e-CRM as a strategy for SME internationalisation: the case of Ireland

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The nature of e-CRM in Irish SMEs: comparing international and domestic firms

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Objectives:
This research aims to investigate electronic-Customer Relationship Management (e-CRM) in small and medium sized enterprises (SMEs) in Ireland. The nature and role of e-CRM is compared between firms serving international markets and firms with a solely domestic focus. As a peripheral economy, Ireland has much need to embrace the Internet as a means for competitive advantage. The strategies behind e-CRM in SMEs are analysed as are the ensuing benefits and challenges.

Prior Work:
Relationship marketing principles have seldom been applied to the SME. This paper seeks to develop what is a striking link by investigating the role of Internet technologies in the customer relationship management activities of SMEs. This research fits neatly beside studies into general electronic-business (e-business) in SMEs. Specifically, it is a comparative study investigating e-CRM in international and domestic firms.

Approach:
The study has an exploratory outlook and a quantitative approach to data collection is adopted. This approach facilitated broad classification in an under researched area. A self-completion questionnaire was distributed to a sample of 1445 SMEs in Ireland. A response rate of twenty per cent was obtained, providing 286 usable responses. Univariate and bivariate analyses were performed.

Results:
The findings of this study confirm that SMEs are implementing fundamental e-CRM practices. Those firms serving international markets tend to place greater emphasis on e-CRM and are reaping greater benefits. Benefits range from enhanced customer service, reduced business cost, increased sales and improved profitability. Challenges are few, but centre on a preference for face-to-face relationships and a lack of Government support.

Implications:
It is hoped that this exploratory research has laid the foundation for further examination of e-CRM in the SME context. Future research will add explanation through in-depth qualitative methods, while the potential exists to replicate the study in other countries. The authors conclude that e-CRM can and must move on to a more strategic and integrated level if SMEs in Ireland are to compete both locally and globally.

Value:
This research has shed light on the marginalised subject of e-CRM in SMEs. For SMEs operating in a peripheral economy such as Ireland the benefits to be gained from e-CRM are lucrative. SMEs viewing their market beyond national borders are using e-CRM to achieve a range of business benefits. The quantitative methodology adopted has provided an exploratory, yet solid, insight into an important area for academics and practitioners.

Key Words:
Electronic-Customer Relationship Management (e-CRM), SMEs, Ireland, International
1. Introduction

The relationship marketing paradigm calls for business organisations to see their customers and other stakeholders as partners, to form long-term relationships with them and to reap the ensuing benefits of trust, loyalty and increased profitability (Hunt and Morgan, 1994). Many authors have justified the relational approach to marketing (e.g. Gronroos, 2004; Gummesson, 2004), but few have applied relationship marketing principles to the small and medium sized enterprise (SME). SMEs operate with a strong focus on personal relationships with customers, suppliers, employees, and other stakeholders (Carson et al., 1995; McGowan and Durkin, 2002). Therefore, those who have researched in this area find the lack of research bizarre as the links between relationship marketing and entrepreneurship are striking (Zontanos and Anderson, 2004).

This paper focuses on the management of the customer relationship by service sector SMEs, drawing on the customer relationship management (CRM) literature. In particular the role of Internet technologies in CRM is investigated. Internet technologies include any web tools that support business processes, which can range from email to customer databases. Electronic-Customer Relationship Management (e-CRM) can then be defined as the use of Internet technologies to facilitate the management of customer relationships (Chaston and Mangles, 2003). The second element of the research is the comparison of the role of e-CRM in international and domestic SMEs. International SMEs in this context are defined as firms serving international markets, while domestic SMEs maintain an exclusively Irish focus.

Many studies on e-CRM have focused on the larger US and European economies (e.g. Morgan and Hunt, 1994; Gronroos, 2004). This is despite these economies consisting almost exclusively of businesses in the SME category, where the Internet can provide an important means of competitive advantage. For those SMEs located in peripheral economies the connecting strengths of the Internet are particularly important. McGowan and Durkin (2002) have confirmed the theoretical and practical deficiencies in the area of e-CRM in SMEs. This study fills a gap in this under researched area by investigating the role of e-CRM in internationalisation, and the associated benefits and barriers within SMEs in Ireland.

The paper is organised as follows. Firstly, an extensive review of the influential literature is presented. The concept of e-CRM is defined and its role in the SME is underlined. The potential benefits of e-CRM are illustrated as are the barriers to its implementation. Next, a comparison of domestic and international SMEs is embarked on where the findings from a quantitative survey of Irish SMEs are presented, drawing conclusions and suggesting managerial implications.

2. Background

Much research has been carried out on e-CRM in larger firms (e.g. Adebanjo, 2003; Boyle, 2001) but it is the inclusion of the SME context that differentiates this study from others. It is evident that SME characteristics do not allow for the straightforward application of large firm strategy or tactics (Carson and Gilmore, 1999; 2000; Bridge et al., 2003). In short, most SMEs tend to be informal social entities with a short-term focus on profit. Research focusing on bridging the competitive gap between large and small firms has emphasized the role of Internet technologies (McCole and Ramsey, 2004) and as a consequence substantial research has focused on electronic-business (e-business) within the SME context (e.g. Poon and Swatman, 1999; Ramsey et al., 2003; MacGregor and Vrazalic, 2005). Often the adoption of Internet technologies is dependent on the nature of the product (Howcroft and Durkin, 2000) and it is proposed by several authors that services are more suited to an online context (Gray et al., 1999; Ramsey et al. 2004). This is due to their intangibility (Ramsey et al., 2004) and the wide range of service providers in existence (Reason and Evans, 2000). Therefore, organisations in the service sector tend to be high adopters of Internet technologies for e-CRM purposes (Riqeulme, 2002).

Previous studies have concluded that strategic deployment of e-business is fundamental to the success a firm can derive from Internet-mediated business. For numerous authors, a principal benefit of e-business adoption is the ability of an SME to access international markets (Lituchy and Rail, 2000; Kula and Tatoglu, 2003). Further, it is asserted that networking and relationships are central to internationalisation (Loane et al., 2004). Building on this assertion, and due to the dearth of research on the topic, the current study developed a specific focus by
comparing and contrasting the nature and role of e-CRM in internationalising and domestic Irish SMEs.

