**ABSTRACT** – Electronic customer relationship management system (e-CRM) is acknowledged today as obligatory concept of customer relationship management in the world of services. Therefore, research on impact of CRM and e-CRM system to efficiency of rent-a-car agencies in Bosnia and Herzegovina is of crucial importance for companies and managers not only in rent-a-car industry, but the tourism industry as whole.

The aim of this paper is to explore the impact of e-CRM on efficiency of rent-a-car agencies in Bosnia and Herzegovina. It explains if and how much is e-CRM incorporated in everyday business of rent-a-car agencies in Bosnia and Herzegovina. Furthermore, it proves that those rent-a-car agencies that have recognized the significance of e-CRM in everyday business, it leads to increase of agencies’ profitability shown through the level of customer retention and attraction.

This study is based on the structured personal interviews conducted with major rent-a-car agencies in Bosnia and Herzegovina. The research has several findings. Firstly, rent-a-car agencies in Bosnia and Herzegovina recognize the significance of e-CRM for everyday business. However, e-CRM system is mostly used by rent-a-car agencies that have foreign license/franchise. Secondly, reasons behind non-usage of e-CRM in other agencies are mostly lack of capacities, insufficient knowledge of information-communication technologies of higher degree, as well as financial constraints. Thirdly, rent-a-car agencies using the e-CRM consider it as contribution to pertaining the long-term customer relations and increase of profitability.

**KEY WORDS:** customer relationship management, e-CRM, rent-a-car, Bosnia and Herzegovina

**Introduction**

Customer relationship management (CRM) is precondition to successfullness of modern age companies. Development of technology and Internet has lead to adjustment of companies to electronic and online business. Corporate management, especially in customer relationship management, is inventing new modalities of business with increase of Internet usage. The Internet and online business has raised CRM to higher level enabling companies to provide web access for their buyers and suppliers. The electronic customer relationship management (e-CRM) represents an upgrade of CRM technologies and its usage of online

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resources and technologies based on the Internet. Chaffey and Smith (2008) point out that the essence of CRM and e-CRM is not exclusively technology but also the complete culture of customer relationship. According to Jelassi and Enders (2008), e-CRM ultimately leads to creation of long-term relationship with customers, increase of buyer profitability and focuses on high value buyers.

Purpose of this paper is to explore the impact of e-CRM on efficiency of rent-a-car agencies in Bosnia and Herzegovina. Additionally, this paper aims at explaining the level of incorporation of e-CRM in everyday business of rent-a-car agencies. In order to achieve the purpose of the paper, we have established set of hypothesis. Our main hypothesis is that the use of CRM in rent-a-car agencies that have recognized the significance of information-communication technologies leads to increase of their business results in long term. Set of five sub-hypothesis has been created in order to support the main hypothesis:

1. The use of CRM leads to retention of old and attraction of new customers.
2. Rent-a-car agencies use information-communication technologies more and more.
3. Rent-a-car agencies more and more recognize the significance of customer relationship management system.
4. CRM increases the profitability through retention of old customers.
5. CRM leads to better profiling and better segmentation of customers.

**Long-term relationships with customers: theoretical aspects of (e-)CRM**

CRM is business strategy applied on company level and focuses on creation and retention of loyal and profitable relationship with customers in long-term period through use of technology. According to Turban et al. (as cited in Botha, 2004, pg. 292), CRM represents special approach to customer service where the main focus is on building long-term and sustainable relationship with customers adding values to customers and business as well. Buttle (2009) considers CRM as core business strategy that integrates internal processes and functions with external networks to create profitable value for targeted customers.

