

**ECOLE DES HAUTES ETUDES**  
**COMMERCIALES**  
**HEC**

**Thesis report for a MASTER Degree program in  
MARKETING**

**The implementation of a CRM business strategy and its impact  
on the customer's  
loyalty.**

**Case: Algeria Gulf Bank " AGB"**

**By: NADIR Fatma Zohra**

**Supervisor:  
MESBAH Abd El-madjid**

**2<sup>nd</sup> promotion  
September2015**



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## Abstract:

Customers' loyalty is extremely important for any organization because of its benefits on the company's prosperity, but achieving customers' loyalty requires an attentive ear and focus on the customers' needs, requirements and preferences.

So collecting all these information and analyzing them isn't a one-day operation, as matter of fact it is a continuous process known as CRM " Customer Relationship Management".

So in order to have more insight into the impact of CRM implementation on the customers' loyalty, we have chosen AGB as our case study enterprise, and for this study we used the qualitative approach as a research method.

At the end of our research we've come to a conclusion that CRM have a positive impact on customers' loyalty and it helps increasing because CRM makes customers feel appreciated and heard.

**Key words: CRM, Customer, loyalty, AGB, Satisfaction.**

## Résumé:

La loyauté des clients est extrêmement importante pour toute organisation en raison de ses avantages sur la prospérité de la société, mais sa réalisation exige une oreille attentive et une bonne concentration sur les besoins, les exigences et les préférences des clients.

Donc, la collecte de toutes ces informations et leur analyse ne sont pas une opération rapide, en vérité, c'est tout un processus continu appelé la GRC "Gestion de la relation clients".

Donc, afin de mieux comprendre l'impact de l'implémentation de la GRC sur la fidélité des clients, nous avons choisi AGB comme notre cas d'étude, et pour la réalisation de cette dernière, nous avons utilisé l'approche qualitative comme une méthode de recherche.

À la fin de notre recherche, nous avons arrivés à la conclusion que la GRC a un impact positif sur la fidélité des clients et elle permet aux clients de se sentir appréciés et entendus.

**Mot clés : GRC, Clients, fidélisation, AGB, satisfaction.**

## Acknowledgement:

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## Abbreviations list:

<b>Abbreviation</b>	<b>Signification</b>
24/7	24H/ 24H and 7days /7days
ATM	Automatic Teller Machine
B to B	Business to Business
B to C	Business to Customer
CL	Customers' Loyalty
CLV	Customer Lifetime Value
CMT	Credit Medium term
CRM	Customer Relationship Management
CSF	Critical Success Factors
ERC	Enterprise Resource Challenges
ERP	Enterprise Resource Planning
FGB	Focus Group Discussion
IT	Information Technology
KIPCO	Kuwait Project Company
LSP & LPP	Socio-participative and tailor-made housings
MENA	Middle East and North Africa
QFD	Quality Function Deployment
RIB	Relevé d'Identité Bancaire
RM	Relationship Marketing
SFA	Sales Force Automation

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General introduction:

- Since the 70s of the last century, international business environment has witnessed a huge transaction from locally focused markets to one global market due to globalization that erased the national boundaries and opened doors to the economics flows' circulation.

- This phenomena has its pros and cons, because if we look at things from a consumer prospective, we realize that consumers nowadays attained a certain level of awareness, which made them don't take anything for granted due to the diversity of products and offers in the market, which is the element that boosted up this attitude, so they are in a more dominant position than ever before.

But if we look at things from the companies perspective, we notice that the competitive environment became more turbulent, customers has access to different brands and ranges of products from all over the world, which makes it hard for most companies to obtrude their brand in the market and more importantly form a loyal market share that is profitable enough for their prosperity.

So to compete in such overcrowded and interactive marketplace, marketers are forced to look beyond the traditional 4Ps of marketing strategy that are no longer enough for achieving competitive advantage.

So, researches saw that it's time to incorporate technology and benefit from its various uses, that's how CRM concept occurred to surface, proclaiming to be the tool that allows companies to build and maintain a relationship with their customers, identify them and have more insight into their preferences and behavior. These promises attracted organizations, thus companies from all sorts were eager to implement this technological strategy in their organism.

So the fast grow of this trend among businesses made us question the reliability of those promises, therefor our research question has come to shape as follow: can How strategies used for CRM influence the customers' loyalty toward a brand?

And in order to answer that dilemma we came up with these derived questions

- 1- Does CRM have a positive impact on the customers' loyalty?
- 2- Can CRM increase the customer's loyalty toward the brand/company?
- 3- Does CRM have a direst impact on Customers' loyalty?

In order to give a concrete answers to those questions, we developed the following hypotheses:

H1-Adopting a CRM business strategy influences positively the customers' loyalty.

