

## PROSPECTS FOR AUTOMATED RELATIONSHIP MARKETING AND CUSTOMER RELATIONSHIP MANAGEMENT VIA THE INTERNET IN CROATIA

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**Abstract:** *The Internet provides the means for diverse types of automated relationship marketing (RM) and customer relationship management (CRM) activities. In this paper, various RM activities and the potential for CRM via the Internet are discussed and analyzed in relation to recent research of the Web sites of small and medium-sized enterprises in Croatia. Finally, an outline is given of Internet-related RM activities that do not require large investment and that can be included in the e-marketing strategy of Croatian firms.*

**Keywords:** *relationship marketing (RM), customer relationship management (CRM), Internet, small and medium-sized enterprise (SME).*

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### 1. INTRODUCTION

In the era of the Internet, with the opportunity for a brand switch just “a click away”, *customer loyalty and retention* are recognized as an important factor of profitability in e-retail business [5]. New information and communication technology creates the potential for the greater effectiveness of relationship marketing and the introduction of diverse technologically-supported and innovative marketing practices [18]. One of such technologies is *Web-based information systems* (WIS) that can incorporate *intranets* and *extranets* that enable internal business information exchange and business-to-business (B2B) interactions, as well as *e-retailing sites* for business-to-customer interactions (B2C), and *consumer marketplaces* with customer-to-customer (C2C) and customer-to-business (C2B) interactions [15].

However, for efforts in Internet commerce to be successful, a company must have a *customer-oriented marketing approach*, i.e. it must know and understand its customers, satisfy their needs, build relationships with them, and also constantly keep track of changes that may suddenly appear in the markets the customers are exposed to [13]. The goals of the company should not only be to attract customers and make them more loyal, but also to *partner with them and meet their expectations* by providing an awareness and evaluation of their problems, as well as solutions to those problems in sales and post-sales services [4].

## 2. RELATIONSHIP MARKETING PRACTICE

*Relationship marketing* (RM) is one of the leading trends in marketing and among the most frequent topics in academic and practitioner communications, with the popular underlying assumption that customer satisfaction can secure customer loyalty which then leads to the greater profitability of the business [7].

There are diverse means for the enrichment of the interaction process between a *consumer/customer* and a *service provider/marketer* that can shift the essence of interaction from “transaction” to “relationship enhancement”. The common components that need to be achieved by relationship marketing are (adapted from [17]):

- *Bonding* (development of consumer and brand loyalty; long-term relationship with the seller).
- *Empathy* (the ability of two parties to see the situation from the other's perspective and to recognize or assume the actual or potential feeling, experiences and needs of the other party).
- *Reciprocity* (displaying positive behaviors and providing favors for the other in expectance of, or in return for, similar positive behavior or favors from the other party).
- *Trust* (the level to which each party feels it can rely on the integrity and promises of the other).

The traditional and most frequently used practices for building customer relationships can be categorized as follows (the list is adapted from [6]):

- *Continuity of communications* by contacting customers using personal and non-personal media (company newsletters, personal letters and telephone calls, targeted direct mailing, personal calls by managers and sales representatives, open houses for clients, quarterly and annual user conferences, etc.).
- *Superior service quality* (assessing what customers want, meeting their expectations, and raising standards to be generally superior to the competition in both “what” is delivered and “how” it is delivered).
- *Personalization* by treating customers as unique individuals and providing them with individualized sets of services (this can be done at the interpersonal, operational and organizational level).
- *Service differentiation and augmentation* (being creative and offering exclusive services; developing a niche; sales promotion activities, entertainment and affinity clubs; extended service by warranties, telephone helplines, maintenance checks, etc.).
- *Affective engineering* that is intended to make customers feel good about the service and service provider, as well as satisfied with their relationship with the service provider firm (“feel good” advertising, community and civic events involvement, sponsorships, support of charitable organizations, etc.).
- *Relationship pricing* or rewarding loyal customers with better prices (special deals based on the customers’ relationship with the firm, preferred customer programs, discount services for loyal customers, linking promotion efforts with purchasing patterns and customer characteristics).

