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INFLUENCE OF ELECTRONIC CUSTOMER RELATIONSHIP MANAGEMENT STRATEGY ON PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN KENYA

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ABSTRACT: Despite the high cost of electronic customer relationship software solutions, its use can be justified as an investment in building long-term client relationships, improving customer retention, and, ultimately, boosting long-term profitability. As a result, it is critical for small- and medium-sized firms (SMEs) in Kenya to take a forward-thinking attitude and maintain their market survival by adapting to developing trends in customer relationship management. This is because the modern business setting has become exceedingly dynamic, necessitating small and medium enterprises to formulate strategies that align with the rapid evolution of technology, shifting customer demands, and intensified global competition to improve their performance. The findings indicate SMEs in Kenya are increasingly implementing relatively uncomplicated information communication technologies to enhance their capabilities in customer communication and information management. This strategic move is aimed at gaining a competitive edge by leveraging electronic customer relationship management practices. Small- and medium-sized enterprises perceive the communication component of electronic customer relationship management as more manageable, yet encounter challenges in effectively incorporating client information into their decisionmaking processes. Overall, it can be observed that electronic customer relationship management implementation in SMEs is often characterized by an ad hoc approach rather than a strategic one. SMEs need to align electronic customer relationship initiatives with the overall strategic goals to enhance their overall performance.

KEYWORDS: Electronic Customer Relationship, Small and Medium Enterprises, Kenya.

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BACKGROUND INFORMATION

The modern business setting has become exceedingly dynamic, necessitating small and medium enterprises (SMEs) to formulate strategies that align with the rapid evolution of technology, shifting customer demands, and intensified global competition to improve their performance. Understanding SME performance is crucial as it significantly influences both gross domestic product (GDP) and unemployment rates (Cicea, Popa, Marinescu, & Ștefan, 2019). SMEs play a pivotal role in fostering technical progress and innovation within economic activities (AlQershi, Abas, & Mokhtar, 2018), highlighting the importance of exploring the determinants of SME performance, particularly in emerging economies where SMEs exhibit lower performance compared to developed nations.

Innovative approaches to customer relations management serve as significant catalysts for enhancing SME performance by fostering enduring connections with customers, thereby bolstering their competitive edge (Nagwan, Sany & Zakaria, 2020). Among the forefront of these strategic innovations is electronic customer relationship management (eCRM), widely adopted by firms to identify and attract potential customers, thereby boosting profits (Nam, Lee & Lee, 2019). eCRM amplifies the advantages of high-quality customer relationships, such as increased customer satisfaction and loyalty, by emphasizing the value of these relationships (Safari, Safari, Olesen, & Shahmehr, 2016).

A successful electronic customer relationship management strategy attracts and retains economically valuable customers (Herman, Sulhaini & Farida, 2021). SMEs in Indonesia have employed Electronic customer relationship management to create connections with customers, understand the types and effective strategies that are keys in assisting the companies to increase their profitability. This becomes a company's power in analyzing the customers' preference (Herman, Sulhaini & Farida, 2021). Electronic customer relationship management is more than an information tool and plays a critical role in SMEs in Yemen.

SMEs that have successfully integrated Electronic Customer Relationship Management (eCRM) have experienced heightened levels of customer satisfaction and retention, alongside improved employee satisfaction, consequently leading to enhanced company performance (AlQershi et al., 2020). In Poland, the adoption of e-CRM enables businesses to leverage technology and human resources to gain valuable insights into customer behavior and the worth of individual customers. Through the implementation of an effective eCRM strategy, businesses can effectively augment their revenues (Anaam et al., 2021). According to Hanif et al. (2020), the utilization of electronic customer relationship management has empowered SMEs to attain a competitive edge and achieve success by comprehensively understanding their customers and the factors influencing customer loyalty and retention rates, thus fostering enduring relationships with customers.

Scholars have indicated that implementing electronic customer relationship management strategy through e-business strengthens traditional customer relationships (Sistar & Sadeghi, 2016; Safari & Safahani, 2015). To enhance customer retention, customer satisfaction and loyalty which leads to SME performance requires 360 degrees' view of the customer. In order to imply 360' customer view concept, there is a need to implement electronic customer relationship management that is integrating internet-based business customer communication, customer key dimensions and technology through technology-integration, business-wide customer driven and cross-functional organization. However, each dimension has its unique

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challenges but integrating all three together defines the customer relationship management system (Rigo, Pedron, Caldeira, & Araújo, 2016).