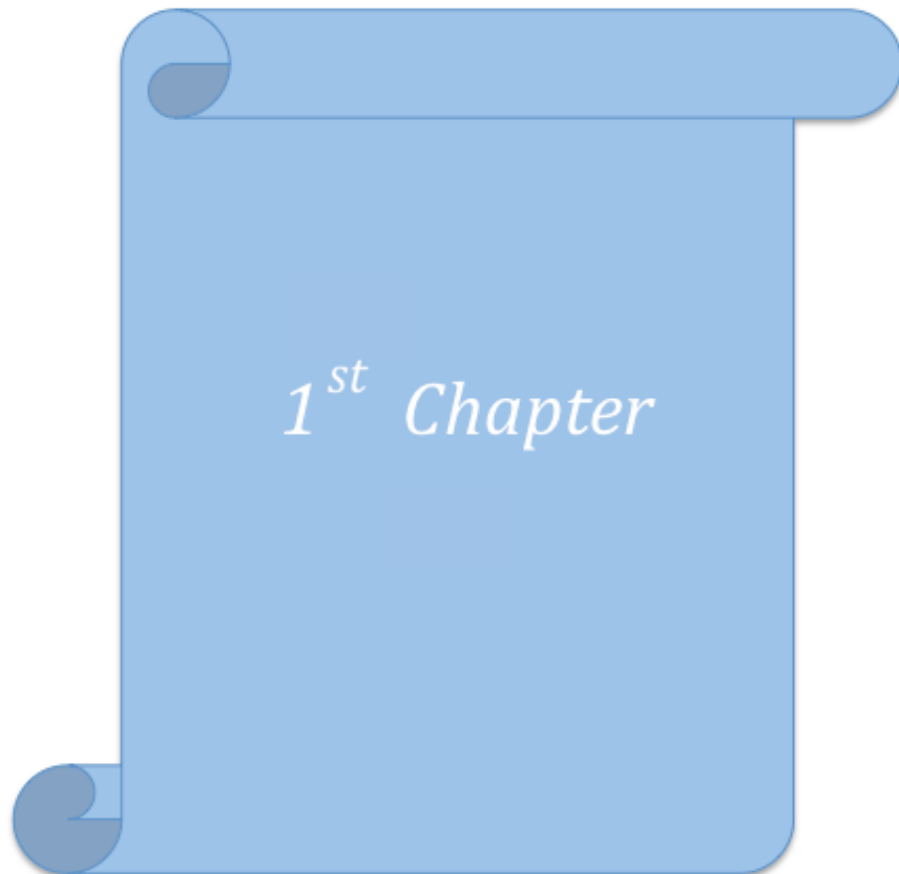
H2-CRM definitely increases the customers' loyalty.

H3-No, it doesn't. It impacts customers' satisfaction, which influences customers' loyalty.

Coming for the research procedure, we have chosen AGB to be our study company, because the banking and service sector is known to be the number one users of CRM technologies. About our research method we opted for a qualitative approach, in addition to literature review in order to clarify all the concepts related to CRM and loyalty.

So our research paper is organized as follows:

- Part one: literature review, which includes 2 chapters,
- ✓ Chapter 1: It revolves around Customer Relationship Management, we will first give a short presentation of Relationship marketing and then explain the CRM concept, its origin and benefits and finally we will talk about CRM implementation; its components, tools, CSFs...
- ✓ Chapter 2: Called "Understanding customers' loyalty", in this chapter we will give a detailed definition to Customers' loyalty. Then, we will clarify some elements about customers' satisfaction and at the end we will provide you with some previous studies about "the relation between the effectiveness of CRM, customers' satisfaction and customer's loyalty" and also another study about "improving loyalty with CRM"
- Part two: that contains only one chapter.
- ✓ Chapter 3: entitled as "CRM implementation at AGB" which, includes a detailed presentation of AGB and also draws conclusions from the case study in terms of its practical relevance and lessons learned.



## Chapter 01: CRM

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Profitability, prosperity, longevity... whatever the organization's staff objective is, they can't achieve it unless they impress their customers and induce them to choose their brand over the existing ones.

So in order to accomplish that mission, companies need to have insight into their customers' needs, profiles, consumption behavior and so on, so that they can satisfy them and create a bonding sensation with them, make them feel heard, appreciated and not like they are only numbers on paychecks.

So researchers came with a concept called CRM" Customer Relationship Management" that allows organizations collect data about customers, use it for further branding strategies and build a profitable relationship for both parts.

In this chapter we will try to clarify the CRM concept, therefore our chapter is organized as follows:

Section 1: it revolves around relationship marketing; its development and benefits.

Section 2: it includes some literature reviews about basics in CRM, some concepts related to it and its benefits as well

Section 3: it's about CRM implementation, its components, models, tools, CSFs... etc.