E-CRM represents an upgrade of CRM technology. Additionally, it represents usage of technology for providing support to customer interactions with little or no human interference on supply side (Botha, 2004, pg. 293). Although there are various definitions of e-CRM, most of them have in its essence the necessity of online access, web interaction and intensive customer relations. Therefore, according to Chaffey and Smith (2008) CRM and e-CRM are not only technology but entire culture of customer relationship where the focus is on the possibility for buyers to create the process of purchase and services by themselves. De Pelsemacker, Geuens and van den Bergh (2005) cite that the e-CRM means shift from the practice that employees directly take care of customers to the one where a buyer is enabled to use the self-service tools and become active participants in buying and services process. E-CRM, according to Kincaid (2003) has four basic elements: information, process, technology and human resources.

E-CRM upgrades traditional CRM techniques by integrating technologies like web, wireless and voice technology making it fundamental part of entire company’s strategy for customer relationship management (Pan and Lee, 2003, pg. 96). Possibilities of search, online forums, loyalty programmes, terms of payment (online credit card payments), questions and
answers, possibilities of personalization of services to individual online buyers and many other e-CRM features contribute to its significance for creation and retention of profitable loyal customers in long-term perspective.

Zikmund, McLeod and Gilbert (2003) cite that endeavours to retain current customers through CRM ultimately lead to increase of revenues and most often decrease of costs. They point out that, despite initial high costs of CRM system, the long-term benefits are growing higher over time because of repeated purchases and strengthening of the customer’s loyalty. Lee-Kelley, Gilbert and Mannicom (2003) have found in their study that introduction of e-CRM strategy is crucial for better understanding of customers’ needs and desires. Additionally, it enables the creation of two-way relationship between customer and supplier resulting in customer’s loyalty and increase of profitability. This is especially important in rent-a-car sector where retention of customers is one of the greatest challenges for rent-a-car agencies. Information technologies and usage of e-CRM in rent-a-car agencies are becoming imperative in order to ensure long-term survival on market and higher profitability.

Buhalis and O’Connor (2005) consider that the use of ICT should be in context of development strategies in tourist organizations (therefore rent-a-car agencies as well) that will be oriented towards customers, lead by profitability and enable partnership. In the context of this paper, we will consider the customer oriented approach having in mind that the essence of e-CRM in rent-a-car agencies is the very focus on the customer itself. Each customer in online community is special, different and lead by its own desires, experiences and motives while interacting online with rent-a-car agencies providing services. Therefore, rent-a-car agencies should develop their e-CRM strategies that will enable them to approach to each customer individually and personalize/adjust their offer to each specific customer. According to Buhalis and O’Connor (2005), CRM systems should memorize customer’s preferences and demands in current for the future use of services. Customer satisfaction depends largely of the possibilities of companies to be flexible and provide means/tools for personalization of services (Buhalis and O’Connor, 2005, pg. 12).

The researches have shown that customers use in great scale the possibility of online search and reservations and at the same time have great confidence in online environment. Pease, Rowe and Cooper (2007) cite the example of European Commission research from 2004 according to which customers in Europe have the most confidence when they buy services via Internet: from hotel reservations (46%), airplane tickets (45%) to rent-a-car agencies services (35%). There is a space for rent-a-car agencies to use the potential customers trust and improve their relationship with customer in online environment. The proof for this assumption is research cited by Kozak and Andreu (2006) where 47,6% of respondents cited that they buy rental services via online agencies. More and more rent-a-car agencies and other service providers in tourism are using e-CRM elements to enhance their relations with customers and enable direct contact with end users through different programmes: loyalty programmes, possibilities of points collection etc.

Rent-a-car sector of Bosnia and Herzegovina: brief overview

Position of Bosnia and Herzegovina as Balkan Peninsula crossroads is of significance for European transport-communication system. During the last decade, significant means have
been invested in reconstruction and building the transport capacities, facilities and roads. Existing traffic infrastructure, position of Bosnia and Herzegovina in geographical and tourist sense, certainly represent the opportunity for development of rent-a-car sector in the country.

According to above mentioned rent-a-car sector in B&H is still in growth phase and is largely characterized with lower share of domestic rent-a-car agencies compared to franchised ones. There is lack of secondary data in this field. Ademovic M. (2010) has conducted research of rent-a-car services market only for Sarajevo region. The results of that research showed that Europcar ASA-Rent has the largest market share in the Canton (24%), National Car Rental has 21%, followed by Budget rent-a-car (18%) and Champion AC (17%).

