Abstract

Survival of business entities in conditions defined by the information society depends on successful e-commerce. Success of the modern e-commerce is based on relationship marketing, i.e. CRM. Accordingly, the transition from the classic into e-commerce implies, among other, selection of an appropriate CRM strategy, including reengineering of business processes, many organisational changes as well as entirely modified corporate culture of a business entity. Therefore it is not strange in modern times that significant emphasis is put on customer relationship management within the e-commerce system (eCCRM). Modern marketing studies specific properties of CRM application in e-commerce, taking into account the current development level of ICT and e-commerce, both in the Republic of Croatia and worldwide. The research conducted by means of an in-depth interview with experts in the above area has provided key information about the level to which CRM is used by business entities in the Republic of Croatia. The research has also provided information about the level of knowledge and understanding of relationship marketing and CRM concept by the key people who make decisions in business entities. The key question answered by this research refers to the causality between successful application of CRM and the achieved company performance within the e-commerce system.

JEL Classification: L81, M31

Keywords: e-commerce, CRM, management, ICT, marketing
1. Introduction

One of the key factors of survival of any business system in modern business environment is Customer Relationship Management. Customer Relationship Management (CRM) can be explained as a continuous process during which business entities communicate with their customers. The process of communication with customers takes place through ICT, and communications within the system, both physical and e-commerce, are made possible by special software applications which are used for gathering, processing and analysing data on customers. The obtained information plays a key role not only in making the timely and correct decisions, but also in developing partner relationships with customers, especially through improved quality of service for customers. Customer relationship management within the e-commerce system (eCCRM) is not only an issue of implementing a CRM software system through a corresponding software application, but it is also of crucial importance for its successful implementation, understanding of the principles of its functioning as well as advantages offered by such a system. Therefore potential reasons for absence of relationship marketing application, i.e. CRM as well as for lack of success in its implementation should be primarily found in limited knowledge and abilities of the existing management of business entities. Namely, survival is the primary responsibility of the management of a business entity, and survival in modern business conditions is threatened by a lack of a customer relationship application, i.e. CRM as well as by its unsuccessful application.

2. Research Methodology

Although CRM is the key factor of survival in conditions of existence of the global market at the level of a logical model, the fact is that in the world and also in the Republic of Croatia there are many cases of unsuccessful implementation of CRM. This research explores problems and reasons for absence of implementation as well as for unsuccessful implementation of relationship marketing through the CRM system. Regarding the identified problem, the following hypothesis has been set.

H1: There is a proportional causal relationship between successful application of CRM and achieved business results, as it enables communication with customers, which is of key importance for their keeping by means of improved quality of service provided to customers and creation of products tailored according to customers.
H2: The potential of CRM use by business entities in the Republic of Croatia is insufficiently used, especially due to poor knowledge and lack of understanding of customer relationship, and CRM concept by the key people who make decisions about business of business entities.

Based on the presented research problem, the following research objectives have been defined and should be achieved through in-depth interviews with experts from the field of CRM, e-commerce, marketing and management.

- Explore whether the potential of CRM is sufficiently used by business entities in the Republic of Croatia and, if this is not the case, determine to what extent this is caused by poor knowledge and lack of understanding of customer relationship marketing, i.e. CRM concept by the key people making decisions about business of economic operators.

- Determine whether there is a proportional causal connection between success of the CRM application and the achieved business results, based on results obtained from the primary and secondary research.

The research was carried out deductively. In addition to a set of standard research and scientific methods, the method of in-depth interviewing was also applied in the primary research. Research results were obtained through causal interviewing based on the available data obtained both through the primary and secondary research.