The contribution of SMEs to the Irish economy is significant. However, the potential for growth in the domestic market remains limited due to the small size of the economy. In addition, the ability to access international markets in Europe, and further afield, remains hindered by the geographic remoteness of the region. From this perspective, SMEs should be incentivised to embrace the Internet and implement effective e-CRM systems as a means of accessing and acquiring market share in larger international markets. Ultimately an effective e-CRM strategy can help the firm gain access to new international consumers, suppliers and also assists in capturing (and sharing) valuable stakeholder data. Such a system will have positive implications for the firm’s survival, and hence their ability to compete and grow. Ireland as a whole has widespread broadband Internet availability (around 90% according to Richardson, 2005); hence the infrastructure for deploying Internet technologies to facilitate e-CRM in business exists.

2.1 SME Internationalisation
SMEs do not adhere to theoretical models of internationalisation (Basu, 1998). For many, the barriers to any form of internationalisation are too great where insufficient resources, insufficient expertise and a general lack of awareness limit SMEs to markets within their national borders (Hamill and Gregory, 1997). However, according to Lituchy and Rail (2000) the Internet has the power to eradicate these barriers and facilitate growth in SMEs. In the last decade a new stream of research has emerged into ‘born global firms’ (Madsen and Servais, 1997) or ‘international new ventures’ (Oviatt and McDougall, 1994) and it is in these types of firms that the role of e-CRM will be investigated and compared to firms who maintain a solely domestic focus. Ritchie and Brindley (2005) posit that Internet technologies are utilised particularly well in international customer relationships and that they facilitate rapid internationalisation (Loane et al., 2004).

Regarding the drivers to internationalisation by an SME, Bell (1995) implies that knowledge intensive firms are more likely to internationalise. Knight and Cavusgil (1997) hold that the mindset of the manager plays a key role in the internationalisation decision, while Loane et al. (2004) note the importance of resources. Smaller firms’ resource deficiencies can hinder their international expansion (Leonidou, 1995). Finally, Loane et al. (2004) conclude that global reach to customers often means global vulnerability to competitors which emphasises the importance of a strategy such as e-CRM to maintain competitive advantage.

2.2. What is e-CRM?
From an e-business perspective conceptual links have been put forward between CRM and e-business theories (e.g. Zineldin, 2000; Tan et al., 2002). When combined they lead into the field of e-CRM where the link centres on communication and the management of information. Communication is a fundamental component of CRM (Bridge et al., 2003) that the Internet, through e-business, has the potential to improve (Boyle, 2001). Internet technologies also facilitate the exploitation of customer data (Chaston and Mangles, 2003), which allows for the implementation of fundamental CRM principles such as the calculation of customer profitability and the personalisation of product offerings. In summary, the integration of Internet technologies into CRM can offer firms tremendous opportunities for competitive advantage (Chaston and Mangles, 2003). In fact, several authors assert that effective CRM cannot exist without the use of Internet tools (Zineldin, 2000; Bradshaw and Brash, 2001; Hamid and Kassim, 2004). This research adopts a relatively succinct definition of e-CRM: ‘e-CRM is the use of Internet technologies to facilitate the management of customer relationships’ (Chaston and Mangles, 2003).

2.3. e-CRM in the SME
In the SME everyday management is through managing personal relationships (McGowan and Durkin, 2002). Together, these personal relationships form a Personal Contact Network (PCN) (Carson et al., 1995) and the form of networking it entails displays all the characteristics of relationship marketing, and of CRM. Fundamentally, successful CRM must be on an interpersonal level (Dibb and Meadows, 2004). This practice is said to be the key competitive advantage of SMEs against larger competitors (Ragins and Greco, 2003), where the SME does not compete on a level playing field. E-CRM has been widely applied to the large firm context and often suggests the acquisition and application of expensive and complex computer
software. For the SME, which is afflicted by relatively limited resources, expertise, and influence (Carson and Gilmore, 2000), e-CRM is no less important or accessible a strategy. In any case, an organisation does not choose e-CRM in the abstract, but it adapts it to suit its particular needs (Boulding et al., 2005).

The introduction of the Internet can negate some of the SMEs’ resource afflictions and thus give them the means to compete on the same basis as their larger counterparts (McCole and Ramsey, 2004). Yet despite the potential levelling of the competitive environment, previous research has concluded that Internet use among SMEs remains conservative. Ramsey et al. (2004) sum the situation up by affirming that there is a continuum of early adopter SMEs at one end and the technophobes at the other. Overall, the consensus is that the Internet has impacted far more internally than at the customer/firm interface (Tapp et al., 2000). It is clear, however, that much more research is needed into e-CRM in SMEs. The subsequent review of the literature draws on a wide body of research, much of which emanates from a large-firm perspective. This helps to theoretically position this study into a gap in theory. Initially, issues surrounding strategic integration are considered. More specifically, e-CRM integration will be examined in the areas of communication, information management, and relationships because it is in these areas that the influences of e-CRM are said to be greatest (Boyle, 2001; Chaston and Mangles, 2003; Zineldin, 2000).

2.3.1. Strategic Integration
E-CRM cannot exist in isolation (Starkov, 2004); rather it must be part of strategy (Bradshaw and Brash, 2001). A prerequisite for any organisation is that it must identify where e-CRM can add value in order for it to be a success (Day and Hubbard, 2003). It follows that senior management are at the centre of SME operations, which is a criterion for e-CRM success. However, a great deal of small firm management development is haphazard and accidental with a distinct lack of formality (McGowan et al., 2001). SME owner-managers are often too occupied ‘firefighting’, which means that there are too many short-term issues to be dealt with before long-term plans can be given any thought (Bridge et al., 2003). McCole and Ramsey (2004) conclude, though, that the role of Internet technologies in the SME remains tactical, rather than strategic, resulting in their strengths not being fully exploited.

