

## Transformation from Relationship Marketing to Electronic Customer Relationship Management: A Literature Study

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— *Review of* —  
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### ABSTRACT

In the era of digitalization, technology is driving companies to change their platform process into the digital process for achieving sustainable corporate goals. A company should make a strategy for the satisfaction and value of customers. To win customers' heart, a company needs to know what customers need and want. It starts with building a relationship with the relationship marketing strategies. They are (1) identifying each customer more closely by creating two-way communication, (2) managing a mutually beneficial relationship between customers and companies, (3) shifting to customer relationship management (CRM) and (4) turning into electronic Customer Relationship Management (e-CRM). This study intends to describe the process of relationship transformation, from the beginning to the present in terms of the differences between stages and how it would be essential for an organization to engage the customers. The method used in this study was qualitative research with descriptive approach. The data collection technique applied was literature study. The results show that the transformation from relationship marketing to electronic relationship marketing management is to aim at loyalty, profitability, sales increase, customer retention and customer engagement. Digitalization has pushed companies to change their platforms to become digital, so customers would have a 24-hour relationship with the companies via online service.

Keywords: Relationship Marketing, CRM, e-CRM

### 1. INTRODUCTION

A high level of competition and the rapid development of technology recently encourage a company to continue improving its proximity to customers. A company continues to understand customer behavior by optimizing potential customer data. A successful company is a company that can do its business transformation to network-based digital and where the company will provide a different customer experience integrated into their daily life. A company creates strategy relationship management to obtain a competitive advantage. A strategy is a formulation of a comprehensive plan to how a company will achieve its mission and objectives. Based on Hunger & Thomas (2012), the strategy will maximize the competitive advantage and minimize the limitations of competition.

Customer relationship became a hot topic since the 1980s and it transforms every era according to the fluctuant environment of business. Each era has its own characteristics. Based on that, the study aims to describe the media of e-CRM to be used in service companies, such as banking, hotel, and retail in the era of digital marketing.

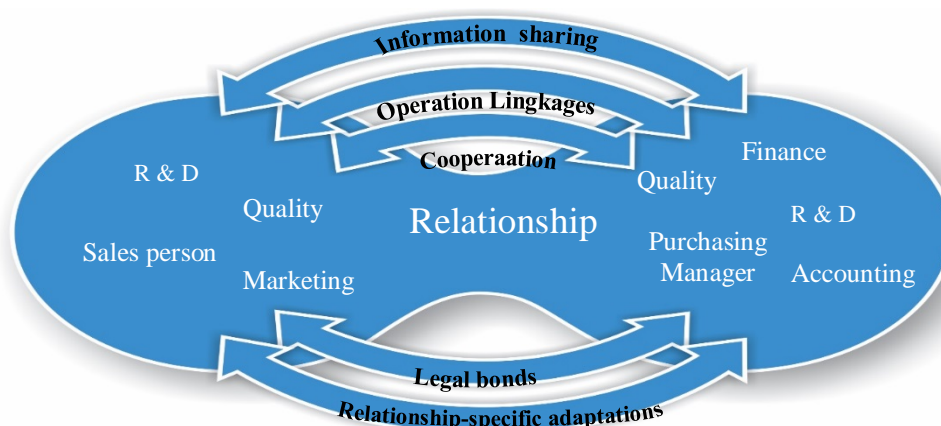
## 2. LITERATURE REVIEW

### 2.1. Relationship Marketing(RM)

Relationship marketing was first introduced by Berry (1983) who defines it as attracting, maintaining, and in multiservice organizations enhancing customer relationship and it is recommended as a strategy to overcome service intangibility. According to Christopher et al. (1991), relationship marketing was started in 1990. On the other hand, Grönroos (1994) identifies and establishes, maintains and enhances and, when necessary, terminates the relationship with customers and other stakeholders at a profit so that the objectives of all parties involved meet; and this is done by mutual exchange and the fulfillment of promises. According to Payne (1995), relationship marketing focuses on how to develop, maintain and enhance customer relationship over the customer lifecycle rather than on attracting new customers. O'Malley and Tynan (2000) state that relationship marketing is believed to be working most effectively when customers are highly involved in the good or service. There is an element of personal interaction and customers are willing to engage in the relationship building activities.

