The Effects of Customer Relationship Management Practices and Multiple-Channels on Customer Loyalty in Financial Services

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Abstract

Rising world affluence and an aging global population have led to expansive growth in the financial services market in recent years. When coupled with advances in information technologies (IT) and the Internet, the rising demand for services opens global opportunities for financial service firms and consequently has heightened competition. To gain a competitive edge, many firms have turned to customer relationship management (CRM) to seek a greater understanding of their customers’ needs and expectations, and better manage their customer care to gain customer loyalty. The results of a survey conducted on financial services consumers in Taiwan suggest that CRM practices in loyalty programs and cross-selling, customer service and customization, and multiple-channels have positive effects on customer loyalty, and additionally multiple-channels has a moderating effect on the relationship between CRM practices in customer service and customization, and customer loyalty.

Keywords: Customer relationship management; Customer loyalty; Multiple-channels; Information technology

1. Introduction

Expansive growth in the global financial services market spurred by greater demands for services has heightened competition in recent years. Pricewaterhouse Coopers reports that a worldwide aging population with sizable inflows of retirement-related funds into capital markets, growing discretionary incomes and rising affluence in the US, EU, China and India, and escalating economic development in China and India are the primary drivers of this growth. In the US, the assets of the financial services industry surpassed US$46.3 trillion in 2004 and are expected to grow 7 percent by 2008. Worldwide markets are expected to grow as well. When coupled with advances in information technologies and the Internet, the rising demand for services opens immense global opportunities for financial service firms and consequently will heightened competition. Information technology (IT) has already proven itself as a key driver of existing markets and a facilitator to penetrating emerging electronic markets (e-markets).

Yet, changes continuously besiege the financial services environment. Mergers and acquisitions, squeezed margins resulting from falling returns and rising costs, declines in experienced management, staff and sales forces, and new regulatory requirements have led to changes in the competition and the way in which financial service firms compete (Evans, 2002). Mounting competitive pressures have also contributed to environmental changes. Given the dynamic nature of the industry and the multiple-channels of communication and interaction available to customers, financial services firms are beginning to direct greater efforts towards business practices that maintain a core of loyal and lucrative customers, such as pursuing multi-channel customers which tends to be more beneficial (Muller-Lankenau et al., 2006). Recently, many have turned to customer relationship management (CRM) to seek greater understandings of their customers’ needs and expectations, and better manage their customer care. This knowledge will provide a competitive advantage through innovatively tailored products and services that match their customers and anticipate their future needs.

This study examines the relationship between CRM practices in loyalty programs and cross-selling, CRM practices in customer service and customization, multiple-channels and customer loyalty, and the moderating effect multiple-channels has on the relationships between CRM practices and customer loyalty. In the financial services industry, customer loyalty has emerged as a key driver of profitability as loyal customers tend to purchase more. Loyalty programs and cross-selling provide incentives for customers to re-

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main with a business. In the case of loyalty programs, the business retains its customers by recognizing them for their patronage through means, such as points (e.g., frequent-flyer miles) and exclusive promotions. Cross-selling increases the value of a customer’s purchase with an array of complementary product and service offerings. The objective of both is to keep the customer satisfied and returning. Customer service and customization reflect the interactions between the customer and business. While customer service plays a vital role in linking the customer to the firm, customization links the firm to the customers and leads to customized products and services that embody its understanding of their needs and expectations. Both practices will have positive effects on building customer loyalty, the customer’s commitment to patronize the firm, through developed multiple-channels. Thus, a financial services firm will benefit from the resources it directs towards developing its CRM practices in greater customer loyalty.

2. Background

To gain an advantage over their competitors, many financial services firms are investing in CRM. They seek to better understand their customers’ investment habits and behaviors to develop services that meet their financial needs in ways that recognize their individuality and cannot be easily duplicated or imitated by competitors. Ultimately, these services along with the care customers receive will lead to customer loyalty.

2.1. Customer Relationship Management Practices

CRM embodies the modern marketing paradigm of relationship management (RM) and leverages IT to acquire customers, understand and satisfy their needs and expectations, and maintain their long-term relationships through retention programs, particularly those that build loyalty. RM focuses the business on initiating and nurturing individual long-term relationships through trust and the fulfillment of exchanges and promises (Gronroos, 1996). It emphasizes initiating and nurturing individual long-term relationships over anonymous mass marketing approaches. With RM, the business adopts a one-to-one, customer-centric marketing philosophy and directs its resources towards supporting it (philosophy).