Rent-a-car agencies working at the territory of Bosnia and Herzegovina are mainly stationed in Sarajevo and have their branch offices in other B&H cities. At the territory of Canton Sarajevo there are 17 registered rent-a-car agencies. Most of the agencies use website presentation of their business. However, even slight look at internet presentations of rent-a-car agencies it is visible that most of the agencies use one-way communication. At the same time, those agencies that operate under franchise (like Budget and Europcar) use two-way approach to customers via their websites. Having in mind that e-CRM is based on two-way communication between service provider and service recipient, the necessity of two-way communication approach is obvious.

Exploring the application of e-CRM in rent-a-car agencies in Bosnia and Herzegovina

Methodology

Our research was conducted in the period December 2010 – January 2011 focused on questions of existence of e-CRM systems in rent-a-car agencies in Bosnia and Herzegovina and its efficiency. The research aimed at identifying:

- Existing practice in rent-a-car agencies towards customers.
- Existence of customer data bases in any form.
- Existence of separate e-CRM system in rent-a-car agencies.
- Ways of monitoring the successfulness of e-CRM system in rent-a-car agencies.

This research is of exploratory character since this field is not yet explored in Bosnia and Herzegovina. Therefore, it is necessary to provide better insight and understanding of usage of e-CRM system in rent-a-car agencies in B&H.

For the purposes of this research conducted telephone interviews were conducted. Representatives of rent-a-car agencies (executive directors, marketing managers, sales managers) working in Bosnia and Herzegovina were interviewed. The research plan was to include 30 agencies and 17 agencies provided their response (meaning the success rate is 56%). Questionnaire was developed by research team and was based on works of Buhalis D. (2003), Chaffey, D. and Smith, P.R. (2008), Kincaid, J. W. (2003), Chandra, S. and Strickland, T.J. (2004), Ahmad, I. and Chowdry, A.R. (2008), Lee-Kelley, L., and Gilbert, D., and Manniccom, R. (2003), Buttle, F. (2009) and Robson C. (2005).
Findings and discussion

The sample of 30 rent-a-car agencies from entire Bosnia and Herzegovina encompassed both domestic rent-a-car agencies and those that work under licence/franchise of foreign agencies. By number of employees, most of the rent-a-car agencies can be considered as small company (number of employees up to 50). In this structure, agencies that have up to 10 employees are predominant. There is a large discrepancy between agencies working under franchise and domestic agencies regarding the number of vehicles in their fleet. Namely, franchised agencies have larger number of vehicles at their disposal. Additionally, smaller agencies don’t have definite number of vehicles since during the season they hire additional vehicles from other companies.

Graph 1. Structure by number of vehicles

Graph 2. Existence of strategy

Most of the companies have strategy set to 3-5 years, but often it is just „strategic vision“ of directors rather than concrete formal strategy in written form. This is partially caused by the fact that the companies who lack more concrete strategy are exactly those that have small number of employees and often seem like „one-man company“. Generally, this is common occurrence in tourism industry. According to research conducted by Peštek A. (2009) the total of 52% of respondents has concrete 3-5 year strategy in a sample of 206 companies in tourism industry in Bosnia and Herzegovina. Therefore, the results related to rent-a-car
industry are not surprising at all. Graph 2 shows structure according to existence of strategy in difference forms.

As it is shown, only 24% of rent-a-car agencies have concrete strategy. However, those are mostly agencies that work under foreign licence/franchise.

Since the basis for e-CRM is existence of customers data base, one of the questions during the research was whether rent-a-car agencies in Bosnia and Herzegovina have customer data base, and if yes, in what form is it and what are the collected data used for.