3. Theoretical review of e-Commerce and CRM

As relationships in the society evolve being driven by ICT development, the forms and principles of business also change. One of the most significant changes among many changes taking place these days, which can be compared to changes introduced by transition of people from nomadic to settled life and emerging of the civilisation, is the change that refers to transition of business from physical to the Internet – virtual environment. Therefore it is of no wonder that adaptation has become the key factor of survival in today’s business environment, that is, transition of business from physical to the Internet – virtual environment. Development of the World Wide Web service was of greatest importance for emergence and development of virtual business. It is this service that has made it possible for business entities to become as close to potential and existing consumers/clients as possible and to achieve better and more loyal relationship between them. Not so long ago many business entities invested in e-commerce technology for the purpose of busi-
ness automation and rationalisation, believing that, compared to physical forms of trade, cost reduction will result in increased efficiency of overall business. However, the new form of trade was cold and inhospitable for consumers, as communication with consumers/clients was eliminated. Opposite to this, e-commerce along with CRM (eCCRM) is the tool that has been designed to communicate with consumers/clients, to find out more about the needs, possibilities and preferences of consumers/clients. In addition to providing better information on consumers/clients to a business entity, this tool also offers an array of advantages for consumers/clients. Being the constituent part of the e-commerce model, CRM makes it possible for business entities (companies or sellers) to create a more complete and better offer because it provides the possibility for better understanding of consumer needs, which establishes a connection between a consumer and a business entity and transforms a consumer into a client. It is the strategy for keeping the consumers that nowadays makes it possible for business entities to build their own competitiveness and to survive. The reason could be found in a high level of competitiveness that exists in the global environment. Gaining a new consumer requires significantly greater effort and the means than it used to. For this reason the effort is focused on keeping consumers rather than gaining new ones.

3.1 E-Commerce

The term e-business is often confused with the term e-commerce, mostly owing to some influential business circles in the USA where the dominant belief is that any business, regardless of how it is realised, in the end is reduced to buying/selling of something, i.e. trading in something. However, such a position is quite superficial and very simplified, because between the mentioned terms there are certain, although relatively subtle, but clearly distinctive differences (Panian; 2002, p.71).

The strongest argument for eliminating uncertainties in terms of semantics of the given terms may be found in the statement that electronic commerce involves exchange of goods and services among buyers, business partners and sellers. For example, a supplier interacts with a producer, a buyer with a seller, and a forwarding agent with a distributor. Electronic business includes all of these elements, but also operations carried out within the company itself (Bartels; 2000, p.41). These operations include, for example, production, development, corporate infrastructure and product management. Therefore e-commerce presents a wide array of online business activities for all products and services (Rosen; 2000, p.5), and it refers to
any form of business transaction in which parties interact and they rather exchange goods electronically than physically, i.e. through direct physical contact.

E-commerce is usually associated with buying and selling via the Internet or performing of any transactions that include transfer of ownership or rights to use goods or services via computer networks (Lallana; 1997, p.2). Although popular, this definition is not sufficiently comprehensive to include all recent events in this new and revolutionary business phenomenon. A more complete definition would be that e-commerce involves using ICT in business for creating, converting and redefining of relationships to create value among organisations as well as between organisations and individuals (Lallana; 1997, p.2).

Based on the nature of transactions carried out through e-commerce, most of the Internet-based trade activities can be divided in two basic categories: B2B (trade among businesses) and B2C (trade directed at the end consumer market) (Ružić et al.; 2009, p.262).

Although continuous communication with a buyer is limited in a traditional business, e-business provides great opportunities in this field that mostly remain unused. If a company has an online shop, the data left by buyers on the company's site are a great starting point for building of a good CRM strategy (Ružić et al.; 2009, p.288).

If the aim is to increase sales, there are three possible solutions: 1. To increase the buyer (customer) base – intensive marketing efforts directed at a new market; 2. To increase the value of individual orders – monitoring of buyers’ (consumers’) habits on the Internet and personalising offers according to individual affinities; 3. To increase loyalty of buyers (consumers) – turning a buyer (consumer) into a client and motivating him or her to repurchase.

Use of e-commerce leads to increased business efficiency and improved relationship with clients/consumers/buyers. Therefore CRM system is an inevitable part of e-commerce, representing the philosophy according to which the consumer is the king, i.e. consumer takes the central position.

### 3.2 Customer Relationship Management – CRM

The Customer Relationship Management (CRM) concept was developed and has become widely used within a short period of time and now it is regularly used in the field of e-commerce. To put it simply, the CRM system is based on the cen-
Central storage (database) where all gathered data that point to the behaviour of a consumer/client are stored. In modern times people from different departments within a company, in accordance with the chain of value, increasingly have the need for direct interaction with their consumers/clients. Unlike past times when the process of buying and selling was characterised by single and lonely transactions and the focus of interest of a company was only in the domain of sale management, the focus of a company nowadays is on development and implementation of a communication process with a consumer/client that takes place before, during and after the sale act itself.