From a strategic perspective, the Internet does not have to supersede what was there before, but it can support it (Hamid and Kassim, 2004). It is integration with both the already successful and the failing business processes that is key (McCole and Ramsey, 2004) yet this is said to be one of the greatest barriers to Internet use in SMEs (OECD, 2002) where internal integration remains poor (MacGregor and Vrazalic, 2005). As regards e-CRM, ineffective or inconsistent implementation of Internet technologies can actually harm customer relationships (Hamid and Kassim, 2004). A common problem is the integration of customer information, where consistency across multiple media is found to be challenging (Bradshaw and Brash, 2001). Day and Hubbard (2003) find that current leaders in CRM are those who are able to anticipate when it is suitable to use the Internet to connect with their customers, while Bradshaw and Brash (2001) assert that for e-CRM to be a success it must engage customers as individuals.

2.3.2. Integration of Communication Channels
The potential for improved communications is significant as the management of SMEs implicitly entails managing personal relationships (McGowan and Durkin, 2002). In this regard improved communications are an inherent attribute of Internet technologies. More specifically, Day and Hubbard (2003) emphasise that Internet technologies complement existing channels of communication, but Gillen et al. (2000) question whether the Internet can, in some circumstances, replace traditional channels of communication. This would perhaps be the case for SMEs with international customers, where Internet communication is the only feasible option. In general, it is agreed that Internet communication is not commonly used to deal with more complex enquiries and that Internet technologies tend to be used in relationships where communication frequency is already higher (Boyle, 2001; Day and Hubbard, 2003). Therefore, Internet use may just be a by-product of already highly relational exchanges (Boyle, 2001).

2.3.3. Information Management Integration
Integrated information management is central to e-CRM where the proactive use of Internet technologies can facilitate the exploitation of customer data and the sharing of information (Chaston and Mangles, 2003). Among firms that are more CRM-oriented, more emphasis tends
to be placed on information management (Chaston and Mangles, 2003) and more specifically e-CRM, to assist with the task of incorporating extensive databases to capture and manage customer information. These tasks may be more important in SMEs with customers from different countries, and it may be these SMEs who realise the full potential of the Internet as regard information management (Bauer et al., 2002). However, the general consensus is that Internet technologies that accommodate e-CRM systems tend not to be used proactively and strategically for the purposes of information management in SMEs, where their dominant purpose remains the gathering and cataloguing of product-oriented information (McGowan and Durkin, 2002; McCole and Ramsey, 2004).

2.3.4. Integration of Relationships
The extent of use of Internet technologies in customer relationships has been debated around whether their role is complementary or substitutive. Boyle (2001) questions whether, as Internet technologies become more pervasive, they will be used at the expense of more traditional and personal forms of communication. It is important to note, though, that Internet technologies need not dehumanise buyer-seller relationships, which is important for those firms who rely heavily on e-CRM. Nonetheless, as with their role in communication, they may be more appropriate in already well-established customer relationships (Boyle, 2001). The concern remains whether the Internet can match the person-to-person contact that is so vital to the SME (Day and Hubbard, 2003). Bradshaw and Brash (2001) state that the role of Internet technologies is in identifying the customer relationships that deserve personalisation. In other words, Internet technologies can calculate those customers who are most profitable to the organisation (Chan, 2005; Ryals, 2005), helping to prevent the misallocation of resources to relationships with low-value customers (Starkov, 2004). Therefore, integrated information management is paramount in managing relationships.

2.4. Summary of Benefits of e-CRM
Previous research has found there to be a plethora of specific benefits to be gained from e-CRM implementation. The dilemma is whether these can be applied to an SME context.

A significant benefit allowed by the Internet is the overcoming of prominent geographical boundaries (McGowan et al., 2001). In peripheral and relatively small economies it is vital that SMEs are able to see that a market, other than in a domestic setting, exists for their product or service offering. Aside from enabling e-commerce, Internet technologies are effective in the management of international customer relationships (Ritchie and Brindley, 2005). Thus, e-CRM facilitates new market entry and internationalisation (Berthon et al., 1996; McGowan et al., 2001).

The personalisation of relationships is a significant benefit of e-CRM. By electronically recording the purchasing history of customers and providing the metrics for calculating each customer’s profitability, e-CRM allows SMEs to tailor offerings and predict future behaviour (Day and Hubbard, 2003). An example would be personalised emails, offering the right product to the right customer at the right time. Such customisation can improve the already inherent flexibility that is an SME’s key strength against its larger competitor (Carson et al., 1995; Chaston and Mangles, 2003). E-CRM improves the personalisation of an SME’s communications and product offerings (Bradshaw and Brash, 2001; Durkan et al., 2003), which inherently can improve an SME’s customer service levels (Bradshaw and Brash, 2001). Indeed it would be fair to suggest that the use of e-CRM systems in information capture and management can assist firms in achieving better levels of customer service than traditional and non-Internet based CRM systems could. Thus by deploying an e-CRM strategy to maintain relationships with customers, an organisation will be better equipped to serve their customers’ desires and improve their loyalty, which will in turn improve the organisation’s efficiency and profitability. Committed customers are company assets (Ragins and Greco, 2003) and it is less expensive to retain than to attract a customer (Reichheld and Sasser, 1990; Storbacka et al., 1994). Chaston and Mangles (2003) and Day and Hubbard (2003) concur, finding that e-CRM helps to create exit barriers due to the fact that organisations intrinsically know their customers’ needs. There is some disagreement, however, on the Internet’s impact on customer loyalty. For firms trading online (i.e. practising e-commerce), true loyalty is difficult to achieve as the ‘the competition are only a click away’ (Starkov, 2004). Hamid and Kassim (2004) agree, finding that the impact of the Internet on customer loyalty can be considered marginal. Overall, previous research displays uncertainty about the impact of e-CRM on customer loyalty.
The ultimate influence of e-CRM on an organisation’s sales is also uncertain. Feinberg and Kadam (2002) endeavour, without success, to link improvements in customer service through e-CRM to an impact on revenue. Therefore, they conclude that e-CRM is merely an enabler of improved customer satisfaction (Feinberg and Kadam, 2002).

e-CRM can also have an important influence internally by improving efficiency, both internally and throughout the supply chain (McGowan and Durkin, 2002; Chaston and Mangles, 2003). By gaining an intrinsic and almost exact knowledge of what customers want, fewer financial resources are wasted throughout the production process, and as a consequence a positive impact on the ‘bottom line’ can perhaps be expected from an organisation dedicating resources to e-CRM. In general, the value of e-CRM comes in lowering costs, enabling more efficient business practice and creating competitive advantage (Smith, 2000).