**Graph 3. Existence of data base**

As can be noticed from graph 3, high percentage of rent-a-car agencies has customer data base in specific form. Research findings show that customer data bases are mostly in simple forms such as Excel or Outlook. Most of the rent-a-car agencies avoid using more complex software solutions for e-CRM often citing high prices of such software and weak possibility to use them to maximum in B&H as reasons for avoiding. Graph 4 shows the structure by form of data base for those rent-a-car agencies that have data base in any form (82%)

**Graph 4. Structure by form of data base**

The sample is based on criteria of existence of website of rent-a-car agency to enter the sample. Rent-a-car agencies mostly use their websites for promotion, establishing contact, online reservations and communication with customers.
According to data from graph 5, the promotion has most significant share when it comes to purposes of using the website, while online reservations are in 3rd place by share. This has significant impact to e-CRM system in rent-a-car agencies (considering that via online reservations company can gather important customer data that can be used afterwards for segmentation and personalization of services).

Most of the rent-a-car agencies (82%) collects data about their customers and archives them to data base. Customer data vary from basic data such as personal data to type of vehicle rented, period in which the customer most often rents a vehicle, the history of using services. Way of collecting data varies between agencies: by direct contact (90%), via online reservations (65%), by telephone books (23%), internet databases (30%) etc. Graph 6 shows the ways of data collection in rent-a-car agencies that have online reservations on their websites and those that don’t have online reservations.
Rent-a-car agencies that don't have online reservations mostly collect customer data via direct contact and phone books (which is surprising since this way of data collection provides minimum of minimal data that could be used in future offers). It is interesting also that agencies that have online reservations also use direct contact as data collection method in higher percentage.

Usefulness of data that rent-a-car agencies collect about their customers and archive to data bases is differently perceived by rent-a-car agencies representatives: from monitoring statistics where are the most customers from in order to advertise there, for communication and loyalty programmes, to adjust their offers to concrete client, to present rent-a-car services.

Rent-a-car agencies in Bosnia and Herzegovina still use general approach to customers without focusing on individual customer and pointing to offer which can encompass wider segment of customers with special discounts and offerings. Most of the rent-a-car agencies still don’t use full capacity of customer data bases they own to create personalized services and approach to individual client. However, their recognition of usefulness of data for creation of offers and positioning towards clients is a positive trend.

Majority of rent-a-car agencies doesn’t have separate system of (electronic) customer relationship management. While there is a number of rent-a-car agencies that recognize the need for e-CRM system and introduce it or citing high prices of software for not introducing it, there is a number of agencies that has no understanding of e-CRM or its implementation possibilities within their agency.

![Graph 7. e-CRM as part of the business strategy](image)

E-CRM in rent-a-car agencies is possible to present only for small number of agencies interviewed. In those agencies that have e-CRM system, the significance of e-CRM is in the possibility to know in every moment how many vehicles they have at their disposal, what types of vehicles and how often customers use, statistical data on every rental so that they can know the needs of specific client etc. For example, if agency has personal data of the customer in the e-CRM system and that user comes each year or rents a car in specific period, the agency can prepare special offer for that client by using the available data from that system, check if the customer uses extra services like baby-chair and similar. Those agencies that are in the process of development of e-CRM system usually use internal system by
engaging ICT companies who get the data from the agency and distribute specific and new offerings further to special customers mailing lists.

Graph 7 shows share of e-CRM system in entire business strategy of rent-a-car agencies in B&H. The significant percentage of agencies (66%) does not consider e-CRM part of its business strategy at all nor does it have separate e-CRM strategy. This is due to the lack of knowledge about e-CRM system, lack of understanding of basics of e-CRM and the benefits that it can bring to rent-a-car agencies in everyday business.

As reasons for using e-CRM system, those rent-a-car agencies that use it cite the possibility of improvement of relationship with their customers, quality and improved communication with customers, better planning of service and offers development. At the same time, the reasons for not using e-CRM system in rent-a-car agencies are high prices of software and its maintenance, relatively small possibility for maximum usage of all e-CRM features in regular business having in mind the size of B&H rent-a-car market.