- *Linking of purchases* that reward customers for their loyalty and ensure that transactions are not discrete (bundling products or services, rewarding multi-service or long-time customers with special advantages, frequent shopper programs, reminding customers about renewals).
- *Pioneer advantage* that is related to programs that reach prospective customers and create relationships with them before the competitors who, consequently, find it difficult to lure away satisfied customers (beating competitors to children and teens, new consumers in the community, consumers with new needs, or consumers in new markets).
- *System friendliness* by introducing practices that make it convenient for customers to conduct business with the company (removing contact and service availability barriers; creating user-friendly customer interfaces; engaging customer-support staff; choosing convenient locations; toll-free telephone lines; prepaid and pre-addressed return envelopes; 24-hour a day, seven-day a week service; fast response to customers' inquiries; quick decision making in relation to customers' requests).
- *Innovations* that enhance company image and customer perception of value (creating perceptions of products as the "latest" and "most advanced"; being a market leader or a "winner" with a product or service).
- *Trust building* by ensuring that customers believe that the business will deliver the promised service and honor its commitments, which is important because customers often pay not after a service, but after an implicit or explicit *promise of service* (keeping commitments, realistic advertising promises, managing customers' expectations by stating what the service does and does not entail, maintaining open channels of communication, establishing codes of ethics throughout the organization).
- *Cross-selling* or the sale of additional services that can build the relationship with the customer and prevent them from being bored with a particular service (exposing customers to the firm's full product line, using direct mail to inform customers about additional products, training employees in cross-selling techniques).
- *Reinforcement practices* by encouraging customers to repeat desirable behaviors (thank-you letters or follow-up telephone calls).
- *Employee relations* or company support for frontline employees who serve customers (ensuring adequate recruitment, training, equipment, and motivation; making frontline employees feel satisfied with their jobs).
- *Service recovery* through practices that try to correct mistakes when they occur and neutralize the inconveniences to customers and the other negative consequences of these mistakes (customer complaint procedures, follow-up actions to resolve problems).
- *Unconditional guarantees* or honoring commitments to customers without barriers or exceptions (guarantee of performance with financial compensation for errors, following-through on customers requests).
- *Customer-to-customer relationships* that enable customers to positively influence one another (use of referrals or testimonials from customers, visits to customers' sites by potential customers).

### 3. RM AND INTERNET-BASED COMMUNICATION

A significant number of previously listed (and related) activities can be automated or semi-automated through the use of the Internet and Web technology. According to one conceptualization, *Web-based communication* with the customer can be generally organized in *three stages of the relationship-building process* (adapted from [16]):

1. *Initial investigation.* This primary stage does not include a full two-way interaction and its main activity is information gathering because market participants still lack knowledge for relationship development. Customers perform information seeking, while the companies/marketers collect consumer data, use database marketing, and try to effectively answer consumer queries.
2. *Full-range communication.* This is the stage of preliminary decisions in which consumers inspect competitive products or services. After a satisfactory interaction regarding one product/company, they may still turn to the competitor for another full-range interaction. Both sides gain knowledge from this experience and decide on future investment in the relationship building process.
3. *Relationship network creation.* Continuous interaction leads to the development of a relationship network among marketers and consumers. Consumers evaluate relationships according to their overall needs and relationship connections, while the marketers try to better target and serve consumers based on the characteristics of the relationship network. At this stage, market experience, perceptions and trust may become more important than hard data like product/service cost. Further market evaluations are also conducted within the relationship network environment regarding both new and existing relationship interactions.

Models of human-computer interaction (HCI) and computer-mediated communication (CMC), as well as theories of attraction between interaction partners, should be used in the design of Web sites for effective customer relationship development and maintenance. Some of the important Web site design issues relevant to CRM, beyond impression formation by the company, are summarized in the following three categories [11]:

- *Content* (capability, mutuality, and consistency).
- *Media design* (HCI usability, flow, media richness, and telepresence).
- *Interaction* (personalization, role recognition, and scripts).