CRM (Customer Relationship Management) has been defined in different ways in works by foreign and Croatian authors, primarily due to translation of the term customer that is translated as buyer according to some authors (Grbac and Lončarić, 2010), whereas some use the term consumer (Meler & Dukić; 2007), and some other use the term client (Panian; 2002, Muller & Srča; 2005). For example, Panian defines CRM as an approach used by a company in an attempt to increase its competitive ability and strengthen its market position, and it is based on understanding the behaviour of clients and influencing them through meaningful communication, all with the aim of attracting and keeping clients, developing their loyalty and increasing profitability of a business (Panian; 2002, p.232). It is also used to define the process of establishing and maintaining relationships with business users. CRM is a holistic process of identification, attracting, differentiating and keeping buyers (Strauss & Frost; 1999, p.285).

CRM is a business strategy that includes selection and management of a relationship with clients for the purpose of adjusting their long-term value for the company, and a philosophy focused on a client (Muller & Srča; 2005, p.101.). Peppers provided a simple explanation of CRM: Treat different customers differently (Peppers & Rogers; 2011, p.7). CRM is therefore a strategy used to find out more about the needs and behaviour of consumers, aimed at developing stronger relationship with them, because good relationships are of key importance for business success (Meler & Dukić; 2007, p.103). It is also understood as the managing approach through which businesses create, direct and maintain relationships with corporate buyers, thus actually realising control over total marketing activities, from marketing to providing post-sale services (Bull; 2003, p.592-602).

The backbone of CRM is strategic planning, where ICT is an important component, but only as a support. Establishing of the CRM system requires an infor-
CRM is a technological solution that consists of three main parts: collaborative, operative and analytical part, where each of them has its separate function, and functions in the first place refer to gathering and processing of data and analysis of the information obtained from data processing. The structure of the CRM system is shown in Figure 1.

Some of the important objectives of customer relationship management are to provide better service, achieve higher sales of other products, help sales personnel to work faster, simplify marketing processes, find new consumers, increase income from consumers, etc. (Meler & Dukić, 2007, p.103).

Finally, after all of the above mentioned about CRM, it can be stated that CRM represents a business philosophy that has emerged from the relationship marketing and that it places an individual consumer to the centre of its interest. Consumer’s behaviour and needs are followed for the purpose of satisfying the need of that consumer in a better way, all with the aim of developing a partner relationship with the consumer and in order to keep and use him or her in the best possible way. Also, CRM is an application of the modern marketing strategy and its implementation refers to the use of adequate software solution that ensures collaboration with consumers, but also systematically gathers data on the consumer’s needs and behaviour.
Based on the gathered data, it provides key information to the management to create the best possible business as well as marketing strategies. Finally, CRM is not only building competitiveness in the circle of gathering data from consumers, but also in the circle of giving information to consumers it presents a base for creating competitiveness as the task of CRM is to build information superiority both in the field of gathering and giving information to consumers.

4. Introduction and explanation of research

In-depth interviewing is a very suitable and rewarding research method, primarily because this is a personal interview where each respondent answers the questions of the interviewer (questioner) to discover motives, beliefs, attitudes and feelings closely related to the research subject (Finnegan & Willcocks; 2007, p. 69). The research subject in this case is the understanding of the importance of CRM and e-Commerce. In-depth interview is not highly structured and it is based on open questions that allow “informal” conversation, where knowledge of the respondent about the field of research is gained simply and easily. (Finnegan & Willcocks; 2007, p. 69). In accordance with the principles of conducting an in-depth interview, also in this research respondents come from different fields of activity (production, sales, service …), and each individual has a different and more specific story related to CRM and e-Commerce. It is exactly for its lack of structure and possibility for a free flow that in-depth interview has showed as ideal research method in conducting a research in the Republic of Croatia on how companies use the potential of CRM and to what extent the gained knowledge can be explained with low level of knowledge and lack of understanding of relationship marketing, i.e. CRM concept by key people who make decisions about business.

In-depth interviews were conducted in December 2012 and January 2013 and respondents were experts in the field of CRM, management, marketing and e-commerce who are at the same time directors/managers of the companies they work for. Purposive sampling of experts was used, 14 of them, and research instrument consisted of prepared essay questions (15) which were presented to respondents before the very meeting and in-depth interview. Interviews were arranged by e-mail/phone and carried out in person in places that respondents found most suitable.