CRM also expands upon RM with its emphasis on information management (Peppard, 2000), and draws upon IT to enhance its various capabilities (i.e., database, analysis, communication, etc.). It targets the right customer with the right product or service through the right channel at the right time (Swift, 2001) and involves attracting (acquiring), developing and maintaining successful customer relationships over time (Berry and Parasuraman, 1991), and building customer loyalty (Kohli et al., 2001) through efficient and effective two-way dialogues (Peppers et al., 1999) that seek to understand and influence customer buying behaviors and improve customer acquisition, retention, loyalty and profitability (Kohli et al., 2001; Peppers et al., 1999; Swift, 2001).

Although not entirely built on IT, CRM involves IT-enabled business processes that identify, develop, integrate and focus a business’ competencies on forging valuable long-term relationships that deliver superior value to its customers (Plakoyiannaki and Tzokas, 2002). It allows businesses to quickly identify their most valuable customers, and learn about (i.e., develop, maintain, interact) and consequently better respond to their needs and expectations (i.e., emotional content, output) through customized products and services (Peppers and Rogers, 1999). Thus, CRM improves a business’ ability to acquire and retain customers, and build their loyalty, a competitive asset (Dekimpe et al., 1997). As the relationship flourishes, both the business and customer benefit.

CRM practices involve the actions a business takes to retain its current customers and attract potential customers through personal touches in fulfilling and satisfying their individual needs. These practices include customer segmentation, database marketing, customization and one-to-one marketing, proactive selling, cross selling, loyalty program, and customer referral (Swift, 2001; McKenzie, 2001; Peppers and Rogers, 1999). In this study, CRM practices pertain to those concerned with customer service and customization, and loyalty programs and cross selling.

CRM Practices in Customer Services and Customization

Customer service represents the vital interface between the customer and a business, and allows customers to communicate with the business and obtain desired information in a timely manner (Barnes et al., 2005). By drawing customers closer to the business, it helps satisfy their psychological and physical needs and affects the customers’ goodwill, willingness to interact and loyalty. As the features and quality that once differentiated products, services and brands become less discernible, customer service will emerge as a key driver to a business’ success and contribute to a sustainable competitive advantage. Parasuraman et al. (1985) identified ten dimension of service quality: service delivery, reliability, responsiveness, competence, courtesy, credibility, security, access, communication and understanding the customer. For a business to succeed, it must address each of these dimensions.

The criticality of customer service cannot be underestimated in service industries where service failures and poor service recovery have been attributed for
over half the cases of brand switching (Dupé and Maute, 1996). Customer service represents the social encounter the customer has with the business (Goodwin and Gremler, 1996), and has been associated with quality perceptions and buying decisions (Dell, 1991). Because the (customer) behaviors that emerge from the service encounter often determine the customer’s interpretation of the business’ intentions, customer service will affect his/her satisfaction, perceptions of the product or service, and eventually loyalty (Goodwin and Gremler, 1996). Therefore, service quality can increase the customer’s favorable behavioral intentions (to purchase) and decrease his/her unfavorable intentions (to switch, bad-mouth and complain) (Zeithaml et al., 1996).

Customization provides the business with a distinct competitive advantage through products and services that more precisely fit the individual customer’s needs, preferences and expectations, and competitors find difficult to duplicate, imitate or substitute (Pep pard, 2000). In contrast to mass-marketed items, customization adds value that cannot be easily obtained elsewhere. Thus, the objective of customization is to provide customers with superior value that meets their individual needs (Tseng and Jiao, 2001). Pine et al. (1995) describe customization as a product of a learning relationship between the business and its customers. It involves eliciting customers for their ideas, converting this information into organizational knowledge and integrating this knowledge into the productions process (Pitta, 1998). Hence, dialogs that foster collaboration and further cultivate the relationship underlie the basic success of customization.

Another benefit of customization is lock-in. If the customization adds a strong sense of value to the customer, customer lock-in ensues (Davis, 1989; Pine, 1993). Achieving this hinges on accurately knowing what the customer wants. The knowledge the business gains from its customers can lead to products and services that create greater satisfaction and garner loyalty (Pillar and Schaller, 2002) as well as other operating benefits, such as reduced costs and sustained profitability.