In summary, the benefits to be gained from e-CRM are numerous. It can facilitate entry into new markets, the personalisation of customer relationships and generate greater efficiencies in marketing. The impact on customer loyalty is less conclusive. As regards a return on investment for e-CRM as a business initiative, the conclusions are uncertain. Kula and Tatoglu (2003) find that the financial benefits are not understood, and that any benefits achieved remain indirect. Therefore, the ultimate impact of e-CRM on an organisations’ profitability is debatable in the absence of more conclusive empirical evidence.

2.5. Barriers to e-CRM
Despite the noted benefits, a common difficulty for SMEs implementing e-CRM is a reduction in face-to-face contact with customers (Lituchy and Rail, 2000; McGowan et al., 2001). It is vital that an SME finds the right balance between face-to-face and virtual contact, as both can play different and complementary roles. Gillen et al. (2000) asserts that Internet technologies, when used in the wrong situations, can destroy customer relationships. Bauer et al. (2002) assert that Internet technologies are most suited in established face-to-face relationships where trust and security already exist. The SME should also consider the perspective of the customer, for whom the absence of face-to-face contact is a concern (McGowan et al., 2001). In summary, it has been proposed that the potential benefits of e-CRM will outweigh both the organisation’s and the customer’s preference for face-to-face contact (Durkan et al., 2003).

The issue of trust in an online context has been widely researched and most authors conclude that it is more difficult to achieve over the Internet than in a face-to-face setting (McGowan and Durkin, 2002; Durkan et al., 2003; Ragins and Greco, 2003). Durkan et al. (2003) note that the remote and impersonal context of the Internet creates a new challenge for the development of trust (Durkan et al., 2003). However, successful e-CRM need not be impersonal (Bradshaw and Brash, 2001) and the acquisition of trust should be viewed as an incremental process, where it is built up experientially over time (Durkan et al., 2003). Nonetheless, the issue of trust can be an important barrier to e-CRM.

As the issue of personal trust is exacerbated in an online context, trust in security of information over the Internet is also an area of concern. Day and Hubbard (2003) find that privacy and security concerns are very real among both customers and organisations. Subsequently, the power of Internet technologies to proactively manage information is in part eclipsed by the increased risk of data manipulation and loss. Security is a key issue in e-CRM where even perceived risk is a difficult barrier to overcome.

E-business initiatives such as e-CRM are resource intensive and their failure could result in the failure of the whole business (Ramsey et al., 2003). As a result of this risk, much emphasis is put on the support provided to SMEs by Government agencies. The entrepreneurial nature of the SME is not often matched by Government in their approach to e-business. Durkan et al. (2003), for example, assert that Governments must make their support more relevant to the SME’s requirements, which could be achieved by adopting a market-oriented approach to business support. In general, previous research finds that Government support is poor (McCole and Ramsey, 2004), with Taylor and Murphy (2004) specifically concluding that Government policy declarations have not yet been matched with policy actions.

SMEs tend to possess limited resources and expertise (Carson and Gilmore, 1999). This characteristic can prevent both marketing and e-business in the SME, where daily operational issues take priority (Carson and Gilmore, 1999). As Feinberg and Kadam (2002) have emphasized, a return on investment through increased sales is a vital, yet difficult, objective of e-CRM.

Finally, whilst it is important to recognise the barriers to e-CRM implementation, it is also accurate to claim that the decision making process to adopt Internet technologies is unique to
each SME (McGowan and Durkin, 2002). SMEs have many important considerations to make regarding e-CRM implementation, as barriers most definitely exist to impede the success of such a relationship management approach.

3. Methodology

Due to the dearth of research associated with the research problem, this study took an exploratory outlook with the aim of scoping a relatively unknown landscape (Cupchik, 2001). A quantitative approach to data collection was adopted and the data collection instrument took the form of a self-completion questionnaire. This was distributed to a sample of 1445 SMEs. The sample SMEs had to satisfy the following criteria:

- Employ less than 250 people;
- Be based in Northern Ireland or the Republic of Ireland and;
- Operate in the Service sector and;
- Be ‘e-enabled’; the authors define this as the presence of a business website.

Stratified random sampling helped achieve representation from all subdivisions within the Service sector. The principal source of information utilised was online (www.4ni.co.uk).

Distribution of the survey was primarily by e-mail where an html link was embedded in a formal introductory email. For those firms without an email contact, a postal questionnaire was adopted. Due to the nature of this research it was felt that technology should be utilised wherever possible to facilitate data collection and analysis.

The principal objective of the research was to investigate the nature of e-CRM in Irish SMEs, through a direct comparison between firms accessing international markets and firms operating solely in domestic markets (i.e. Ireland/UK). The questionnaire was designed with the aim of informing the following research questions:

- What is the extent and level of e-CRM in international and domestic Irish SMEs?
- What benefits are being achieved from e-CRM implementation?
- What barriers exist to impede e-CRM implementation?

Respondents were asked to indicate their agreement to a range of statements on a Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The scales were developed after an extensive review of the pertinent literature (see Appendix A for sources of measures). Univariate and bivariate analysis was carried out using SPSS 11.5. The overall response rate to the survey was twenty per cent, providing 286 usable responses.

4. Results and Analysis

In terms of general profile of respondents (n=286), sixty eight per cent (n=194) are based in Northern Ireland and thirty two per cent (n=92) are based in the Republic of Ireland. The aim of this study is not a direct comparison between the two countries.

Figure 1 illustrates the sectoral breakdown. SMEs in the Retail sector form the relative majority (thirty eight per cent; n=109) ahead of those in the Professional Service sector (thirty one per cent; n=89). Regarding firm size, the majority of the population (fifty four per cent; n=153) employ between 0 and 5 people. Eighty one per cent (n=232) of organisations have been in operation for less than 30 years, where a relatively high percentage (twenty eight per cent; n=81) have been in operation for five years or less.
The objective of this study is to compare the nature of e-CRM in Irish SMEs who serve international markets and in those who serve only in domestic markets. In this regard, thirty four per cent (n=98) of the sample are viewed as having an international focus and sixty six per cent (n=188) as having a solely domestic focus.