According to Palmer (2001), relationship marketing focuses on the orientation to customer retention, continuous customer contact, customer value, long-term scale, high emphasis on customer service, high commitment to meet customer expectations and quality that become the concern of all staffs. Cannon et al. (2008) state that customer relationship with each company will be at different levels. There are five dimensions of the relationship: cooperation, information sharing, operational circles, legal bonds, and relationship-specific adaptations.

The forms of relationship in business can be described as follows:



**Figure 1: Key Dimensions of Relationship in Business Markets**

Source: Cannon, Joseph *et al.*(2008:189)

Meanwhile, the level of relationship marketing according to Berry (1995) means the level of relationship marketing divided into three levels: level one relies primarily on incentives pricing to secure customers' loyalty; level two relies primarily on social bonds, although aggressive pricing may be the vital element of the marketing mix and level three relationship marketing relies primarily on structural solutions for important customer problems.

According to Berry (1995) in Palmer (2001) relationship marketing can be clarified based on three approaches:

- a. As a tactic: relationship marketing is used as a sales promotion tool even though the development of information technology has spawned many short-term loyalty schemes.
- b. As a strategy: relationship marketing is a process for binding customers through legality, economics, technology, geography and proximity to customers.
- c. As a philosophy: relationship marketing becomes the core of marketing philosophy in which customers shift their focus from customer needs connecting the life cycle of customer needs to customer relationships.

Morgan and Hunt (1994) identify that a relationship benefits customer trust so it will be a commitment to consumers to be engaged. According to Bull (2003) and Zablah et al. (2004), the concept of CRM is often criticized because it implies the meaning of different things for different people.

## 2.2. Customer Relationship Management

The concept of relationship marketing depends on customer data. Customer data is always important for companies. From the data, the companies can make a faster decision. According to Samizadeh and Mehregan (2015), one of the various ways for companies to use their day-by-day analysis is data mining. Based on Song et al. (2004) data mining has been frequently used in CRM. Customer relationship management (CRM) is a part of relationship management which is like a classification of customers at risk, it creates profitable customers and customer retention. According to this approach, companies can identify which customer that is loyal and generates substantial value for the organization through a high-profit contribution.

Richards and Jones (2008) explain that CRM allows companies to gather customer data swiftly, identify the most valuable customer from time to time and increase customer loyalty by providing customized products and services. While, Knox et al. (2003) say that CRM is a business strategy, process, and information technology (IT) that enable a company to optimize revenue and increase value through comprehending and satisfying individual customer needs. In addition, Hillebrand et al. (2011) state that CRM is considered as an important way to enhance customer loyalty and the company performance.

## 2.3. Electronic Customer Relationship Management

The rapid development of technology pursues companies to change their platform to digital. Digitally, companies manage their relationship with customers in a more efficient and effective way. According to Chuang et al. (2012), the evolution of ICTs due to the rapid development of internet technology has led the development of CRM to e-CRM.

Perwej (2010) states that increasing competition, deregulation, and the internet have contributed to increasing customer power. Usman et al. (2012) describe that e-CRM is an approach consisting of a combination of hardware, software, applications, processes, and management practice commitments to build a high-quality customer service and customer care. According to Kumar (2015), e-CRM is a process of maximizing sales to existing customers, driving a continuous relationship through the use of the technology of digital communication, such as database operation, websites, customer service, email and social media marketing. Aher and Bhakkad (2011) in Abu-Shanab and Anagreh (2016) add that e-CRM is a long-term relationship that utilizes technological and human resources to comprehend customer behavior and achieve a maximum customer value.