Electronic customer relationship management strategy integrates ICT in the management of customer relationships which enables effective collection and processing of customer data from a wide geographic reach and efficient customer interaction with the organization (Herman, et al., 2021). Integration of electronic customer relationship management through ICT and internet-based technologies creates two capabilities in the firm. The firm's capability is managing customer information though storing and processing of customer data while the second is communicating with customers (Bashir & Idris, 2015; Bugaje, I. B., 2015). Electronic customer relationship management uses technology to capture and integrate customer data (Al-Dmour, Algharabat, Khawaja & Al-Dmour, 2019). However, despite the benefits of electronic customer relationship management on performance of SMEs has been given little attention.

However, despite electronic customer relationship management being beneficial to SMEs performance, there are several factors, such as relationship quality and strategic agility, which have shown to influence the effectiveness of electronic customer relationship management (Lecerf, & Omrani, 2020). Accordingly, strong ties with competent intermediaries built over time can provide the SME with enduring competitive advantages. For resource-constrained SMEs, relationship quality may be particularly important to the extent that it allows the SMEs to enter new markets, overcome the complexities inherent in exporting, and successfully manage operations in those markets. From an importing SME's perspective, relationship quality was analyzed by Skarmeas and Robson (2008), who considered the influence of asset specificity, role performance, and cultural sensitivity on the quality of relationship between a customers and firm. Relationship quality was recognized as a higher-order concept resulting in greater trust, commitment, and satisfaction, while lowering conflict.

SMEs contribute to over 90 per cent of total labour force and plays a key role in poverty reduction and economic development. They are also a source of innovation, competitiveness, goods and services, and entrepreneurial skills. There are over 7.4 million MSMEs employing approximately 14.9 million Kenyans in various sectors of the economy. In addition, the MSMEs cover a wide range of establishments in almost all sectors of the economy. It is also worth noting that most MSMEs operate informally (Kaberia, et al., 2021). Moreover, the important role of MSMEs in promoting GDP growth and employment is underlined in Kenya's Vision 2030, the country's long-term development blueprint and the "Big Four" agenda under the manufacturing agenda. Despite this, SMEs continue to face substantial challenges; key among them is limited access to finance that impedes their growth. The time is ripe to create a conducive space for SMEs to be productive and profitable at local and regional levels. SMEs create 80 percent of employment, have established a new middle class and stimulate the demand for new goods and services.

According to the Kenya Micro and Small enterprises ACT (2012) micro and small enterprises are defined as enterprises in both formal and informal sector, classified in farm and non-farm categories, employing not more than fifty employees and having a turnover of not more than four million shillings. Small and medium enterprises in Kenya contribute between 18-25% of the country's GDP and employ over about 17% of the total labor force in Kenya. Most small business enterprises are self-financed or financed by loans from family or other informal sources. Most SMEs fall under the informal sector. The informal sector is estimated to

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constitute 98 percent of business in Kenya, contributing 30 percent of jobs and 25 percent of Kenya's GDP. There has been inadequate research on utilization of technology for business advantage by SMEs in Kenya; various managers expressed concerns of underutilized technology, a major drawback to the electronic customer relationship management strategies adoption and where it can be applied.

Problem Statement

The proprietors of various SMEs in Kenya have adequate awareness of the benefits of technology in their organizations. However, only a few know the benefits of electronic customer relationship management strategies beyond the basic description. Many have adopted a wait and see attitude as far as use of electronic customer relationship management strategies are concerned. According to Ellison, Lampe and Steinfield (2010), the concept of electronic customer relationship management has aroused interest in the enterprise but it is also clear that businesses are testing their options to decide whether they will adopt.

SMEs are faced with an array of challenges and still have the opportunities to grow in emerging economies (Manzoor *et al.*, 2021). Some of the challenges include linkage with multinational companies, networks with other businesses, diversification of market and products, enabling environment, franchising opportunities (Rosado *et al.*, 2018). The issues and problems limiting SMEs acquisition of financial services include lack of tangible security coupled with inappropriate legal and regulatory framework that does not recognize innovative strategies for lending to SMEs (Omondi *et al.*, 2018). Such barriers, if addressed properly by micro and small businesses, have the potential to turn around their businesses in developing countries (Bai *et al.*, 2021).