CRM Loyalty Programs and Cross Selling

A major goal of CRM is to capitalize on future opportunities presented by a core group of long-term customers. Two approaches for retaining these customers have been loyalty programs and cross selling. Loyalty programs play an important role in keeping customers and linking the business to future opportunities. The objective of a loyalty program is to build a positive attitude toward a brand and provide the customer with an incentive to patronize the product, service or brand. A successful program will decrease its members’ purchase of non-program brands, and increase their allocation, repeat-purchase rates, usage frequency, propensity toward exclusivity and switching to program brands (Sharp and Sharp, 1997).

Prior studies have found that the development of loyalty programs frequently leads to increases in repeat-purchases and profitability (Reichheld and Sasser, 1990), decreases to price sensitivity (Reichheld, 1996), and raises barriers of entry to markets by making it difficult for new entrants to sway customers away from existing businesses (Sharp and Sharp, 1997). Furthermore, loyal customers tend not to consider alternatives or shop for lower prices (Goodwin and Gremler, 1996). The market research studies of Hughes (2001), and Reichheld and Sasser (1990) strongly suggest that loyalty programs can increase business revenue and total customer market share. For example, Reichheld and Sasser note that a 5 percent increase in the customer retention may result in a 25 to 95 percent net present value increase in profits as observed over 14 industries. Moreover, the retention costs have been reported at five times less than acquisition costs of new customers (Mercer Market Survey, 2000).

Cross selling refers to the strategy of pushing new products to current customers based on their prior purchases of a single brand. Butera (2000) defines cross selling as the practice of promoting additional products and services to existing customers in addition to ones they already have. It is designed to widen the customer’s reliance on the business and decrease the likelihood of the customer switching to a competitor. In contrast to loyalty programs which focus on providing incentives to lock-in customers, cross selling seeks to identify new products to existing customers based on their previous purchases and buying habits. It is often seen as an indicator of the breadth of a relationship (Bolton et al., 2004).

Successful cross selling requires an information infrastructure for collecting, storing, analyzing and sharing customer information throughout the organization (Kamakura et al., 2003; Sonnenberg, 1988), and IT-based analytical tools that identify opportunities (Doyle, 2002). With a wealth of information, the business can mine its data to increase the accuracy of its marketing efforts by identifying the greatest prospects for marketing efforts (Goodman, 1992).

2.2. Multiple-channels

IT and the Internet have opened new ways in which businesses communicate and interact with their customers. With traditional businesses, customer interactions were carried over human interface-based channels, including face-to-face meetings, the telephone, faxed messages and direct mail. However, advances in IT and web technologies have expanded the channels
to include e-mail, interactive kiosks and television (iTV), mobile commerce (m-commerce) and the Internet. Although more businesses are adopting the Internet as a standard tool for sales and services, its success must be supplemented by other interactions (Shoemaker, 2001). Howard and Worboys (2003) suggest that customers create service portfolios of preferred channels and clearly use them, depending on context and occasion. Thus, the support of multiple-channels benefits the business.

Muller-Lankena et al. (2006) cite a Doubleclick Inc. report that indicates multiple channel customers tend to be more loyal, spend significantly more money and are two to three times more profitable than single channel customers. A study conducted by Howard and Worboys’ (2003) suggests self-service channels that leave the customer feeling valued and empowered will achieve greater satisfaction, thereby generating positive word-of-mouth and increasing the likelihood of future customer interactions. The integration of all channels plays an important role to ensure the customer remains in contact with the business. By managing its channels, a business benefits from reduced time-to-market through effective marketing involvement in product development, and shorter cycle times for creating, tracking, approving and distributing promotional material (Forsyth, 2004).

### 2.3. Customer Loyalty

Oliver (1999) defines loyalty as a deeply held commitment to repurchase a preferred product/service consistently in the future, thereby causing repetitive same-brand or same-brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviors. Although frequent usage and satisfaction with a product or service are frequently associated with loyalty, they by themselves insufficiently serve as the precursors to loyalty. The study of Alexander et al. (2003) indicates that satisfaction’s effect on loyalty is more apparent in customers who are inexperienced with a brand than those who are due to an evolutionary process that drives loyalty. The customer’s attitude toward a service or product (brand) including attitudinal preference and commitment has a greater impact on forming loyalty (Jacoby and Chestnut, 1978). Goodwin and Gremler (1996) cite quality in a relationship as a necessary element in defining loyalty. Furthermore, Cronin et al. (2001) associate service quality, perceived value and customer satisfaction with loyalty.