### 3. METHOD

The method used in this study was qualitative research with descriptive approach. The data collection technique applied was literature study using systematic mapping process. According to Petersen et al. (2008), the essential steps of the process of systematic mapping study are defining research questions, conducting the search for relevant papers, screening of papers, keywording abstracts and data extraction and mapping. Each step of the process has an outcome. The outcome of the process becomes the systematic map.

### 4. RESEARCH AND FINDINGS

The results of the study in the transformation of relationship marketing into electronic customer relationship management through literature study data obtained are the following:

The competitive level of business is increasingly accompanied by the rapid technological developments pushing companies to always improve their competitiveness by expanding their market share and customer loyalty. The shift in relationship marketing that grew rapidly in the 1980s begins as the more complex customer finally emerges customer relationship management

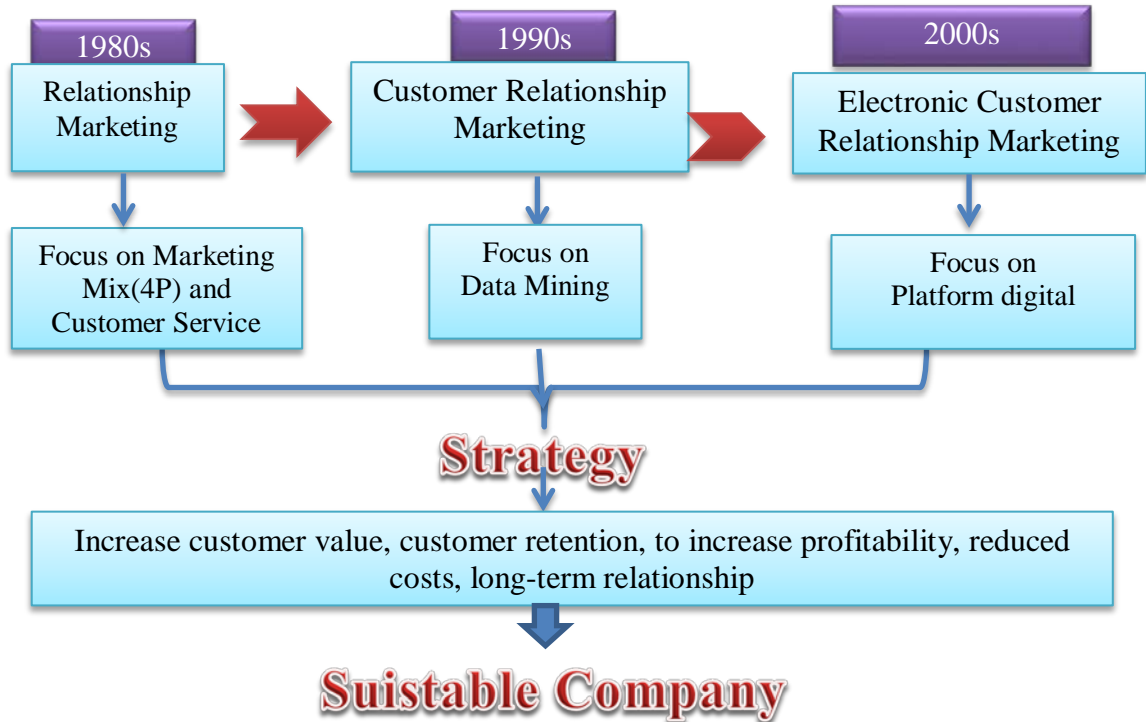
**Tabel 1: Transformation Relationship Marketing to Customer Relationship Management then electronic Customer Relationship Management**