In Kenya, despite the critical role played by the SME in the counties, most of the SMEs startups are faced with many challenges leading to why over 90% of the businesses fail at their third year (Njoroge & Gathungu, 2013). Wambugu (2005) stated that, in Kenya, very few SMEs have grown into large formal organizations, an adverse scenario that is apparently common among SMEs. The implementation of electronic customer relationship management strategies have been found to have an impact on SME performance; this has raised concerns about SMEs' performance in developing economies. Recently, scholars have debated on the issue of e-CRM in developed and developing countries; few have focused on the effect of e-CRM components coupled with other factors on SME performance (Khanh *et al.*, 2022). As a result, there is a gap in how e-CRM influences SME performance. Therefore, this research established the influence of electronic customer relationship management strategies on SME performance.

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RESEARCH METHODOLOGY

Research Design: Explanatory research design was employed. The design was suitable because explanatory study analyses the cause-effect relationship electronic customer relationship and performance of SMEs in Kenyan Nairobi.

Measurement of Variables: A five-point Likert scale was used because the scale delivers deeper insight into what people are thinking and feeling and produces reliable quantitative data that can be analyzed with relative ease (Vonglao, 2017). These variables are among the commonly cited e-CRM critical success factors (CSFs) in the literature. Several authors have contended the importance of these dimensions working systematically in a firm to guarantee its enhanced performance.

SME performance was measured using eight items adopted from Abdulateef et al. (2010) and Hong-kit Yim et al. (2004). The respondent was asked if there is growth in sales in relation to your expectations, there is growth in sales in relation to your competitors, there is growth in profits in relation to your expectations, there is growth in profit level in relation to your competitors, there is increased market size in new markets in relation to your expectation, there is increased market size in new markets in relation to your competitors, there is growth in capital from operations, and there is high level of customer loyalty. It was measured using a scale of 1 to 5 (1 - strongly disagree, 2 - disagree, 3 - undecided, 4 - agree and 5 - strongly agree)

eCRM Dimensions: The review of many of the studies that attempted to measure the dimensions of electronic customer relationship management indicates that there are many acceptable measures. In this study website design, the ability to search, privacy and security, and delivery time were considered to be the dimensions of electronic customer relationship management. Ten (10) items were used to measure e-CRM using a scale of 1 to 5 from 1 - strongly disagree to 5 - strongly agree (1 - strongly disagree, 2 - disagree, 3 - undecided, 4 - agree and 5 - strongly agree).

Sample Size Determination: The study employed stratified sampling technique in selecting the SMEs that participated in the study. From the County Government of Nairobi department of trade, the SMEs were stratified based on the type of business. There are 6 strata: manufacturing, hospitality, consulting, information technology, general shops, tours and travel. Random sampling was used to select the SMEs that participated in the study within each stratum. Researchers ensured each sub-group (stratum) within the population receives proper representation within the sample. As a result, stratified random sampling provided better coverage of the population since the researchers have control over the subgroups to ensure all of them are represented in the sampling. To determine the sample size for large populations, the researcher used normal approximation to the hyper-geometric distribution formula. Similar studies by Morris (2014) have adopted the hyper-geometric distribution due to its ability to estimate sample sizes from large populations accurately.

Model Specification: The study adopted the following ordinary least square equations:

$Y = \beta_0 + \beta_1 Firm \ size + \beta_2 Firm \ Age + \varepsilon $	
$Y = \beta_0 + \beta_1 Firm \ size + \beta_2 Firm \ Age + \beta_3 eCRM + \varepsilon$	

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where Y = SMEs performance; $\beta_0 = \text{constant}$; β_1 , β_2 and β_3 are the slope which represent the degree to which business performance changes as the independent variable change by one-unit variable; eCRM = Electronic Customer Relation; and $\varepsilon = \text{error term}$. Firm size and firm age were control variables.