### 3. Research Model

Figure 1 illustrates the study’s research model. It proposes that a financial service firm’s CRM practices and multiple-channels have positive effects on customer loyalty, and multiple-channels moderates the relationships between CRM practices and customer loyalty, such that increases in the interaction between CRM practices and multiple-channels increases the effect of the relationship. The following hypothesis has been developed to test the relationship.

CRM practices involve actions geared toward retaining customers by providing products and services that more precisely match their needs and expectations. These products and services reflect a sense of responsiveness and sensitivity a business has towards its customers, which in turn instills trust and project a sense of reliability. Customer service provides a crucial means for customers to interact with the business and develop their perceptions of it and its intentions, satisfaction with the products and services, trust, and ultimately their loyalty. Although good customer service does not equate to customer loyalty, it does meet a fundamental requirement (of loyalty), the retention of satisfied customers. Furthermore, the image a firm projects to its customers will appear in the quality of its service and product offerings. Quality is seen as the perceived value a customer expects to receive (e.g., *Will the benefits of a service place the customer in a more advantageous position?*). While customer service listens, customization responds to specific needs. Customization involves establishing meaningful dialogs between the firm and its customers to support a learning relationship. The insights it gains and embodies in its product and service responses instill quality into the relationship, an essential element to building loyalty. Thus, customer service and customization allow the firm and customer to exchange (share) and collaborate. When successful, an emotional attachment (i.e., emotional bond) will form to the firm and loyalty will ensue.

Loyalty programs and cross-selling have similar effects on customer loyalty. Loyalty programs provide incentives to the customers to maintain their relationships and evoke a sense of value in that they are recognized (i.e., preferential treatment, exclusive offers, elitism, etc.) and rewarded (i.e., redeemable points, perks,

![Figure 1. Research Model](image-url)
Communication (interaction) with a customer is an essential element to creating customer loyalty. Because the purpose of a communication depends on the task and the need for information, a customer will choose or prefer a channel fitting to the occasion. For example, announcements of a special promotion may be better suited for e-mail or faxed messages while problems with a service are better handled interactively over the phone or through instant text messaging. For financial services firms, multiple-channels play importantly in matching the medium (of communication) to the information or task, particularly when urgency or speed may be required, to support repeated purchases or frequent service usage through convenience. Interactions over multiple-channels also contribute to forming customer satisfaction and creating value that leads to emotional attachment. Thus, for financial services firms competing in a global marketplace, multiple-channels keeps customers connected to the firm, increase switching costs and retain customers.

**H2: Multiple-channels has a positively effect on customer loyalty.**

Communication between a financial services firm and its customers is crucial to customer loyalty in a global e-commerce environment. IT and the Internet have made shopping online and switching convenient, thereby casting greater challenges on gaining a customer’s loyalty. The actions and activities involved with CRM practices focus on creating loyalty, but cannot achieve it without interactions between the firm and customer. Interactions are vital to the success of customer service and customization. Similarly, loyalty programs and cross-selling involve communicating to the customers the benefits of maintaining their relationships with the firm. Depending on the context and occasion, customers will select a means for interacting, such that the number of choices will bear on their satisfaction and retention. The investments and resources a firm dedicates to supporting multiple-channels will enhance the effects of its CRM practices on customer loyalty.

**H3: Multiple-channels moderates the effects of CRM practices on customer loyalty.**

**H3a: Multiple-channels moderates the effects of customer service and customization on customer loyalty.**

**H3b: Multiple-channels moderates the effects of loyalty programs and cross-selling on customer loyalty.**

A financial services firm’s CRM practices play important roles in establishing customer relationships, incorporating customer needs and expectations into quality and value-added products and services, keeping customers satisfied and appealing to their psychological needs. CRM keeps the firm in tuned with its customers through efficient and effective IT-enabled tools and methods.