It is important to note several factors that may facilitate international market expansion. We find that there is no correlation between a firm’s profits and the market they serve. Both firm size and age also have no relationship with internationalisation. However, it is reported that the characteristics of the owner-manager as regards their age and formal qualification influence the decision to internationalise. SMEs with an international focus tend to have younger owner-managers who hold relatively higher formal qualifications. This supports the view of Knight and Cavusgil (1997) who hold that the mindset of owner-managers strongly influences SME strategy. In this case education seems to make owner-managers aware of the importance of the global economy and their youth gives them the exuberance to put this into practice. Another important factor is business sector (Bell, 1995), where SMEs in the Service sector are most likely to internationalise. An explanation for this anomaly lies in the product characteristics of Service sector firms. In particular, tangibility and complexity are strongly and negatively correlated with internationalisation (p=0.01). In summation, SMEs serving international markets are likely to offer a more intangible and less complex offering. Durkin et al. (2003) conclude that product complexity is more likely to require face-to-face interaction. This assertion is supported by Klein and Quelch (1997) who state that complex, infrequent, and substantial purchases more than likely require face-to-face negotiation and an extended decision-making process.

4.1. Level of e-CRM in SMEs

On a general level, SMEs report a high level of Internet usage where one hundred per cent (n=286) have a computer and Internet access. Seventy three per cent (n=209) of SMEs have broadband Internet access.

When we compare domestic SMEs to those with an international focus (Figure 2), it is evident that both groups use the Internet on a daily basis. Domestic SMEs tend to update their websites more frequently than their internationalising counterparts. However, international SMEs initiate more business over the Internet. Forty five per cent (n=44) of international SMEs initiate more than sixty per cent of their business online, compared to fourteen per cent (n=27) of domestic SMEs. Finally, although complete integration of Internet technologies is rare, twenty per cent (n=20) of international firms report full integration in comparison to eleven per cent (n=20) of domestic SMEs. The issue of integration has been reported as poor in previous e-business research (e.g. Poon and Swatman, 1999; McCole and Ramsey, 2004). This research confirms previous findings, where even international SMEs report relatively low integration (twenty per cent; n=20). SMEs often lack both the management and technical expertise to successfully implement new technologies, coupled with the fact that resources such as time and finance tend to be in short supply (Deakins and Freel, 2003).

Figure 2 SME Internet technology use
Analysing the underlying trends driving SMEs’ Internet usage, it is reported that international firms tend to adopt a more strategic approach to e-CRM, where forty two per cent (n=41) strongly agree/agree to following an Internet business strategy. Among the domestic firms thirty per cent (n=56) strongly agree/agree to following such a strategy. Strategy is defined by staff training, level of formality and the involvement of management in e-CRM. A lack of strategy has previously been found to be symptomatic of an SME’s e-business processes (e.g. McGowan et al., 2001; McCole and Ramsey, 2004). Findings imply that strategic integration is imperative for firms wishing to expand into international markets. This is important where a lack of strategic integration of Internet technologies will impact upon specific e-CRM practices (Bradshaw and Brash, 2001).

4.1.1. **Integration of Communication Channels**
Internet technologies can improve communication with customers (Boyle, 2001). In this study we find that the majority of the population see electronic communication as key to business. International SMEs tend to place more emphasis on electronic communication, particularly in its use in the development of relationships (Figure 3). This finding is interesting in that it differentiates the role of Internet technologies in communication with customers in internationally focused and domestically focused firms. Boyle (2001) has put forward that Internet technologies are only used for simple communication exchanges and where face-to-face communication is frequent. However, in SMEs who deal with international customers, Internet technologies play a more crucial role in communication. Where domestic SMEs are less prone to utilise Internet technologies proactively, international SMEs are doing so to develop their customer relationships. Due to logistical issues, it may be an inevitable that international SMEs communicate with their customer through Internet technologies, and in this regard they are reporting successful Internet communication. This research confirms previous findings where McCole and Ramsey (2004) state that the key benefit of Internet technologies for SMEs lies in the area of communication.

![Figure 3 The role of electronic communication in customer relationships](image)

4.1.2. **Information Management Integration**
The management of an organisation’s information on their customers is a vital part of e-CRM (Tan et al. 2002). The findings generated from this research reveal that the population are in strong agreement that electronic information is more easily worked with and updated than paper-based data. Mean agreement is 3.91 for international firms and 3.87 for domestic firms (Figure 4). Agreement is also relatively equally distributed on the importance of customer information in general (respective means=3.42; 3.46) and the importance of a customer database (respective means=3.28; 3.32). With regard to the importance of electronic information in decision making, international SMEs report slightly more agreement (mean=2.96). The mean for domestic firms is 2.71.
These findings depict a relatively modest role for Internet technologies in the management of information. The influence of the market of the SME (i.e. international or domestic) is also negligible. Customer information tends to be important in the SME, and electronic information is easier to manage but electronic information does not play a strategic role in the majority of SMEs. SMEs tend to continue to utilise Internet technologies for basic purposes such as product-oriented information search and provision, which confirms previous research by Pratt (2002). Fundamentally, SMEs recognise the importance of customer information, but do not allow the Internet to fulfil its potential in managing it.

The lack of a significant difference between international and domestic SMEs is an important finding, which suggests that the role of e-CRM in internationalising firms is not to improve information management. Previous research by Chaston and Mangles (2003) and Hamid and Kassim (2004) conclude that Internet technologies can harness the power of customer information to the organisation’s benefit. Perhaps the missing link, in this context, is the strategic integration of information and technology (McCole and Ramsey, 2004). This could be due to inertia and a lack of expertise (McGowan et al., 2001).