RESULTS AND INTERPRETATION

Table 1 presents a description of constructs relating to performance of SMEs. Most of the respondents strongly agreed (n=229, 58.4%) that there was growth in sales in relation to their expectations. On the growth in sales in relation to your competitors, the majority of the respondents strongly agreed at 41.8% (n=164), 13.8% (n=54) were undecided while 3.3% (n=13) strongly disagreed with that statement. In general, the majority of the SME agreed and strongly agreed that there was growth in profits in relation to their expectations. They agreed that growth in profit level increased market size in new markets. The overall mean of 3.96 (approximate 4 = agree) and a standard deviation of 0.683 provide important information about a dataset concerning the respondents. The mean of 3.96 indicates that, on average, the values in the dataset tend to cluster around 4. It serves as a measure of central tendency, suggesting that the majority of respondents were in agreement with constructs.

A small standard deviation (0.683) suggests that the data points in the dataset are tightly clustered around the mean (4 = agree). They are not spread out to some extent. The standard deviation also provides information about the variability or consistency of the data. A smaller standard deviation indicates that data points are relatively close to the mean, while a larger standard deviation means that data points are more spread out from the mean. A larger standard deviation might indicate the presence of outliers or extreme values in the dataset. Outliers can significantly impact the mean and standard deviation, so it is important to consider them when interpreting these statistics. In summary, the mean and standard deviation are key summary statistics that provide insights into the central tendency and variability of a dataset. They are essential for understanding the characteristics of the data and for making comparisons or inferences.

Table 1: Descriptive Statistics of the SME Performance

5-Strongly Agree (SA), 4-Agree (A), 3-Undecided (U), 2-Disagree (D), 1-Strongly Disagree(SD)						
	Percent	SA	A	U	D	SD
There is growth in sales in relation to your expectations	F	229	121	27	5	10
	%	58.4	30.9	6.9	1.3	2.6
There is growth in sales in relation to your competitors	F	164	138	54	23	13
	%	41.8	35.2	13.8	5.9	3.3
There is growth in profits in relation to your expectations	F	169	139	47	27	10
	%	43.1	35.5	12.0	6.9	2.6
There is growth in profit level in relation to your	F	136	137	71	30	19
competitors	%	34.7	34.9	18.1	7.7	4.6
There is increased market size in new markets in relation	F	133	122	70	42	25
to your expectation	%	33.9	31.1	17.9	10.7	6.4
There is growth in capital from operations	F	115	157	58	41	21
	%	29.3	40.1	14.8	10.5	5.4

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Overall	Mean=3.96	Stand	and day	_ 0.692	2	_
	%	32.7	35.5	13.8	11.0	7.1
There is high level of customer loyalty	F	128	139	54	43	28

Source: Research Analysis

Table 2 presents descriptive statistics for Electronic Customer Relationship (eCRM). There are ten items used to measure and the respondents rated each item in a 5-point Likert scale. The overall response had a mean of 3.81 and standard deviation of 0.696. The average response was approximately 4 which is 'agree' from the Likert scale. The standard deviation of 0.696 was small compared to the mean signifying responses of each item not far from the average response.

Majority strongly agreed that their organization has an operational website (36.5%), their enterprise has an active Facebook account that is interactive (38.3%), that the organization has an MPESA till for business transactions (38.3%), their customers have a lot of ease in sending customer feedback through our Facebook page (33.9%), and the organization has a twitter account that's active (34.9%). They also agreed that the majority of their referred customers appreciate our social media accounts used for marketing (34.9%), the enterprise's web site is capable of providing customers with the needed information quickly and precisely (34.2%). They have confidence in the enterprise's service to the customers (36.0%), they trusted the website to keep our customer information safe (32.7%) and, finally, they agreed that electronic services provided in my enterprise are reliable (38.5%).