**4. Methodology**

A survey was conducted of financial services consumers in Taiwan. Eighty students served as data collectors and were each given five copies of the questionnaire to distribute to their relatives or friends with banking accounts. This technique has been successfully used in a variety of services marketing studies (e.g., Bitner and Tetreault, 1990; Chiu, et al, 2005). Of the 400 questionnaires distributed, 253 were returned completed (and usable) for a response rate of 63.3 percent. Participants were asked to think about their most recent experience with a financial services provider (i.e., bank, investment, mortgage, loan or insurance company, brokerage firm, etc.) when responding. The questionnaire contained 26 items related to loyalty programs and cross-selling, customer service and customization, multiple-channels, and customer loyalty. Participants recorded their responses on five-point Likert-type scales (1 = strongly disagree, 5 = strongly agree). Measures (items) were mainly drawn from prior studies. Prior to its release, six experts reviewed the questionnaire for clarity and accuracy in capturing the intended responses. A review of the demographics shows 55.3 percent of the respondents were female, 37.2 percent were between the age of 26 and 35, and 67.2 percent have a college education (a surrogate for affluence).
A confirmatory factor analysis was performed on the data to validate the four observed constructs: CRM practices in customer service and customization, CRM practices in cross selling and loyalty program, multiple-channels, and customer loyalty. The results indicate a good model fits and adequate factor loadings. Furthermore, construct reliabilities of the scales were tested by means of Cronbach’s alpha. The reliability coefficients of CRM practices in customer service and customization, CRM practices in loyalty programs and cross selling, multiple-channels, and customer loyalty are .8631, .7503, .7231, and .8337, respectively, all deemed acceptable.

5. Analysis and Discussion

Table 1 and Table 2 summarize the results of the three regression models used to test the relationships. Model I indicates that customer service and customization, loyalty programs and cross-selling, and multiple-channels have positive effects on customer loyalty. Thus, H1 and H2 are supported. The moderating effect of multiple-channels on the relationship between the CRM practices and customer loyalty suggests that changes to CRM practices will have an ample effect on customer loyalty as enhanced by changes in multiple-channels. The positive relationships found in Models II and III lend support to the moderating effect. The models include an interaction variable that represents the moderator (i.e., customer service and customization x multiple-channels, loyalty programs and cross-selling x multiple-channels) (Baron and Kenny, 1986). The significance of customer service and customization (t = 3.93, p < .001), and the moderator (t = 2.31, p = .022) in Model II supports the moderating effect of multiple-channels (along with positive relationships found in Model I), and therefore supports H3a. However, in Model III, the moderating effect is marginal. Although loyalty programs and cross-selling is significant (t = 4.33, p < .001), the moderator (t = 1.90, p = .058) is only marginally significant. Thus, H3b is only partially supported and further study is recommended.

In the financial services market, firms have turned to CRM to improve customer experiences, build new relationships, connect to customers in emerging market segments, and connect customers to their products and services. Although firms have deployed CRM for various purposes, its greatest potential lies in understanding and anticipating customers’ needs and expectations, and innovatively converting this knowledge into products and services that eventually capture their loyalty. Thus, it is important that the way in which a firm approaches its CRM practices and customer care, and presents itself will have an impact on the longevity of its customer relationships and loyalty. For firms to achieve customer loyalty, they must first make certain their customers are satisfied since a loyal customer is a satisfied customer. This becomes a greater challenge for firms conducting business in global electronic marketplaces and building long distant relationships. As Pricewaterhouse Coopers recommends, firms must use technology to match products to their target customers’ needs, and generate information for finding, cross-selling and retaining their customers. Moreover, firms that invest in improving their customer care practices and direct their resources toward enhancing the customer experience increase their chances of retaining their customers.

### Table 1. Summary of Results for Testing H1 & H2

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Model I</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Dependent Variable</td>
</tr>
<tr>
<td></td>
<td>Std. coeff.</td>
</tr>
<tr>
<td>Customer service &amp; customization</td>
<td>.178</td>
</tr>
<tr>
<td>Loyalty programs &amp; cross-selling</td>
<td>.198</td>
</tr>
<tr>
<td>Multiple-channels</td>
<td>.257</td>
</tr>
<tr>
<td>R-square</td>
<td>.240</td>
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<td>F</td>
<td>26.17***</td>
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<td>n</td>
<td>253</td>
</tr>
</tbody>
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*Significant at p < .10, ** Significant at p < .05, ***Significant at p < .01

