Chapter 7

Market Orientation, Customer Relationship Management (CRM) Implementation Intensity, and CRM Performance:
A Structural Model

Bryan Soh Yuen Liew
M Niche Online Solution, Malaysia

T. Ramayah
Universiti Sains Malaysia, Malaysia

Jasmine A. L. Yeap
Universiti Sains Malaysia, Malaysia

ABSTRACT

The Web hosting industry is characterized by the rapid growth of information technology trends as well as constantly growing competition. Market orientation and Customer Relationship Management (CRM) are thought of as key solutions to this predicament. Thus, the purpose of this study was to test the effect of market orientation on CRM implementation intensity and subsequently the effect of CRM implementation intensity on CRM performance. Data was collected via online questionnaires from 81 online Web hosting companies around the world and analyzed using Partial Least Squares structural equation modeling technique. The results indicated that market orientation had a significant positive impact on CRM implementation intensity and CRM implementation intensity had a direct positive influence on CRM performance. A test of mediation also confirmed that CRM implementation intensity mediated the relationship between market orientation and CRM performance. Implications of these findings are further explored.

INTRODUCTION

As the world transitions into the digital age, the Internet becomes ever more important in virtually all aspects of modern living. These days in business, having a presence on the Internet through web pages as well as other applications is no an longer option but a necessity, leading many enterprises to procure the services of web hosting service providers. Web hosting services typically cover the provision of storage and the servers' Internet connectivity on which clients' web-based applications are deployed. At times it may encompass the offering of space and connectivity for clients hosting their own servers and systems for their websites. It may also include the provisioning of application services at the hosting provider's data centers such as storage, maintenance, a Domain Name System (DNS) service and marketing (Jerman-Blažič, 2008). In short, web hosting service providers' offerings involve the maintenance, administration and monitoring of clients' servers and their sites and applications.

In recent years, competition in the web hosting industry has intensified due to the highly saturated market and a high degree of fragmentation (Kargar, 2007). The web hosting industry is seen as a low entry barrier industry whereby globalization has caused customer turnover to be relatively high. In addition to the pure web hosting companies, new players such as application server providers (ASP), Internet service providers (ISP), telecommunications companies, computer hardware suppliers and large information technology firms are also entering this industry. Consequently this has resulted in an excess supply of web hosting services over demand. To survive in this very competitive environment, web hosting companies attempt to outdo each other in terms of price, reliability (reduced down time), quality technical support, technology (having the necessary software and platform), strategic alliances, search engine tools

and web design portfolios. While competing against others on the basis of product offerings seems a viable strategy to attract customers, it may fail to guarantee the retention of customers in the long run. Moreover in today's web hosting industry, customers are savvier about the service they should be getting and are voting with their wallets based on the experience they receive. For this reason, many web hosting companies have currently become more customer-centric in their business philosophy by implementing customer relationship management (CRM) as their strategy.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

The premise underlying CRM is integrating people, processes, and technology throughout the value chain to understand and deliver customer value better (Kim, Choi, Qualls, & Park, 2004). CRM includes all the tools, technologies and procedures to manage, improve or facilitate sales, support and related interactions with customers, prospects and business partners throughout the enterprise (Davenport, Harris, & Kohli, 2001). Divergent views exist regarding the nature of CRM (Zablah, Bellenger, & Johnston, 2004). Apart from being deemed as a business philosophy (Hasan, 2003), some perceive it to be a specialized collection of technological tools (Shoemaker, 2001) while others suggest it is actually a process that focuses on managing customer relationships (Srivastava, Shervani, & Fahey, 1999). On the other hand, there are those who propose that CRM is best interpreted as a kind of strategy for customer retention (Verhoef & Donkers, 2001). Despite such differing perspectives, all the conceptualizations focus on building and managing long-term relationships with customers. All in all, Bennett (1996) listed that key elements of CRM should include continuous interaction with

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