Table 2: Descriptive Statistics of the Electronic Customer Relationship

5-Strongly Agree (SA), 4-Agree (A), 3-Undecided (U), 2-Disagree (D), 1-Strongly Disagree(SD)						
	Percent	SA	A	U	D	SD
	F	143	125	62	40	22
My organization has an operational web site	%	36.5	31.9	15.8	10.2	5.6
The enterprise has an active Facebook account that is	F	150	138	53	36	15
interactive	%	38.3	35.2	13.5	9.2	3.8
	F	113	150	61	45	23
My organization has an MPESA till for business transaction	s %	28.8	38.3	15.6	11.5	5.9
Our customers have a lot of ease in sending customer	F	133	143	64	31	21
feedback through our Facebook page	%	33.9	36.5	16.3	7.9	5.4
	F	137	131	64	36	24
My organization has a twitter account that's active	%	34.9	33.4	16.3	9.2	6.1
Majority of our referred customers appreciate our social	F	125	137	54	53	23
media accounts used for marketing	%	31.9	34.9	13.8	13.5	5.9
	F	134	123	68	49	18
The enterprise's web site is capable to provide customers	%	34.2	31.4	17.3	12.5	4.6
with the needed information quickly and precisely.						
I have confidence in the enterprise's service to the	F	141	133	63	33	22
customers.	%	36.0	33.9	16.1	8.4	5.6
	F	128	134	72	35	23
I trust the website to keep our customer information safe.	%	32.7	34.2	18.4	8.9	5.9
·	F	111	151	65	38	27
The electronic services provided in my enterprise are reliable	e %	28.3	38.5	16.6	9.7	6.9
Overall	Mean=3.81	Stand	ard de	v.=0.6	96	

Source: Research Analysis

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After confirming that the multivariate linear regression model met all of the presumptions regarding normality, linearity, multicollinearity, and homoscedasticity, the study used a multiple regression model. Prior to testing for the direct effect, the study examined the effect of the control variables. This was done by adopting hierarchical regression analysis, as presented by Table 3. The first model indicates the effect of controlled firm size and firm age. In the model summary, there was a small R-square of 31.3% indicating that the variation of SME performance in Nairobi County can be explained by firm size and firm age. Electronic customer relationship management strategies caused the R-square to change to 58.3%, indicating a significant effect of electronic customer relationship management strategies in explaining variation of electronic customer relationship management strategies.

Table 3: Direct Effects (Hierarchical Regression Model)

Variables	Model 1	Model 2
	Coeff. (β)	Coeff. (β)
Constant	1.691***	0.372***
Firm Size	0.199***	0.134***
Firm Age	0.446***	0.301***
eCRM	-	0.541***
R^2	0.313	0.583
Adj. R^2	0.309	0.580
F- statistic	88.439	180.991
P>F	0.000	0.000

Source: Data Analysis

Moreover, eCRM had a positive and significant direct effect on SME performance. eCRM had a positive effect; this implies it is a good idea for SMEs to adopt eCRM to significantly boost their performance. Electronic Customer Relationship Management (eCRM) can be described as the integration of traditional CRM strategies with digital technologies and platforms, such as web portals, email, and social media (Khalifa & Shen, 2005). In today's digital age, eCRM is a critical component for many businesses, especially for SMEs, which might not have the vast resources of larger corporations but still wish to remain competitive and relevant.

An effective adoption and implementation of the eCRM in the SMEs in Nairobi leads to improved engagement with customers; hence, it will foster closer relationships and provide personalized experiences, thus boosting firms' performance (de Oliveira Santini et al., 2020). The study concurs with the research done by de Oliveira Santini et al. (2020) that electronic customer management strategies are fundamental in enhancing firms' performance since it emphasized on the customer engagement and led to positive relationships amongst the SMEs in Nairobi and its customers. Customer engagement is mainly influenced by factors such as positive emotions, customer satisfaction and trust; hence, when these factors are attained by the SMEs, firms' performance will improve significantly.

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In the study by de Oliveira Santini et al. (2020), the results show that customer satisfactions has a greater predictive capacity for customer engagement in contexts featured by high convenience as opposed to low convenience in business-to-business settings, compared to business-to-consumer settings, and on the Twitter platform relative to Facebook and Blogs. This was attained as a result of effective adoption and implementation of eCRM in firms; thus, positive customer engagement helps in enhancing firms' performance. Therefore, SMEs in Nairobi are recommended to develop a positive relationship with their customers in order to build good customer relationships and win customers' loyalty (Ransbotham & Kiron, 2018). Customer engagement has been identified as having significant value for firms, as it directly influences corporate performance, behavioral intention, and word-of-mouth. Furthermore, it can be observed that hedonic consumption exhibits a significantly higher level of consumer involvement in relation to its impact on company performance, with a magnitude roughly three times greater than that of utilitarian consumption.