Figure 4 The role of electronic information in customer relationships

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<tr>
<th>Information Management</th>
<th>International</th>
<th>Domestic</th>
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<tr>
<td>Electronic information more easily managed</td>
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<tr>
<td>Customer information central to decision making</td>
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<tr>
<td>Database a key business tool</td>
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<tr>
<td>Electronic information central to decision-making</td>
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4.1.3. Integration of Relationships
Organisations that are proficiently carrying out CRM will be using the Internet to their advantage (Day and Hubbard, 2003). This study reports variations between international and domestic SMEs in the level of Internet technology in customer relationships. International firms agree that Internet technology is vital to customer relationships (mean=3.85) where domestic SMEs display more uncertainty (mean=3.25) (Figure 5). Boyle (2001) has reflected on the uncertainty of the role of Internet technologies in the customer relationships of larger organisations and domestic SMEs, in particular, appear to display similar uncertainty. Internet technologies are not certain to improve customer relationships (mean=3.15) and they are not helping to identify customer profitability (mean=2.27) in domestic SMEs. In international SMEs, e-CRM does help to improve relationships (mean=3.69) but it does not help to differentiate customer value (mean=2.74).

This finding contradicts the idea that the key role of Internet technologies in CRM is the identification of the most profitable customers (e.g. Chan, 2005; Ryals, 2005). Ideally, these customers can then be given the treatment and resources that their value deserves. An SME cannot afford to maintain relationships with each one of its customers; rather attention should be paid to the Pareto effect where eighty per cent of one’s business derives from twenty per cent of one’s customers (Gilmore et al., 1999). Findings here reveal that SMEs in Ireland, whether internationally or domestically focused, are not yet exploiting this particular strength of e-CRM.

Nonetheless, international SMEs do report on the necessity of Internet technologies in customer relationships (mean=3.85). In conclusion, there is more scope for both sets of firms
with regard to the strategic integration of e-CRM. This study infers that the Internet remains a tool used for communicative purposes only (McCole and Ramsey, 2004), which can facilitate a certain amount of internationalisation. Perhaps more knowledge is needed on the potential benefits on offer from e-CRM.

**Table 1** Overall Benefits of e-CRM

<table>
<thead>
<tr>
<th>Benefits (mean)</th>
<th>International n</th>
<th>Std. Deviation</th>
<th>Domestic n</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.74</td>
<td>94</td>
<td>0.97</td>
<td>3.30</td>
<td>18</td>
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</table>

**Figure 6** Range of Benefits of e-CRM

4.2 Benefits of e-CRM

SMEs are reporting numerous benefits from their e-CRM activities. The trend in the findings is sustained where international SMEs are reporting greater benefits than domestic SMEs (respective means=3.74; 3.30) (Table 1). The benefits are presented in Figure 6.
SMEs with an international focus report that e-CRM has opened up international markets to them (mean=4.20) (Figure 6). The literature on general e-business has maintained that the Internet is the key enabler of the global economy. Focusing specifically on Ireland, research has shown that the Internet, through removing geographical barriers, is a key enabler of competitive advantage. Some would argue it is necessary just for business survival in a remote economy such as remote Ireland’s (McGowan et al., 2001). Findings in this case show that e-CRM can help SMEs to internationalise. The factors driving this could be the ability to replicate face-to-face meetings in an online context (Chaston and Mangles, 2003), the improved market awareness afforded by the Internet (Starkov, 2004), and the range of other benefits illustrated in Figure 6.

SMEs with a domestic focus report significantly less agreement with e-CRM as a facilitator for internationalisation. By their nature, this finding is predictable but what is interesting is their relative lack of agreement to each of the range of benefits shown in Figure 6.

Customer service is a key area in e-CRM (Bradshaw and Brash, 2001) where international and domestic SMEs report enhanced customer service levels (respective means=3.80; 3.57). This improvement is not necessarily achieved through the personalisation of relationships where neither international nor domestic report conclusive agreement (respective means=3.40; 3.11). We can conclude, therefore, that customer service is improved through e-CRM, but not through enhanced personalisation in the customer relationship. Chaston and Mangles (2003) have asserted that for the SME, a key strength against larger competitors lies in its personal relationships with customers but Internet technologies do not seem to be fulfilling their potential in this area. Importantly, Boyle (2001) has stated that the Internet need not dehumanise customer relationships.

Customer loyalty is linked to customer service. However, the level of agreement to improvements in customer loyalty is low for international and domestic firms (respective means=3.29; 3.06). Even though empirical studies have been inconclusive on the impact of e-CRM on customer loyalty, it is unambiguous that a fundamental objective of e-CRM is the improved loyalty of customers (Day and Hubbard, 2003). Improved loyalty will lead to improved profitability for the SME. However, Hamid and Kassim (2004) and Starkov (2004) state that loyalty in an online context is more fragile than in a face-to-face context. Findings here support this assertion and in doing so reinforce the link between personalisation and loyalty. Ragins and Greco (2003) have previously claimed that personalisation can be used to help build emotional connections and subsequent loyalty over the Internet. This is important as improved personalisation itself is of little benefit to the SME if it cannot impact on customer loyalty. In truth, the missing link of personalisation could diminish the worth of e-CRM to SMEs, where ultimate profitability could remain unaffected. Ultimately, though, it is important to note that international firms continue to report significantly higher agreement with this set of benefits than domestic firms.

International firms agree that e-CRM has increased their sales (mean=3.90) but there is considerable variation in response to this benefit where domestic firms display moderate agreement (mean=3.42). More specifically seventy seven per cent (n=75) of international SMEs strongly agree/agree that e-CRM has increased sales in comparison to fifty per cent (n=94) of domestic SMEs. Increased sales is not a proven outcome of e-CRM according to Feinberg and Kadam (2002), who state that e-CRM is related to customer satisfaction but not to sales and profit. In this study international firms are also reporting improved profitability through e-CRM (mean=3.86), but domestic firms are not so definite (mean=3.38). Therefore, increased sales seems to be a benefit particularly applicable to the internationally focused SME and in this context it is asserted that e-CRM is directly correlated with increased sales (p=0.01) and improved profitability (p=0.01). This seems to counter the findings of Feinberg and Kadam (2002) who fail to prove this link. They do, however, acknowledge that there exists a complex relationship between e-CRM and sales and profit.

