CRM/e-CRM Effects on Banks Performance and Customer-Bank Relationship Quality

Abbas Al-Refaie, Department of Industrial Engineering, The University of Jordan, Amman, Jordan
Mohammad D. AL Tahat, Department of Industrial Engineering, The University of Jordan, Amman, Jordan
Nour Bata, Department of Industrial Engineering, The University of Jordan, Amman, Jordan

ABSTRACT

This research aims at examining the effects of customer relationship management (CRM) and electronic CRM (e-CRM) on banks performance in Jordan using structural equation modelling. Two structural models, I, and II are developed. Fourteen reputable Jordanian banks are selected. Results of Model I show that: (1) internet service function and customer support have significant influence on relationship management (RM), (2) marketing support function has insignificant influence on RM, which indicates, and (3) RM has positive influence on business performance; learning and growth, customer satisfaction, internal process, and financial perspective. Results of Model II reveal that: (1) the e-CRM significantly influences customer based-service attributes, (2) the e-CRM directly related with relationship quality (RQ), and indirectly affects RQ through customer based-service attributes, (3) RQ significantly influences customer lifetime value (CLV). In conclusions, although Jordanian banks should direct more marketing support to enable customer communicate with banks using e-CRM in a fast, easy and efficient way.

Keywords: CRM/e-CRM, Performance, Relationship Quality, SEM, Service Attributes

INTRODUCTION

Customer relationship management (CRM) can be defined as the interaction between more demanding and well-informed customers and firms that are more customer-focused and more interested in building closer and longer-term relationships with their customers and having more interaction with them (Hsu et al., 2013; Shea et al., 2006, Smith, 2005). CRM describes how to interact and proactively manage relations with customers to increase profitability,

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revenues, and customer satisfaction (Ryals & Payne, 2001; Kotler & Armstrong, 2004; Tse & Yim, 2005). Recently, the great advancement in information technologies has provided tremendous resources for facilitating the fulfilment of electronic CRM (e-CRM), which is considered a strategic technology, centric relationship marketing business framework that consolidates traditional CRM with e-business market place applications (Kennedy, 2006). It expands the traditional CRM to include the new technologies of communication channels like web, wireless, and voice technologies.

Banking is a highly competitive industry with the ultimate goal to achieve customer satisfaction (Phavaphan et al., 2011). In order to gain a strategic advantage and survive today’s ever-increasing banking competitive environment, bank management must identify and improve upon factors that can limit customer defection and have both the motivation and the means for moving closer to their valuable customers through implementing e-CRM (Swift, 2001). To date, seldom studies have been conducted to study the efficiency of implementing CRM/e-CRM systems in the banking sector in Jordan. Thus, the objectives of this research are two-fold: (1) studying the efficiency of CRM system and its effect on business performance from banks’ perspective and (2) measuring the outcomes of e-CRM system implementation from customers’ perspectives. The results of this research provide practitioners in banking service sector a good reference for efficient CRM/e-CRM implementation that could enable banks to achieve high level of customer satisfaction and competitive business performance.

CONCEPTUAL FRAMEWORK

In order to assess the effectiveness of CRM/e-CRM implementation in Jordanian banking sector, two models; II, and I are proposed and their corresponding relationships will be examined:

Model I: The effect of implementing CRM on business performance

1. **Customer Relationship Management:** Assisted by technology and information, CRM integrates internal and external activities of banks to develop positive and interactive customer relationships and achieve banks’ goals (Amrit, 2001). In this research, CRM actions are divided into three major functions: internet service, customer support, and marketing support (Ming and Chen, 2002). Table 1 displays the measures of CRM functions efficiency; 2. **Relationship Marketing:** Marketing exchanges have shifted from transactions to relationship (Foss & Stone 2001). For banks, relationship marketing (RM) is an important way of creating more efficient and effective relationships with demanding customers in order to gain more business benefits (Chadwick et al. 2002; Wu & Lu, 2010). Commitment is another key mediating variable of relationship marketing. The relationship between a bank and its customers is reinforced through attractions brought about by multiple marketing actions. Armstrong and Kotler (2000) pointed out that RM is a relationship process for creating, retaining, and enhancing mutual value between enterprises and customers. Chien and Moutinho (2004) proposed a model for evaluating the RM effect by four perspectives, including: (1) utility, a necessary condition for implementing further mutual-interest relations so that the customer will be willing to maintain long-term and positive relations with the original supplier, (2) project ability, which is defined as expected future exchanges, (3) legitimacy, which will reduce the risk of future uncertainty, and (4) reciprocity, a continuing exchange relation based on mutual trust. These four perspectives will be employed in this research for evaluating the RM effect as shown in Table 2.

In practice, all CRM activities should be directed toward establishing, developing, and maintaining successful relational exchange and...
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