### **1.1- Relationship Marketing:**

#### **1.1.1 Relationship marketing definition:**

Relationship marketing is an emergent concept in the marketing world and there are lots of misconceptions about it. So what is RM? When did it occur? Is it the same thing as traditional marketing? These are all questions that we'll be answering in this section.

To begin with, we present to you in the table below several definitions of RM according to different authors and researchers:

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<b>Author</b>	<b>Definition</b>
Berry 1983	<i>“Relationship marketing is attracting, maintaining and enhancing customer relationships.”<sup>1</sup></i>
Grönroos 1990	<i>“The goal of relationship marketing is to establish, maintain and enhance relationships with customers and other parties at a profit so that the objectives of the parties are met.”<sup>2</sup></i>
Shani and Chalasanani 1992	<i>“Relationship marketing is an integrated effort to identify, maintain and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides through interactive, individualized and value-added contacts over a long period of time.”<sup>3</sup></i>
Morgan and Hunt 1994	<i>“Relationship marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relational.”<sup>4</sup></i>
Sheth and Parvatiyar 1995	<i>“Relationship marketing is a marketing orientation that seeks to develop close interactions with selected customers, suppliers and competitors for value creation through corporative and collaborative efforts.”<sup>5</sup></i>

**Table 1:** Definitions of Relationship Marketing

<sup>1</sup> Berry, Leonard L. (1983), “Relationship Marketing.” In Emerging Perspectives in Services Marketing, eds. Leonard L. Berry, G. L. Shostack, and G. D. Upah, 25-28. Chicago, Ill.: American Marketing Association.

<sup>2</sup> Gronroos, C (1990), “From Marketing Mix To Relationship Marketing”, toward a paradigm shift in Marketing Management decision. Vol.32. No 2, P4.

<sup>3</sup> Shani, D. & Chalasanani, S (1992) “Exploiting Niches Using Relationship Marketing.” Journal of Consumer Marketing, 9(3), 33-42.

<sup>4</sup> Morgan, R. and Hunt, S.(1994), “The commitment-trust theory of relationship marketing ”, Journal of Marketing, Vol.58, July, pp.20-38.

<sup>5</sup> Sheth, J.N. and Parvatiyar, A. (1995), “Relationship marketing in consumer markets, antecedents and consequences”, Journal of the Academy of Marketing Science, Vol. 23 No. 4, P. 255

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❖ The various definitions of Relationship Marketing prove that the concept has no single definition attached to it and as a result, it breaks away from the positivist nature of traditional marketing theory and the marketing mix.

To sum up with we can say that relationship marketing is an important strategy that includes marketing activities directed toward establishing, developing, and maintaining successful relationships

These Relationships can exist between the organization and its customers B to C, and also between the organization and other organizations and stakeholders B to B.

### 1.1.2 Differences between transactional marketing and relationship marketing:<sup>6</sup>

**Table 2:** A comparison between transaction and relationship marketing.

<b>Transactional marketing</b>	<b>Relationship Marketing</b>
Focus on single sale	Focus on client retention
Orientation on features	Orientation on product benefits
Short time scale	Long time scale
Little emphasis on client service	High customer service emphasis
Limited client commitment	High customer commitment
Moderate client contact	High customer contact
Quality is primarily a concern of production (output dominated)	Quality is the concern of all

**Source:** (Nickels and Wood 1997, Christopher, Payne and Ballantyne 1991: 9).

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<sup>6</sup>The Application of Relationship Marketing to Construction, A thesis submitted in fulfillment of the requirements for the Degree of Doctor of Philosophy, by Peter Rex Davis Master of Project Management (Curtin), FAIB, MAIPM, School of Economics, Finance and Marketing Royal Melbourne Institute Technology, Australia December 2005.

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The following outlines issues associated with each of the RM attributes listed in the right hand column of Table 2

### **Focus on client retention:**

RM is designed to retain customers rather than allow them to go elsewhere. In a transaction sense the emphasis of marketing has been directed toward obtaining customers rather than keeping them. In their book “Relationship Marketing, Bringing Quality Customer Service and Marketing Together” Christopher, Payne and Ballantyne (1991: 4) propose a model that links three key aspects; customer service, quality and marketing that aim to close the retention loop. The model comprises three overlapping circles. At the point of intersection RM becomes the focal point. Customer needs are identified to generate specific client related customer service. Quality is determined from the perspective of the client whilst managing both *process elements* of quality and *people elements* of quality. Christopher, Payne and Ballantyne (1991: 3) provide examples of process elements that are design failure points and people elements that are *moments of truth* in the customer encounter.

### **Orientation on benefits:**

It is argued by Gummesson (1999: 9) that RM should be more of a “Plus sum game” rather than just “Win-win”. The points being that the parties create rather than just increase value for one another.

Gummesson (1999: 9) proposes that a constructive attitude is anticipated as part of the relationship process. The relationship should be meaningful at two levels, a personal level and a company level. If these conditions are fulfilled then the relationship will become long term.

