The Practice of Jordanian Banking to Improve Customer Retention

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ABSTRACT

Enterprises have become increasingly reliant on digital information to meet business objectives. Significant amounts of information fuel business processes that involve parties both inside and outside of enterprise network boundaries. In response, many banks have recognized the importance of managing customer retention from the perspective of a process approach to positively impact customer retention. This paper adopts a holistic approach that examines the combined effects of customer processes on customer retention. Drawing on this framework, the paper develops several hypotheses regarding the main and interaction effects of customer processes on customer retention. The paper tests these hypotheses based on a sample of data collected from two hundred respondents, drawn randomly from four Jordanian banks working in Customer Relationship Management (CRM). The results show that customer commitment has strong positive effects on customer retention. However, findings that effect of customer knowledge creation and customer acquisition on customer retention is weaker than that of customer commitment. The empirical findings help both researchers and practitioners in future customer process and customer retention research. The value of the paper consists in establishing the need of researching and incorporating customer retention process as an important support to keep organizations competitive within the global business environment.

Keywords: Customer Acquisition, Customer Commitment, Customer Knowledge Creation, Customer Relationship Management (CRM), Customer Retention

1. INTRODUCTION

Obviously, there is a strong competition among organizations and fast changes in the business environment. In this way, customer retention has become the main interest of researchers and practitioners particularly in the domains of Marketing and Information Systems (IS). Also, Customer retention has been an important issue since the mid-1990s, but little research has been conducted into management processes that are associated with excellent customer retention performance (Ang & Buttle, 2006).

Additionally, the globalization of business has highlighted the need of Information Technology (IT) to understand the rapid growth customers’ demands, due to the global competition; defensive marketing is becoming more attractive and popular. Obviously, this trend is magnified by the rapid development of CRM systems and the adoption of the customer-centric orientation (Stefanou et al., 2003). In view...
of this, organizations from different fields of business are increasingly engaged in development customer retention process to strengthen their relations with their customers in order to develop a competitive advantage as a weapon against the strong competition.

In this new era, many organizations lost sight of it to grow and compete with domestic and global competitors. Thus, organizations try to achieve it from managing knowledge. Since the 1980s, researchers have been talking more and more about an era of focusing on customer retention (Sheth, 2002). In addition, the organization has been using a process to decrease the time to process customer requests, improve ongoing service, and better structure deals to meet customer retention (Nehari-Talet et al., 2010). Also, CRM is a strategy to identify and satisfy customer need and behavior; and doing so will result in a stronger relationship with them, the objective of CRM essentially is to enhance this cumulative effect and thus the loyalty of the customer (Chandra & Strickland, 2004). Therefore, customer retention has emerged as one of the most challenging issues in business because of the value expected from carrying out the customer retention process in organizations. Customer retention became an important business process because it touches the most important assets of all organizations that are the customer (Alryalat & Alhawari, 2008). In this new era, companies are focusing on managing customer relationship in order to efficiently maximize customer retention. Today, the tone of the conversation has changed from customer acquisition to retention. This requires a different mindset and a different and new method in business environment. So, most jobs are becoming ever more knowledge intensive and a majority of employees are moving to customer retention.

Our study is therefore distinctive in that, it addresses one of the important issues in Middle Eastern area because the use of IT is new for them. Therefore, this paper helps and provides guidance for the IT industry to show how an analytical process should be taken into account in developing countries to support to achieve customer retention in Jordanian Banks.

This paper is organized as follows. In the next section, we review relevant literature; section three proposes the research model and hypotheses, section four is about the research methodology in which we discuss the design of the questionnaire, sample, data collection, hypotheses analysis and results. The last segment of this paper is our conclusion of the study.

2. LITERATURE REVIEW

2.1. CRM Processes

CRM has emerged as one of the most demanded issues in business, because of the value expected for carrying out the CRM in organizations. CRM became an important business process, because it touches the most important assets of all organization, which is the customer. Customer nowadays is highly educated, well-aware, more focused and influence by the global market of the internet (Alryalat & Alhawari, 2008). In addition to CRM is based on the premise of integrating people, processes, and technology throughout the value chain to understand and deliver customer value better. CRM focuses on maximizing customer satisfaction and retention through building long-term relationships (Kim et al., 2004). Customer relationship marketing techniques focus on single customers and require the organization to be organized around the customer rather than the product, Chen and Popovich, (2003). Additionally, Geib et al. (2005) described CRM as a customer satisfaction management design that aims to provide higher customer satisfaction by offering customers a high quality of service and proximity.

There are some processes of CRM that have appeared in a number of existing process models in CRM. A framework by Park and Kim (2003) suggest a framework of dynamic CRM consisting of three stages: The first stage concerns with customer acquisition where the organization recognizes unidentified consumers as customers who are identifiable by gather the information about them through diverse communication channels. The second one is the customer retention stage in which the organization makes