Conversation with respondents in the first part of the interview started informally. With the aim of creating a comfortable and relaxed atmosphere that could contribute to the overall flow of the interview, respondents were first asked to intro-
duce themselves and say something about them and their professional life. This was followed by questions about general understanding of marketing and relationship marketing, differentiation between the terms buyer/consumer/client, and definition of the terms e-Commerce and CRM. The third part of the interview was aimed at obtaining as much information as possible on subjects and events taking place within the company of the respondent, and on their individual experience with application, implementation, potential problems, difficulties and development of both e-commerce and CRM system within it. At the very end of the interview respondents stated some of their opinions and predictions about future, and they suggested at the concept level how relationship marketing should be organised, e-Commerce and CRM improved and how the omnipresent potential of social network should be best used.

5. In-depth interview results

In order to determine the level of understanding marketing and relationship marketing and terms such as buyer/consumer/client, respondents were asked to explain their view of these terms. Most respondents stated that there was a clear distinction between the terms buyer/consumer/client, and they explained it very simply. However, a small number of respondents (two) said that the terms buyer/consumer are synonyms, but considerably different than the term client, and only one respondent said that all three terms are synonyms.

When asked about the difference between a physical and a virtual buyer/consumer, the conclusion was made that is in the domain of offline and online world. In offline world there is a traditional, classic buyer or consumer, and if buying/selling was completed via the Internet, then it is a virtual buyer behind whom there is again an end-consumer, that is, a physically “tangible” person.

When asked about marketing and relationship marketing, everybody provided a clear explanation of each term and answers were similar to a great extent, but their implementation, importance and understanding was different with each respondent, according to their functions within their company.

Most respondents work in small or medium-sized companies and, accordingly, they use simple CRM tools with limited number of functions, which are most frequently used due to a relatively low price (some of them even free). Some of the examples of CRM include MS Office package (or, more precisely, Excel with its advanced functions for monitoring what a consumer/client does from the begin-
ning to an end), Diglas CRM, Google Analytics, AdWords, MAILChimp (http://mailchimp.com/), customer support over FAQ (frequently asked questions) or user support through phone, e-mail, surveys and similar. Respondents using these more simple CRM systems hope to use more advanced solutions in the near future. Many more complex CRM information systems are intended for large business systems, and their development and implementation can cost a lot. Lesser number of respondents has detailed and fully implemented CRM systems in their business (Siebel – CRoM and SAP – Integra).

The situation with e-Commerce is similar. Almost all respondents (except one) have some of the forms (B2B, B2C) of e-Commerce, if only as a “display” presented on the web site of a company where potential buyers/consumers/clients can have insight into information they are interested in about products/services, and continue further conversation/purchase/information gathering via e-mail/phone/fax. The company without a web site is in the production sector (factory), and the executive director currently does not see the reasons to introduce it because he does not want the company to be reached by end buyers (he does only B2B), and he selects and contacts companies that he might do business with due to specific characteristics of production. The company’s production range can be found on the web site of its general distributor and he thinks that they, being a factory, do not need to have an e-commerce system.

When asked to predict the possibilities of development of e-commerce and CRM for an average company, respondents mostly estimated that the share of income from e-commerce will grow. However, respondents did not dare to comment on the amount of share of income coming from constant consumers/clients in the total income. Only some of them expressed their wishes about the percentage they would consider satisfying for their company. The predicted and desired percentages range from 10 to 30%. All respondents agree that e-commerce will exponentially grow in future and that the share in the total income will grow, but not to such an extent as expected. Physical trade in relation to e-commerce will be still stronger in the following 10 years, but these great differences will decrease over years.

All respondents were absolutely sure that in ten years from now such products like computer hardware and software and various similar information applications will be sold only online, i.e. via e-Commerce. Also, most of them think that there is a very small number of people in the world who can afford transactions in amount of several hundred thousand euro to buy a car, boat, or some other expensive prod-
uct via Internet. Respondents mostly think that most people have to go to a bank, ask for a loan, then verify papers at the office of a public notary and make a purchase. Therefore, according to respondents, purchase of expensive products will not come to life in e-commerce unless some drastic changes occur.