Indicators of impact that use of e-CRM system has to regular business in rent-a-car agencies that use e-CRM are expressed through improved continuous communication with customers, easier planning of services and approach to customers, as well as market segmentation. In order to estimate the successfulness of e-CRM system implementation, rent-a-car agencies use statistical data and compare how the information gathered via e-CRM system contributed to total increase of sales in specific period of time.

**Benefits from e-CRM**

The main hypothesis of this research was that the use of CRM in rent-a-car agencies that have recognized the significance of information-communication technologies leads to increase of their business results in long term. The lead hypothesis is tested through the set of five sub-hypothesis.

Sub-hypothesis 1 claims that the use of CRM leads to retention of old and attraction of new customers. Rent-a-car agencies from the sample, 82% of interviewed, are using customer data bases in order to access the information on certain customers and adjust their services to individual customer in easier way. Rent-a-car agencies use data bases to monitor the statistics of usage of rent-a-car services, dynamics of service usage by individual customers, communicate with specific customers and personalization of services based on the finding of customers characteristics for each individual customer in the data base. Rent-a-car agencies in Bosnia and Herzegovina still don't use e-CRM system in its full capacity. However, certain number of agencies that use e-CRM system either in developed or initial phase, are mostly agencies that have licence/franchise of foreign rent-a-car companies. It is interesting that the rent-a-car agencies that have foreign licence/franchise use e-CRM system while other rent-a-car agencies, although recognizing the significance of e-CRM system, don't use it for they consider that the price of software solution for e-CRM and its maintenance is high and not justified for using them in everyday business. Rent-a-car agencies that have developed e-CRM system perceive the significance of this system for regular business and maintenance of relationship with regular customers as well as establishing relations with new and potential customers. For these agencies, the significance of e-CRM system is that they can in any moment retrieve the information of how many vehicles they have in disposal, what type of vehicle and how often customers rent, statistical data on every rental. In this way, they have
at their disposal data about the needs of individual clients – from the type of vehicle preferred by the client, rental period, special services like baby-chair and other extra services demanded by the client. Having such information, rent-a-car agencies that use e-CRM system are establishing continuous contact with customers and are improving their relations with customers through personalization of services. The research has shown that those agencies that use e-CRM system are positioning e-CRM as important part of the entire business strategy. Additionally, they consider that the use of e-CRM contributes to improvement of relationship with customers, quality and improved communication with customers, as well as easier planning of services and offering development. Therefore, it can be concluded that e-CRM contributes to retaining old and attracting new customers by which the sub-hypothesis 1 has been accepted.

Sub-hypothesis 2 claims that rent-a-car agencies use information-communication technologies more and more. All 17 respondents from the sample have website. Websites of rent-a-car agencies mainly provide basic information about the agency, contact details, vehicles at disposal and prices. Most of rent-a-car agencies (88%) use their website as mean of promotion and for establishing contact with customers (82%). Around 65% rent-a-car agencies use online reservations system via their websites. It is important element in e-CRM system of rent-a-car agencies having in mind that this system represents the doors or entry point for information on customers. That information will be then archived to data base and used in future for personalization of services. 82% of respondents use data bases. Mostly those data bases are in Excel or Outlook form, while small number of agencies uses special software solutions. Agencies that use special software solutions for e-CRM are mainly those that work under foreign licence/franchise. Existence of rent-a-car agencies’ web sites and usage of data bases (or in certain agencies specialized e-CRM software) mean the increase of usage of information and communication technologies in everyday business and contacts with customers. Therefore, we can consider sub-hypothesis 2 to be accepted.