Aside from improvements in customer service, internal process efficiency and reduced business costs mediate the relationship between e-CRM and profitability (Aldin et al. 2004). Findings show that these SMEs have quite a strong perception that using Internet technologies to support customer relationships generates cost savings in marketing, though international SMEs display more agreement than domestic SMEs (respective means=3.70; 3.40). More specifically sixty eight per cent (n=67) of international SMEs strongly agree/agree that there are cost savings through e-CRM in comparison to fifty per cent (n=94) of domestic SMEs. Essentially, Internet technologies can automate communication and exchange processes, both of which constitute marketing. Where these processes become more efficient SMEs will realise...
cost savings (Adebanjo, 2003). Furthermore, e-CRM helps customers to become committed organisational assets (Ragins and Greco, 2003). Marketing to a committed and loyal customer requires fewer resources than to market or advertise to those who are unconvinced. Findings have shown, however, that customer loyalty is not being improved by e-CRM, so considerable potential for cost savings still exists for the Irish SME.

In summation, internationally-focused SMEs are utilising e-CRM to facilitate their international operations through improved customer service and cost savings in marketing. Consequently, they report increased sales and improved profitability owing to e-CRM. SMEs with a solely domestic focus are also using e-CRM but to a lesser extent and with less success. Ultimately, both sets of firms have scope for improvement as regards personalisation and customer loyalty.

4.3. **Challenges to e-CRM**

SMEs, in general, display modest agreement to the existence of challenges to using Internet technologies in CRM. There is significant variation in the challenges reported between international and domestic SMEs (respective means=2.53; 2.93) (Table 2). The barriers are presented in Figure 7.

**Table 2** Overall Challenges to e-CRM

<table>
<thead>
<tr>
<th>Challenges (mean)</th>
<th>International</th>
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<tr>
<td>Customers differ in preferences for how to contact firm</td>
<td>2.53</td>
<td>94</td>
<td>0.71</td>
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<td>182</td>
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Figure 7 illustrates the considerable range of agreement to the challenges to e-CRM implementation. The first assertion that can be made is that international SMEs report less agreement with each challenge than domestic SMEs. Overall, there is a prominence of barriers relating to the issue of face-to-face contact among SMEs implementing Internet technologies as part of CRM. The most obstructive barrier for international and domestic SMEs are their perceptions of how customers differ in their communication preferences (respective means=3.85; 3.96). According to domestic SMEs there exists a strong preference for face-to-face relationships among their customers (mean=3.78) and by the firm itself (mean=3.62). This preference is less prominent among internationally focused firms, for whom it is likely to be impossible to maintain face-to-face contact with customers on a regular basis, if at all. It is suggested that international SMEs utilise e-CRM where face-to-face contact is unfeasible, but the benefits they report reaffirm that e-CRM is far from a second rate option.

Therefore, where face-to-face contact is possible in the domestic SME it can still be beneficial to pragmatically integrate Internet technologies into CRM (Durkan et al., 2003). Previous research into e-CRM in the SME context underlines the issue of trust online, making it common for Internet technologies to be adopted in well-established relationships (Bauer et al., 2002). Importantly, the SME must be aware of the range of customer preferences and should devise a unique strategy establishing both for whom and in what circumstances Internet technologies can improve CRM.

An issue linked to a desire for face-to-face contact is trust in developing relationships between the vendor and the customer (McGowan and Durkin, 2002). Respondents express less agreement with its existence as a barrier to e-CRM, particularly international SMEs (mean=1.87). The mean for domestic SMEs is 2.38. This can perhaps be explained by the developmental nature of trust where it is built up over time in an online context (Durkan et al., 2003). Therefore, the international SMEs that have been more proactive in carrying out e-CRM may be further along the route to developing trust with customers. Ultimately, the SME must be committed to developing trust through e-CRM before the customer can begin to commit to it.

The parallel challenge of security over the Internet is not generally reported as an impediment, but does exemplify the variation between international and domestic firms (respective means=1.87; 2.38). Specifically, eight per cent (n=8) of international SMEs strongly agree/agree that Internet security is a concern as opposed to eighteen per cent (n=34) of domestic SMEs. Therefore, the proposal by Day and Hubbard (2003) that data security overshadows e-CRM effectiveness can only be given some credence when applied to the domestic SME. It is important to note, though, that these findings are skewed towards the attitudes of the SME and that the issue of data security may be more prominent from a customer perspective. The aforementioned underlying preference for face-to-face relationships perhaps illustrates this point.

An unambiguous and prominent barrier to e-CRM is reported as a lack of support from Government. This issue affects international and to a greater extent domestic firms (respective means=3.71; 3.90). In summary, 46 per cent of international SMEs as opposed to 64 per cent of domestic SMEs strongly agree/agree that a lack of Government support is a barrier to e-CRM. Findings support previous research that has found similar dissatisfaction (McCole and Ramsey, 2004). Adopting Internet technologies can be a daunting task for the SME. Government support should focus on education as well as financial support (PLS Ramboll Management, 2004). Moreover, ongoing consultancy is necessary to support the SME through the introduction, implementation and integration of Internet technologies (PLS Ramboll Management, 2004). Durkan et al. (2003) have called for more relevance to be added to Government support to match it with the entrepreneurial and short-term nature of the SME. Invest Northern Ireland, the Government agency responsible for SME support in NI, firmly recognises the important role to be played by Internet technologies in SMEs. More, though, is needed than the provision of high speed Internet access. The SME owner-manager must be made aware of the benefits of e-CRM, many of which are reported in this study.

The other barriers suggested to respondents are met with less conclusive agreement. International and domestic SMEs display weak agreement that they do not possess the resources (respective means=2.53; 2.68) and expertise (respective means=1.82; 2.89) or that their firm is unsuitable (respective means=1.60; 1.87) for e-CRM. Regarding a return on investment, international and domestic firms also report weak agreement that Internet technologies are not worth the resource investment (respective means=1.65; 2.28)

In summation, SMEs are being challenged by a reciprocal desire from customers to maintain face-to-face contact in e-CRM, and by the inadequacy of Government support. Apart
from these issues, SMEs in Ireland are not reporting many impediments to their e-CRM activities. SMEs with a market outside Ireland display consistently less agreement with each challenge, which raises important questions about their e-CRM success and the relative lack of success among their domestically focused counterparts.