Electronic customer relationship management strategy is fundamental towards enhancing SMEs performance since it is a prerequisite for the success of contemporary firms in the modern day. Hence, firms in Nairobi should invest in the implementation of technology for effective business operations (Ahmed et al., 2015). The advent of technology and the internet has prompted organizations to adapt their operations to electronic and online business practices, with an aim to improve business performance, boost firms' sales and widen the market coverage. The utilization of the internet has led to the emergence of novel business practices, particularly in the realm of electronic customer relationship management, inside the corporate management domain. The introduction of the internet and online business has significantly elevated the practice of electronic customer relationship management, empowering organizations to offer web-based access to their customers and suppliers. The eCRM is an advanced version of CRM technologies that incorporates internet platforms for its implementation, to improve firms' performance (Almajali et al., 2022). Jelassi and Enders (2008) asserted that the use of eCRM ultimately results in the establishment of enduring customer relationships, enhanced buyer profitability, and a concentration on high-value clients.

CONCLUSION

The performance of small- and medium-sized enterprises (SMEs) can be influenced by various factors, including firm size and firm age. These factors can have both direct and indirect effects on SME performance. It is important to note that the relationship between firm size, firm age, and SME performance is not direct and can vary depending on the industry, market conditions, and other contextual factors. Additionally, SMEs can leverage their unique strengths and address weaknesses to improve their performance regardless of their size or age. Therefore, a comprehensive analysis of SME performance should consider a wide range of factors beyond just firm size and firm age. One other fundamental factor that influences performance of SMES is the electronic customer relationship. The eCRM is an enhancement of traditional CRM approaches that makes use of technologies such as the web, wireless technology, and voice technology. As a result, it has become an essential part of the overall customer relationship management strategy of an organization.

Among the many different eCRM features, search functions, online forums, loyalty programs, online credit card payment options, question and answer platforms, and personalized services

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for individual online buyers are some of the ones that significantly contribute to the generation of profitable loyal customers and their long-term retention (Harrigan et al., 2012). Small- and medium-sized enterprises (SMEs) are increasingly implementing relatively uncomplicated information and communication technologies to enhance their capabilities in customer communication and information management. This strategic move is aimed at gaining a competitive edge by leveraging electronic customer relationship management practices. Small-and medium-sized enterprises (SMEs) perceive the communication component of electronic customer relationship management as more manageable; yet, they encounter challenges in effectively incorporating client information into their decision-making processes (Achuama & Usoro, 2010). Overall, it can be observed that electronic customer relationship management implementation in SMEs is often characterized by an ad hoc approach rather than a strategic one.

Despite the high cost associated with software solutions for eCRM, its utilization can be justified as an investment in fostering enduring client relationships, enhancing customer retention, and ultimately bolstering long-term profitability (Chi, 2021). Hence, it is imperative for small- and medium-sized enterprises (SMEs) in Nairobi to adopt a forward-looking approach and ensure their survival in the market by adapting to emerging trends in customer relationship management (Adlin et al., 2019). This may be achieved by enhancing the utilization of information-communication technologies, hence facilitating the maintenance of high-quality customer interactions. The eCRM is fundamental for SMEs in Nairobi since it provides the establishment and maintenance of enduring connections between businesses and their clients through the utilization of various electronic channels, including email and web browsers, over the internet (Manyanga et al., 2022). The primary objective of the SMEs is to enhance not just the marketing sector but also its internal operational efficiency, for it to realize tremendous improvement of the performance.

RECOMMENDATIONS

SMEs should invest in advanced eCRM systems and tools. Proper training and utilization of these technologies can enhance customer data management, automate marketing processes, and improve overall customer interactions. SMEs need to emphasize the importance of customer relationship quality, and train employees in customer service and communication skills. They should also encourage personalized interactions, active listening, and prompt problem resolution to build strong, long-lasting customer relationships.

SMEs may foster a culture of innovation and adaptability within the organization. They should encourage employees to propose and implement new ideas. They should stay informed about market trends and emerging technologies to make timely strategic decisions. They also need to align eCRM initiatives with the overall strategic goals of the SME and use customer data gathered through eCRM to inform strategic decisions related to product development, marketing strategies, and customer service enhancements. Further, they should regularly monitor customer interactions and feedback, utilize analytics to gain insights into customer behavior, preferences, and satisfaction levels. They should act on this information to continually improve products, services, and customer experiences.

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