Sub-hypothesis 3 claims that rent-a-car agencies more and more recognize the significance of customer relationship management system. Only 23% of rent-a-car agencies included e-CRM as important part of their business strategy, 11% made separate e-CRM strategy. Large number of rent-a-car agencies don’t use complex software solutions for e-CRM due to high prices of software and its maintenance, as well as its complexity and inability to use all features to maximum in B&H. Rent-a-car agencies that use e-CRM system consider it as extremely useful assistant in establishment of long-term relationships with customers, improvement of quality of communication with customers, as well as support for planning of development and personalization of services to customers. Although there is certain number of rent-a-car agencies that don’t use e-CRM that doesn’t mean that they don’t recognize its significance. On the contrary, most of the rent-a-car agencies are aware of the importance of e-CRM system for improvement of customer relations but they are unable to use it due to lack of knowledge of information-communication technologies, limitation in capacities and financial constraints. The rent-a-car agencies partly use e-CRM system in its full, while one part of agencies use segments of e-CRM system in basic shape (such as data bases and online reservations but through very simple ICT structure). The rent-a-car agencies thus recognize the significance the introduction of this system has for establishment of long-term quality relationships with customers. Herewith the sub-hypothesis 3 can be accepted.
Sub-hypothesis 4 claims that CRM increases the profitability through retention of old customers. According to statements of rent-a-car agencies representatives that use e-CRM system, its usage increases the possibility of maintaining long-term relations with customers and planning of services sales, as well as approach to individual customer through personalization of services. Indicators of successfullness of e-CRM implementation are statistics on increased sales in certain period of time after introduction of e-CRM system and its active usage. E-CRM contributes to total sales, shortens the longevity of planning of sales and influences the increase of profitability by enabling the retention of old buyers through personalization of services based on gathered and archived data on customers. Therefore, we can accept the sub-hypothesis 4 as justified.

Sub-hypothesis 5 claims that CRM leads to better profiling and better segmentation of customers. Rent-a-car agencies that use e-CRM system perceive e-CRM as important segment in business for the usefulness of collected data and easier way of gathering data via online reservations. Significance of e-CRM to those rent-a-car agencies using it is that by using this system agencies have information at disposal on what types of vehicles, to what period, in what terms and additional services individual customers rent. On the basis of that, rent-a-car agencies define segments of customers to which they approach with special services and offers, personalized services based on the customer profile identified by e-CRM system. The sub-hypothesis 5 is then accepted.

Having all five sub-hypothesis tested and accepted, it can be concluded that the main hypothesis has been justified. Therefore, we have proved that the use of CRM in rent-a-car agencies that have recognized the significance of information-communication technologies leads to increase of their business results in long term.

Conclusions

Forecasting and understanding customer’s characteristics, needs and demands for personalized services by using e-CRM system can contribute to business promotion and ultimately - increase of profitability. E-CRM system is a tool for assisting the everyday business. It gathers all information needed about customers, archives and when needed organize them in logical sets of data necessary for management in specific moment for planning new packages of services based on customer's characteristics.

Rent-a-car agencies working under licence/franchise are already using developed software solutions for e-CRM system. This brings them improved long-term communication with customers. Through retaining old customers by personalized approach assisted by e-CRM, these rent-a-car agencies improve their sales and in the end line the profitability of their business. Although software solutions for e-CRM are expensive, their usage is justified with the fact that it can be considered as investment in long-term relationship with clients, retention of customers and increase of profitability in long term perspective. Therefore, rent-a-car agencies that have a long term perspective and want to survive at market should adjust to new trends in customer relationship management and increase the use of information-communication technologies in order to maintain the quality customer relations.

This paper provided just an insight into significance of customer relationship management in rent-a-car agencies. Further research within this field should lead towards
understanding the development processes of e-CRM systems in rent-a-car agencies (from decision for introducing e-CRM, establishment of system, to use or “return on investment” from using this system). Additional research should be conducted with regards to customer’s point of view and customer satisfaction.

This research was focusing exclusively on rent-a-car agencies as part of tourism industry. Recommendations for future research are to explore use of e-CRM in other parts of tourism industry (tourist agencies, hotel industry, leisure, airline industry etc.) by using the similar approach and methodology from this research.

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