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Model II</th>
<th>Model III</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Dependent Variable</td>
<td>VIF</td>
</tr>
<tr>
<td>Customer service &amp; customization</td>
<td>.235</td>
<td>3.93***</td>
</tr>
<tr>
<td>Loyalty programs &amp; cross-selling</td>
<td>.266</td>
<td>4.33***</td>
</tr>
<tr>
<td>Multiple-channels</td>
<td>.309</td>
<td>5.17***</td>
</tr>
<tr>
<td>Customer service &amp; customization x multiple-channels (moderator)</td>
<td>.129</td>
<td>2.31**</td>
</tr>
<tr>
<td>Loyalty programs &amp; cross-selling x multiple-channels (moderator)</td>
<td>.107</td>
<td>1.90*</td>
</tr>
<tr>
<td>R-square</td>
<td>.226</td>
<td>24.29***</td>
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<td>n</td>
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*Significant at p < .10, ** Significant at p < .05, ***Significant at p < .01
Interactions through multiple-channels play a vital role in supporting customer service and customization. In a global electronic marketplace, the absence of face-to-face meetings requires a firm to seek other means to engage in effective and efficient two-way dialogs with its customers and understand and influence their behaviors. Hence, it behooves a financial services firm to deploy multiple-channels of communication that are best aligned to satisfying its customers’ communication needs. The results of this study suggest that customer repeat purchases, share of wallet and consequential actions characterizing customer loyalty, may be due (in part) to the convenience of interacting with the firm’s customer service and collaborating in customization. For customer service, channels supportive of efficient and effective communication will yield greater levels of customer satisfaction, trust and behavioral loyalty, such that the better the customer care experience, the more likely the customer will patronize the business. Similarly, successful customization requires effective interactions, not only through directed dialogs but over a broad range of communications to detect behaviors, such as buying habits, preferences, attribution and involvement. Thus, interactions supported through multiple-channels tend to enhance the effects of customization on loyalty.

Multiple-channels partially influence the effects loyalty programs and cross-selling has on customer loyalty. Since their inception, loyalty programs have been successful in courting and retaining customers. However, the ubiquitousness of loyalty programs and the selective sophistication of customers have dampened their effect (Capizzi and Ferguson, 2005). To reinvigorate their effectiveness, loyalty programs must instill a sense of value-added and leverage their benefits to draw customers toward further commitment with unique, emotional and compelling rewards. Effective interactions between the firm and customers must convey these benefits to create an affective response. Multiple-channels appear to enhance the effects loyalty programs by helping customers form positive attitudes toward the firm.

Cross-selling also benefits from multiple-channels. Interactions that promote cross-selling will help form loyalty. The motivation for cross-selling is three-fold: most customers prefer having a single point of contact for their financial services (Adamson, 2006), the more products a customer holds, the less likely he/she will leave and the more likely he/she will hold higher balances in his/her accounts (Kane, 2005), and while the odds of selling to a new customer are 15 percent, the odds to an existing customer are 50 percent (Adamson, 2006). Therefore, the key to interactions is not only for understanding and satisfying the customer’s current needs, but using them to remain vigilant and communi
cate a sense of responsiveness that appeals to his/her emotional attachment.

6. Conclusions and Implications

CRM has opened several opportunities for financial service firms competing in global electronic marketplaces. Most importantly, it allows firms to keep track of their customers, establish learning relationships, open channels of communication and engage in meaningful dialogs with their customers. The two CRM practices, customer service and customization, and loyalty programs and cross-selling, and multiple-channels have shown important for developing customer loyalty. Thus, continually working with the customer to find the products or services best suited to his/her ever-changing lifetime needs and preferences looms importantly in determining the value of the relationship as reflected in his/her loyalty. CRM provides a means to create this value.

The practical significance of the results suggests that for a business to achieve customer loyalty through CRM, it must focus its activities on working with the customer. The value a customer places on both the tangible and intangible benefits (i.e., rewards, awards, recognition, etc.) he/she receives from a firm only extends as far as he/she finds value in the relationship. In the financial services market, value is tied to how well the firm can leverage a customer’s financial resources as most are concerned with increasing their long-term personal wealth. Advances in IT and the maturity of e-commerce have benefited financial services and placed them into a global marketplace. Enlisting technology to reach customers worldwide has become a necessary condition to firms. Yet, the same technology that enables firms to solicit customers also enables customers to be more selective and exert their buying power. Thus, firms must carefully focus their CRM applications on activities that underlie the development of customer loyalty, including customer service and customization, and loyalty programs and cross-selling.

In all three models, the selected CRM practices in this study accounted for only a portion of the variations. Thus, future studies might examine the effects of other practices, such as customer experience management, service innovation, and the extent to which culture or societal differences affect responses. For financial services firms that are engaged in e-commerce and have adopted CRM, emphasizing these practices will help achieve long-term customer loyalty.
References