*Capability* refers to the potential that the content of the Web site helps the consumer answer the question about how he/she can satisfy personal needs through an offered service/product, i.e. what a specific company can do for him/her if the interaction is continued as a *transaction* process.

*Mutuality* is the tendency of interaction partners to form an interest in the way the other party is viewing/evaluating them, and also refers to the processes of reciprocal impression formation. These processes are supplemented with an inclination toward positive affect and greater affinity after pleasant experience with the interaction partner (this can be a result of attitude similarity and personal need satisfaction).

*Consistency* is related to the degree the content of a Web site creates or supports a consonant image or stereotype of the interaction partner, e.g. of the company and its image, of the line of services/products, and of the interaction style with the consumer/customer.

*Human-computer interaction usability* is affected by the clarity and explicitness of information display and interaction design, as well as by the level of personalization and dynamic adaptation. It is augmented by: flexibility and ease of use, help and documentation, error prevention, menus, the match between the system and the user's world, consistency and standards, user control and freedom, aesthetic and minimalist design.

*Flow* is a construct that is used for the description of human interactions with computers and is associated with the capacity for control, stimulated attention, induction of curiosity, and involvement of intrinsic interest. Web sites that are characterized by *flow* are easy to use and comprehensible, fun to use and personalizable, highly visual and browsable, attractive and stimulative, dynamic and fast.

*Media richness* refers to multimedia and multichannel two-way communication, as well as to the immediacy of the interaction feedback or responsiveness. A media-rich Web site interaction design with the consumer is better adapted to various characteristics of human perception, attention and cognition.

*Telepresence* is an attribute of computer-mediated communicative experience that can best be described as a feeling of "being mentally and socially present at the other end of the communication channel", e.g. in the psychological proximity of the, in reality, physically distant communication subjects.

*Personalization* is associated with an adaptive service and one-to-one marketing that adjusts to the customer and encourages active involvement. A well-designed Web site would incorporate an appropriate blending of interactivity, content and transactions to dynamically respond to the user's characteristics and needs.

*Role recognition* is a process of identifying what is or can be expected from an actor in the interaction process. In a service encounter the customer has to learn and display behaviors that are appropriate for the situation, while the service provider's staff must enact roles that are congruent with the customers' expectations and stereotypes, as well as with their individual cultural and personality characteristics.

*Scripts* are expected sequences of events that guide individual behavior in a complex and changing environment that is seldom fully comprehended and evaluated. Rules that are incorporated in scripts facilitate daily repetitive events, including diverse service encounters. For a satisfactory outcome, rules have to be recognized and complied with by the participants in the interaction. The scripts should be uncovered by the service provider and enacted or revised with the customer.

#### **4. CUSTOMER RELATIONSHIP MANAGEMENT**

Customer relationship management (CRM) is a complex activity that exceeds the relationship marketing (RM) paradigm and includes the use of *up-to-date information technology* that is integrated with people, information, business, and related processes. Leading software companies offer CRM products that can unify customer-interaction channels, expand comprehensive customer intelligence, and establish one-to-one customer relationships [1]. Such products also enable better management of other related business processes: customer engagement, business transactions, order fulfillment, customer service, analysis and planning, and collaboration [2].

Implementing a comprehensive CRM program implies a detailed identification of numerous points of service encounters, as well as of their characteristics that influence customer satisfaction or dissatisfaction, and also the redesign of relevant B2C interaction processes to realize positive interaction outcome [4].

CRM commonly includes elements of (a) strategic management, (b) marketing, (c) interaction design, (c) process automation, (d) customer data accumulation, (e) customer data analysis, (f) other B2C and/or B2B activities.