From the results of the conducted research it can be easily concluded that top management itself accepts responsibility for the situation in which their company currently is in terms of the level of (non)implementation of the CRM system and e-commerce within it. Development of ICT in the Republic of Croatia is at a high level. However, e-Commerce is still underutilised. In-depth interview has confirmed the premise that Croatian companies insufficiently utilise the potential of CRM, especially due to a low level of knowledge and lack of understanding of relationship marketing and CRM concept by key people who make business-related decisions. Although in some cases respondents gave correct answers, their conservative perspective thinking about future points to certain limitations that are in front of implementation of the concepts of CRM and e-Commerce.

Respondents who are experts in the field of CRM, but do not have this sort of activities in their organisation, explained the absence of CRM stating that implementation of the CRM system is extremely demanding and that it requires participation of all levels within the company. Integration of the CRM system with existing IT systems within a company is a very large problem as it requires education of all employees, because CRM also brings great changes in the work of human factors. The first thing that should be done prior to introduction of the CRM system is to make effort to gain good understanding of the business, branch, industry or field of activity in which the company operates and tend to develop a solution tailored to characteristics of its field of activity.

It is important to mention that CRM is a strategy, not only a software (Strauss & Frost; 1999, Muller & Srića; 2005, Panian; 2007, Meler & Dukić; 2007, Hughes; 2006, Peppers & Rodgers; 1999, Johnson; 2000, Grbac & Lončarić; 2010, Tumbas; 2006, Stojković; 2007). The first association of the respondents from the field of management and marketing who do not fully understand relationship marketing is a software solution and they associate it with complexity and very high costs of implementation. One of the respondents gave a simple description of use of CRM in Croatia, “Everybody is talking about it and knows something, but only few implement it correctly”. With e-Commerce there is a similar situation. Being unfamiliar with relationship marketing, most respondents think that e-Commerce
is actually an online shop on the Web through which buying/paying takes place and currently it is fashionable having it on the web site of your company. They do not understand the full concept of e-commerce that is used for management of all buying and selling activities, including building of long-term relationships with consumers. In line with this, the failure to understand the causality between business success and CRM use, i.e. e-commerce and lack of understanding of the moment in which the world is now are key factors in absence of implementing CRM and e-Commerce at the level required by the current moment. The greatest responsibility for this is within people who make decisions and who were not able to evaluate from the legacy/heritage from industrial age. They were not able to distance themselves from the way of thinking established at the age when physical transactions were the only way of doing business and trade and when activities were limited to the local, maybe regional market.

6. Conclusion

Due to global transparency, growing uniformity of product quality and small differences in price of products, future competitiveness will be built in the area of giving and taking adequate information to customers. As a product of a permanent market research and means of permanent provision of information, it can be a key to achieving partner relationship with customer, i.e. as means for creating permanent loyalty of customers. As CRM is the key component of e-commerce, these two concepts are nowadays mutually interwoven and they are increasingly less able to exist without each other.

Reason for this should be found in the fact that it is necessary to have control over all data and information to provide coherent and relevant experience on several points of contact of the entire business of organisations (Walker, 2010). E-Commerce is a big market that is growing on a yearly basis and therefore it is no longer sufficient that e-commerce works as an independent system. Accordingly, if business entities wish to be competitive in a global market, in the first place they need to develop strong infrastructure for e-commerce as soon as possible, oriented toward constant improvement of services and seeking innovation in business.

Finally, it can be said that one of the more important factors that will define the value of CRM for the modern e-commerce is the change in the way of behaviour of a modern consumer who is increasingly leaving mass production products behind and is looking for products tailored according to his or her needs and require-
ments. Such products can be offered only if knowing consumer needs, which is the task of the CRM system. Therefore it is fundamental for modern e-commerce to focus attention to management of relationships with consumers/clients, primarily through keeping the existing consumers and increasing their profitability. However, problems in business occur and will increasingly occur for those companies that neglect this fact. This is especially pronounced in the Republic of Croatia because companies in Croatia use the potentials of CRM and e-commerce insufficiently. The reason for this may be found in a low level of knowledge and lack of understanding of the relationship marketing on one hand, and actual moment in social development on the other hand, by key people making decisions in Croatian companies. According to the above stated facts and accepting the method of causal conclusion and based on the conducted research, it can be concluded that there is a proportional causal relationship between successfulness of CRM application and realised business result in a modern company.

References