MANAGERIAL IMPLICATION

Correlation Section

	ECRM	Revenue	CS	MS	SV	AC
ECRM	1.000000					
Revenue	0.927522	1.000000				
CS	0.850916	0.917407	1.000000			
MS	0.722623	0.754092	0.807859	1.000000		
SV	0.041149	0.063185	0.103821	0.082264	1.000000	
AC	0.917209	0.867228	0.831547	0.686459	0.028915	1.000000
CR	0.703897	0.621486	0.527858	0.435758	-0.102956	0.690941
NPS	0.853239	0.682965	0.553299	0.484908	-0.050492	0.702938
CRx	0.162685	0.175929	0.204117	0.249698	0.334929	0.180806
CA	0.722623	0.754092	0.807859	1.000000	0.082264	0.686459
CL	0.874457	0.712541	0.568896	0.519562	-0.049379	0.707966

	CR	NPS	CR	CA	CL
ECRM					
Revenue					
CS					
MS					
SV					
AC					
CR	1.000000				
NPS	0.678623	1.000000			
CRx	0.023021	0.103908	1.000000		
CA	0.435758	0.484908	0.249698	1.000000	
CL	0.708455	0.967243	0.051480	0.519562	1.000000

Figure 4 : Correlation Value

TABLE 3: R square value, Potency of Relationship and Hypothesis Analysis

S.N o.	Variables Of Online Retailers' Performance	R Square Value	Relationship Potency With ECRM Implementation	Hypothesis Accepted/Rejected
1	Revenue	0.86	Very Strong	Accepted
2	Customer Satisfaction(CS)	0.72	Strong	Accepted
3	Market Share(MS)	0.0017	Not Much effect	Rejected
4	Stakeholder's Value(SV)	0.52	Moderate	Accepted
5	Acquire New Customers(A)	0.84	Very Strong	Accepted

	C)			
6	Customer Retention (CR)	0.86	Very Strong	Accepted
7	New Product Sales (NPS)	0.73	Strong	Accepted
8	Cost Reduction Of Organization(CR)	0.50	Moderate	Accepted
9	Competitive Advantage (CA)	0.52	Moderate	Accepted
10	Loyalty (CL)	0.76	Strong	Accepted

This makes their relationship with online retailers' stronger, enhance profitability of online retailers. Business are run for profits, so ECRM have effect on revenue by maintaining customer loyal to online retailers', helps to maintain profit margin.

ECRM implementation shows moderate direct effects on market share, competitive advantage and cost reduction. It helps to gain competitive advantage over competitor by spending on maintaining customer relationship in form of sales promotion and rewards points. Here Online retailer can differentiate by designing innovative and attractive promotion scheme which can give distinctive factors to online retailers. In this cut through completion focus is to maintain customer loyal rather than acquire customer so it shows moderate effect on market share increment.

Thus, managers can use this research outcome to design their ECRM more lucratively and competently by focusing on promotion scheme and rewards strategies. This will motive customers for repeat purchase and will help to develop long term relationship with customers. On these parameters even online retailers can evaluate effectiveness and efficiency of their ECRM.

6. CONCLUSION

Online Retailing in India is one of fastest growing niche-market. In order to capitalize its benefits it's essential for companies to design effective and efficient strategies. In formulating innovative strategy for online retailing, it's not possible to overlook E-CRM, as it plays major role to retain customer by enhancing customer satisfaction which leads to generate repeat purchases(more revenue), then long term relationship to customer loyalty i.e. customer retention and positive word-of-mouth i.e. new customer acquisition. It helps to reduce cost to company as advertisement expenses saved. Increase in revenue and reduce in cost ultimately results in profitability, as businesses can run only if it gives profit. To earn profit online retailers need to have efficient E-CRM strategy as its significance on Online Retailer's performance has been established.

The limitation of this research is that sample collection is restricted to Mumbai. These parameters can be tested with different business sectors and in different areas. This research

does not show significant relationship between ECRM implementation and its effect on all stakeholders (Suppliers, employees, Shareholders etc.) value enhancement, this can be also studied in detail.

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