## 5. RELATIONSHIP MARKETING AND THE WEB SITES OF SMALL AND MEDIUM-SIZED CROATIAN FIRMS

A recent analysis of 280 Web sites of small and medium-sized enterprises (SME) in Croatia [3] revealed that the content and design of most of those Web sites is still in the first (i.e. *contact*) phase of e-commerce service development (the other phases are *interacting*, *transacting*, and *relating* [14]). In fact, most of the Web sites of Croatian SMEs contained only company, product, and contact information. They were designed predominantly for presenting data (one-way communication) and more advanced and e-commerce related elements were found in less than 10% of the Web sites.

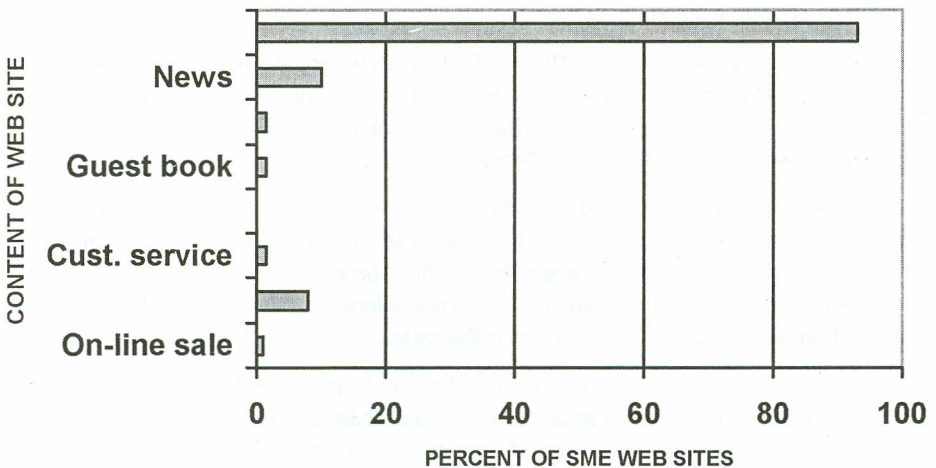


Figure 1. Presence of CRM-related content on the Web sites of Croatian SMEs

## 6. PROSPECTS FOR INTERNET-BASED RM AND CRM OF CROATIAN FIRMS

The most common reasons for having a company Web site are [8]: (a) to create more business; (b) to establish Web presence; (c) to advertise; (d) to provide customers with information. However, sophisticated forms of Web marketing demand considerable investment and for profitability there should be a sufficient number of potential customers that can be attracted to the Web site.