5. Discussion and Managerial Implications

SMEs in Ireland and throughout the world compete with their larger counterparts through an inherent focus on customer relationships. This research has found that the use of Internet technologies is supporting this process. A number of SMEs are realising that their customer relationships are no longer limited by national borders and it is they who are displaying some proficiency in e-CRM. Significant benefits are reported while few challenges are being encountered. Several key issues have been raised that require further discussion. These are important because they suggest that there is more potential to be gained from e-CRM in domestically focused SMEs. Even in the internationally focused SME the potential exists for more strategically integrated e-CRM.

Analysing the level of e-CRM, this paper focused on integration in the areas of communication, information management and relationships. In international SMEs e-CRM is seen as a vital strategy that tends to be used for communicative purpose, rather than to strategically manage information. This contradicts the ideals of e-CRM where information is made a lucrative organisational asset through the collection and analytical powers of Internet technologies (Chaston and Mangles, 2003). Therefore previous findings by McCole and Ramsey (2004) are corroborated where e-CRM systems tend not to be used proactively and strategically for the purposes of information management in SMEs.

Nevertheless, significant benefits are being reported by internationalising SMEs where increased sales and improved profitability are the ultimate returns on investment from e-CRM. This challenges Kula and Tatoglu’s (2003) assertion that the financial benefits are not understood, and that any benefits achieved remain indirect. This study asserts that two parallel factors facilitate an impact on the bottom line; improved customer service and reduced business cost. This supports previous work by Smith (2000) who concludes that the value of e-CRM comes in lowering costs, enabling more efficient business practice and creating competitive advantage.

Customer loyalty is proposed as a central tenet of e-CRM (Day and Hubbard, 2003) but this study does not report an improvement in customer loyalty owing to e-CRM, even in the international SME. It is also impossible to link e-CRM to increased personalisation of relationships, which was a benefit suggested by Durkan et al. (2003). The facilitator of personalisation and ultimate loyalty is proposed to be integrated information management, an element of e-CRM reported to be missing in Irish SMEs. Where international SMEs seem to understand the importance of strategy in e-CRM, the parallel issue of integration may require more attention.

In the domestically focused SME, both strategy and integration need attention if e-CRM is to significantly impact on profitability. Domestic SMEs state the importance of their customer information and of their customer database. Unlike the international SME, which utilises Internet technologies for communication purposes, the domestic SME may be able to remain competitive by adopting e-CRM primarily to strategically manage their information. According to Chaston and Mangles (2003), firms that are already CRM-oriented, placed more emphasis on information management to assist with the task of incorporating extensive databases to capture and manage customer information. Perhaps this role for e-CRM is most appropriate in the Irish SME, where a strong preference for face-to-face contact in communication remains.

Evaluating the barriers to e-CRM in both international and domestic SMEs, a preference for face-to-face relationships and a lack of Government support are obstructive issues. The issue of face-to-face contact is intensified when perhaps neither the SME nor the customer understands when or how to use Internet technologies in their relationship, which heightens inertia and disillusionment. By defining the role of Internet technologies and integrating them in face-to-face customer relationships, the challenge may be minimised. Day and Hubbard (2003) conclude that leaders in CRM will be the most proficient at using Internet technologies to enhance their advantage. Therefore it can be proposed that in the ideal customer relationship the adoption of e-CRM will be both mutually beneficial and mutually challenging for the SME and the customer.

Ultimately, the findings from this research suggest that SMEs understand that e-CRM can help them to compete. However, there is much variation in the level of e-CRM being carried out
by Irish SMEs. Support from Government is a barrier where the SME owner-manager must be aware of the benefits e-CRM can offer to his/her specific organisation. E-CRM should neither be a daunting term nor process for the SME; it is simply a way of helping it to further improve its management of customer relationships. Strategy and integration are vital so that the organisation and its customers understand the exact role of Internet technologies in communication, in information management, and ultimately in relationships. The Internet should play a complementary role in an SME’s CRM activities but they should be more advanced than currently being reported in Ireland.

6. Conclusions and Future Research
The current study has shed some light on an area deficient of empirical research. E-CRM is a relatively new phenomenon and a suggested panacea in the ever-intensifying struggle for competitive advantage. Findings from this study show that Irish SMEs are using e-CRM, but there is much disparity in its nature and role. International firms are implementing more strategic e-CRM and reaping many of the benefits suggested conceptually while incurring few challenges. For those SMEs who maintain a domestic focus, e-CRM is utilised in an ad hoc manner, lacking in strategy.

We make the conclusion that e-CRM can play an important role in SMEs, both international and domestic. In international firms it is important that a greater level of integration is achieved to facilitate information management. Domestic firms are a stage behind where both strategy and integration remain absent in e-CRM. Government support can help domestic firms catch up in their e-CRM activities by learning from their international counterparts, and selecting which components of e-CRM suit their unique operations.

There are challenges to be overcome where e-CRM continues to lack strategic integration. For e-CRM to have a real impact on customer loyalty SMEs should endeavour to develop a strategy for their management of customer relationships. The role, if any, of Internet technologies should then become clearer. Consequently, the authors propose that SMEs in Ireland consider very carefully e-CRM as a means for competing, both domestically and internationally.

It is hoped that this exploratory research has laid the foundation for further examination of e-CRM in the SME context. This study, limited by its Irish focus and exploratory nature, does not allow for a great deal of generalisation. Further research is planned which, using qualitative methods, will provide deeper explanation for the many issues raised in this study. The potential also exists to replicate the process in other countries and on a larger scale.

7. References


Walczuch, R., den Braven, G. and Lundgren, H. 2000, "Barriers to Internet Use By Small Dutch Firms", *European Management Journal*, vol. 18, no. 5.


8. Appendices

8.1. Appendix A

<table>
<thead>
<tr>
<th>Construct / Scale items</th>
<th>Source</th>
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<tr>
<td>Product / Service characteristics</td>
<td>Adapted from Gray et al. (1999) and Ramsey et al. (2003)</td>
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<tr>
<td>E-Business</td>
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<tr>
<td>Organisational characteristics</td>
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