Relationship Marketing (RE)	<ul style="list-style-type: none"> <li>• Started since 1983 by Berry</li> <li>• Marketing appeared as a new marketing strategy (Mattson, 1997; Tareq, 2012; Payne, et al., 2000; Crosby and Stephen, 1987)</li> <li>• The aim is to increase customer retention and customer loyalty (Berry, 1983; Mattson, 1997; Payne and Frow, 1999; Reichheld and Sasser, 1990; Priluck, 2003)</li> <li>• The aim is to increase profitability and improve services (Berry, 1983; Walsh et al., 2004; Reichheld and Sasser, 1990; Garland, 2002; Dawes, 2004).</li> <li>• The benefit increases purchases, reduces costs, has free advertisement, emerges the lifetime value of customers, gives a positive word-of-mouth (Zeithmal and Bitner, 2000; Christopher et al., 1991; Reichheld and Sasser, 1990; Grönroos, 1996; Beaton and Beaton, 1995; Bonnin et al., 2005)</li> </ul>
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	<ul style="list-style-type: none"> <li>• RM activities are related to the driver of customer equity (Chang and Tseng, 2005)</li> <li>• RM are trust, commitment, social bonding and communication (Morgan and Hunt, 1994)</li> </ul>
Customer Relationship Management (CRM)	<ul style="list-style-type: none"> <li>• CRM is a strategy (Nejad, 2011; Knox, 2013)</li> <li>• CRM value drivers: improving the ability to target profitable customers, integrating offerings across channels, improving the efficiency and effectiveness of sales force, improving pricing, customizing products and services, improving the efficiency and effectiveness of customer service, individualizing marketing messages, value, brand and relationship equity drive overall to customer equity (Richards and Jones, 2006)</li> <li>• CRM is a key element that allows a bank to develop its customer base and sales capacity (Perwej and Asif, 2010)</li> <li>• The goal of CRM is to maximize profitability from every customer (Perwej and Asif, 2010)</li> <li>• Customer relationship is a key competitive advantage (Perwej and Asif, 2010)</li> <li>• CRM is considered as an important way to enhance customer loyalty and firm performance (Hillebrand, et al., 2011, Parvatiyar A. and Sheth JN., 2001; Sin et al., 2005; Das, 2004; Payne et al., 2001)</li> <li>• CRM is a much more efficient and cost-effective mechanism for customer retention (Murugan and Kumar, 2011)</li> <li>• Dimensions for CRM Effective namely are organizational commitment, customer experience, process-driven approach, reliability and technology-orientation affecting customer satisfaction, customer loyalty and loyalty-influenced cross-buying (Padmavathy et al., 2011)</li> </ul>
Electronic Customer Relationship Management (e-CRM)	<ul style="list-style-type: none"> <li>• ICT has led to e-CRM due to the rapid development of internet technology (Chuang et al., 2012)</li> <li>• e-CRM is considered as the latest paradigm of relationship marketing in the cyberspace (Chen and Chen, 2004)</li> <li>• A comprehensive business and marketing strategy integrates people, processes, technology and all business activities to attract and retain customers through the internet and mobile phones (Noor, 2012; Usman et al., 2012)</li> <li>• e-CRM acts as marketing activities, tools and techniques delivered over the internet and maximum sales (Aydin and Ozer, 2005; Kumar, 2015)</li> </ul> <p>e-CRM facilitates online service to customers (Kumar, 2015)</p>

Source: Results from the writers (2017)

The following diagram shows the transformation of relationship marketing:



**Figure 2: Model Transformation RM to e-CRM**

Source: Results from the writers (2017)

## 5. CONCLUSION AND SUGGESTION

### 5.1 Conclusion

The transformation from relationship marketing to electronic customer relationship management occurs due to changes in a business environment that is increasingly boundless and interconnected due to the rapid technological advances. All the stages of a relationship since the 1980s until now are to aim loyalty, profitability, an increase in sales, customer retention and customer engagement. Digitization has pushed companies to change their platform to digital, so customers could have a 24-hour relationship with the companies by online service.

### 5.2 Suggestion

In addition, for future research, researchers can conduct research on e-CRM implementation that focuses on segmentation which will become the biggest market share in 2020, namely Y and Z generation segmentation

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