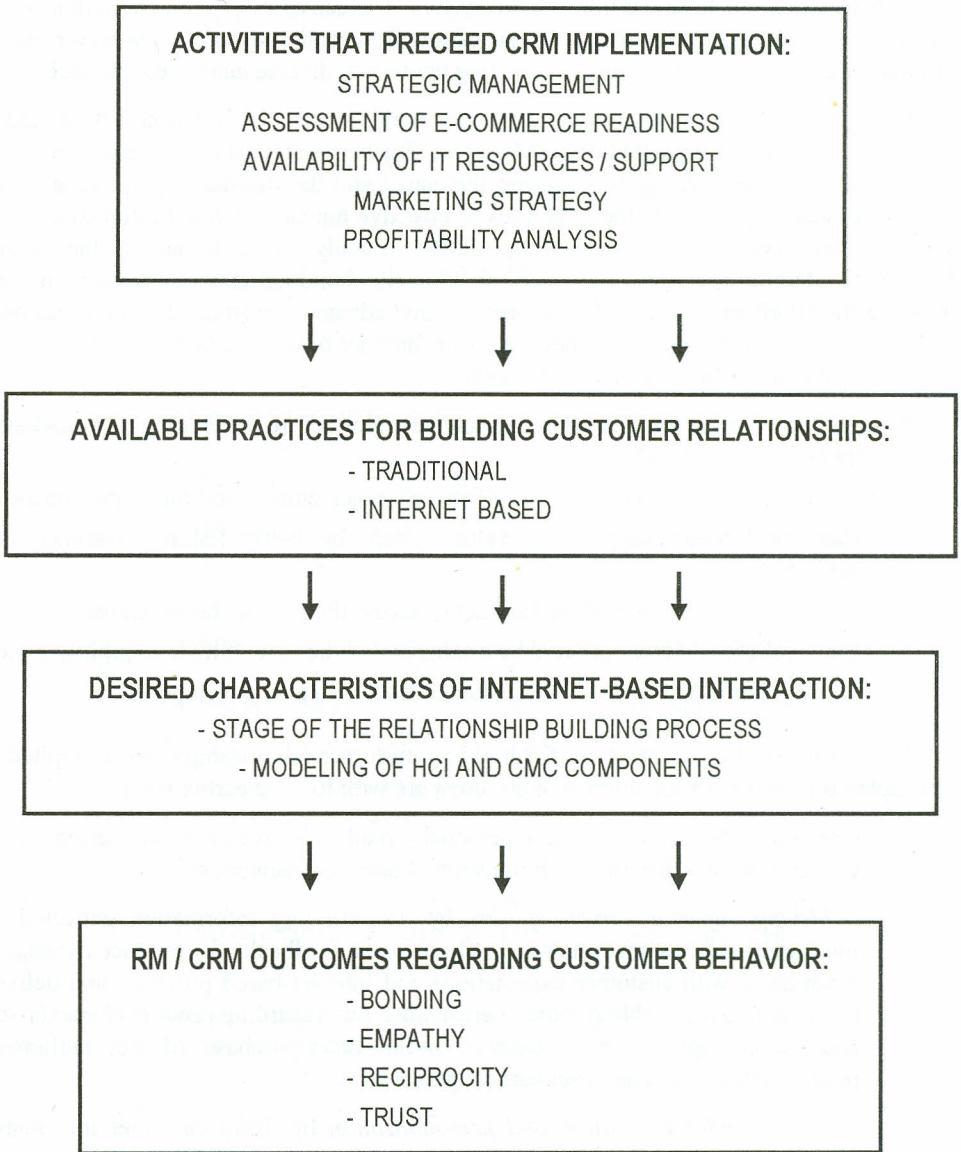


Figure 2. Activities related to the planning and implementing of an RM or CRM-oriented Web site

Still, some means for the improvement of customer relations by using Web-based communication may be both feasible and profitable, even for SMEs. A company that is considering such activities must take into account several factors that are outlined in Figure 2. Plans for RM or CRM via the Internet should be developed as part of the *strategic management* of a firm and based on the assessment of the *e-commerce readiness* of both the firm and of the potential customers. It would be difficult to implement a RM or CRM-oriented Web site without adequate *information technology (IT) resources and support*. These resources are also necessary for the integration of Web-based customer interaction

with other parts of the business information system. The activities of Web marketing should be part of the overall *marketing strategy* of the firm, and *profitability analyses* should influence the choice and intensity of marketing activity in diverse marketing channels.

Both traditional and innovative practices for building customer relationships should be considered for a Web-based RM or CRM system. Furthermore, customer interaction should be carefully designed, taking into account the actual and the desired stage of relationship with the customer, as well as the principles of effective human-computer interaction (HCI) and computer-mediated communication (CMC). Finally, after achieving the desired RM/CRM outcomes regarding customer behavior, like bonding, empathy, reciprocity, and trust, additional effort must be made to preserve and advance the attained level of customer relationships, either by engaging new Web or Internet-based interaction features or by activating other available interaction channels.

Some of the other factors that SMEs should consider before developing an e-marketing strategy are (adapted from [13]):

- Can the Internet be used to more effectively reach current and future customers?
- Can the Internet support the value system by better linking customers and suppliers?
- How can the desire to use the Internet to access the product be generated?
- Can a reliable delivery process be established in the case of high tangibility goods?
- Can a genuine and trustworthy customer relationship be developed?

Most of the traditional practices for building customer relationships can be applied to, or adapted for, the use of the Internet/Web (compare with [6]; see earlier text):

- *Communication* by newsletters, personal e-mail, selective direct marketing e-mail, customer on-line forums, Web transmitted user conferences, etc.
- *Achieving superior service quality* by: (a) utilizing information collected via Internet-based customer surveys and customer feedback; (b) product redesign in accordance with customer expectations and Internet-based purchase and delivery possibilities; (c) enabling more “personalization” regarding product characteristics and delivery options on the basis of on-line order/purchase; (d) free multimedia product information and user/service guides.
- *Increased individualization and personalization* by using customer information and customer databases for adaptive interaction design and more effective choice of information presented to a specific customer via the Web.
- *Web-based service differentiation and augmentation* by: (a) innovative and exclusive Web services; (b) supplementary Web service specialization; (c) Web-based sales promotion; (d) Web entertainment for customers and customer virtual groups/clubs; (e) diverse forms of Web-based extended service.
- *Affective engineering* by: (a) promoting community involvement, sponsorships, and charitable activities; (b) providing attractive material for customers via the Web, like on-line magazines, games, quizzes, downloadable files, ideas for product use/maintenance, etc.



- *Relationship pricing* by utilization of customer databases and records of previous purchases by a specific customer for special on-line purchase offers, Web-delivered customer programs and discounts, adaptive/personalized Web promotion efforts, etc.
- *Linking of on-line purchases* by: (a) bundling of on-line purchased products/services; (b) frequent Web-shopper programs; (c) reminding on-line customers about product updates, new product editions/versions, and renewals.
- *Pioneer advantage* by: (a) creating “non-commercial” Web content for children/teens and potential consumers in new markets; (b) reaching on-line consumers outside traditional markets; (c) attracting on-line consumers with new needs.
- *System friendliness* by introducing Web-site content like instructions for Web-site use (i.e. explanation of buttons, site maps), FAQs, customer education material, real-time Web-based customer complaint/inquiry services, etc.
- *Better promotion of product and Web service related innovations* by use of multimedia in Web presentations and engaging two-way customer interaction design.
- *Trust building* by: (a) providing more complete product/service information on the Web site; (b) improved promotion of company image via the Web; (c) opening new Internet/Web-based channels for communication; (d) enabling on-line customer-to-customer interaction, (e) statements of privacy policy.
- *Cross-selling* by automatically offering a more extensive/complete product list related to customer interest, as well as other potentially interesting products/services.
- *Reinforcement practices* by: (a) thank-you e-mails; (b) providing free Web-delivered service/gifts; (c) buyer lotteries; (d) useful information after on-line purchase.

When designing and maintaining an effective Web site for RM and CRM it is important to include expert experience (elaborated in detail in [8]), as well as to consider diverse components that can be implemented on a marketing-oriented corporate Web site (for a detailed listing of potential components see [12]).

## **7. CONCLUSION**

Various factors have been identified that characterize the rapid changes in the global business environment and contribute to the *growing importance of relationship marketing* (summarized by [9]): intensifying global competition; more demanding and sophisticated customers; fragmentation of consumer markets; shifts in customer buying patterns; increasing standards in quality; inadequacy of quality in itself to create sustainable competitive advantage; growing technological influence in most products and services; decline in effectiveness of traditional marketing.

This paper presents an overview of RM and CMC factors that should be taken into account when designing an effective marketing-oriented Web site. Also, as an illustration of the current state of Web marketing in Croatia, some results of a recent analysis of the

Web sites of SMEs in Croatia are presented which indicate that RM content is *not* present on more than 85% of those Web sites. After presenting an outline of activities related to the planning and implementing of a RM or CRM-oriented Web site, suggestions are made on how some of the traditional practices for building customer relationships can be applied to, or adapted for, the use of the Internet/Web.

Perhaps a reminder of the five steps for transforming traditional business practices and creating e-commerce success (see [10]) can illustrate some of the important points of adding RM and CRM content and processes when redesigning a company Web site: (1) redefining competitive advantage; (2) rethinking business strategy; (3) re-examining traditional business and revenue models; (4) re-engineering the corporation and the Web site; (5) re-inventing customer service.

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