### **Long time scale:**

Customer retention is an important issue. Often there is too much emphasis on obtaining new customers at the expense of existing customers. Gummesson suggests that “Extending the duration of the relationship” should be a fundamental goal. In another article Tomer refers to ultimate features of RM that includes a long time scale that is “Authentic and deep” Tomer (1998: 210). Tomer continues and explores two characteristics that define a patient relationship; the first is the ability and willingness to make short-term sacrifices for a longer-

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term benefit and second a long-term perspective to the relationship.

### **High client service emphasis:**

In developing a model of effective relationship marketing Evans and Laskin (1994: 440) indicate that there are major RM inputs. The first is the understanding of clients *needs*. These should be differentiated from client *wants*. This is described as a difficult process as often many firms have trouble identify a client's expectations. This is due to the gap between the customers' point of view and the firms' point of view.

In the first instance there is a gap between what customers want and what they see the firm delivering. And in the latter instance the gap exists between what firms believe customers desire and what customers actually want.

The gaps exist for three reasons; initially firms are convinced they know what clients want but fail to interact with the client to solidify their knowledge; second, some firms cannot determine their client's expectations; and third, the cost of collecting the data can be higher than the firm wishes to pay.

### **High client commitment:**

The main focus of RM is on the individual. There is commitment to the client. These relationships are important in an organizational or institutional sense. In addition to this they are often important at a personal level. This aspect is exemplified by Gummesson (1999) who indicates that relationships are at the core of human behavior, highlighting relationships with neighbors, corner shop owners and colleagues at work; each having its particular mutual benefit and purpose.

### **High client contact:**

In RM value is created *with* customers, not *for* them (Gordon 1998: 9). It is a continuous collaborative effort where a bond is created that becomes progressively tighter as the relationship evolves (Gordon 1998: 9). Throughout the life of the transaction a good marketer will be in contact with their client, constantly making sure that they are satisfied, obtaining feedback and developing their customer emphasis.

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### **Quality is the concern of all:**

Quality is a product of an interaction of equal partners, or partners prepared to act on an equal basis in a business venture (Gummesson 1999: 55). RM is not just concerned with relationships administered by a marketing department within an organization, but with all departments of an organization. In a RM environment it is the responsibility of all employees to build a relationship with clients. Typically transactional marketing is administered with an external perspective. RM however, is concerned with the interdependencies of all departments and individuals within an organization and their exchanges both internally and externally. The objective is that all “Employees build [on] relationships. In principally the same way as services marketing, when compared to product marketing, there is no place for an individual quality division in a RM environment. Quality becomes the concern of all those involved in the venture. It is indicated that building a reputation for process and product quality is critical to sustaining a long-term customer relationship.

### **1.1.3 Evolution of Relationship Marketing Theory:**

Bagozzi (1975, p. 32) further refined marketing’s focus by applying “exchange theory” to what he considers the two key questions of marketing theory: “(1) Why do people and organizations engage in exchange relationships? And (2) how are exchanges created, resolved, or avoided?” Consistent with the Table 3 below:

**Table 3: Evolution of RM.**

<b>Period</b>	<b>Theory and/or Source Discipline</b>	<b>Key Contribution</b>
1950s and 1960s	Institutional economics, sociology, and psychology	Integrated sociological and psychological factors into prevalent institutional economic perspective of rational

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		economic actors.
1970s	Exchange theory (sociology)	Redirected marketing thought by applying “exchange theory” to two key questions in marketing theory: (1) Why do people and organizations engage in exchange relationships? And (2) How are exchange created, resolved, or avoided?
1970s and 1980s	Power and dependence theory (sociology)	Consistent with the criticality of “middlemen” to business during this period, offered power/dependence among channel partners as the critical factor in understanding exchange relationship and performance.
1980s	Relational contracting and theory (political 1990s science) and social exchange theory (sociology)	Integrated relational contracting theory with social exchange theory in a dynamic relationship framework. Proposed that relational norms have important roles in guiding relationship behavior in business exchanges.
1990s	Transaction cost economics (economics)	Demonstrated that relationship governance can serve many of the same functions as vertical integration from a transaction cost perspective by suppressing opportunistic behaviors, reducing transaction costs (e.g., safeguarding and monitoring costs), and promoting performance-enhancing investments.
1990 to 2000	Commitment-trust theory of	Extended relationship marketing beyond

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	relationship marketing (sociology and psychology)	customer- seller interactions to offer a well-argued theory of relationship marketing (sociology marketing that revolves around trust and commitment. This frame- work provided the default theoretical basis and for the psychology) majority of relationship marketing research for the next decade.
<b>Emerging Relationship Marketing Theory</b>		
2000s	Resource-based view of interfirm	Integrated multiple theoretical perspectives within a resource-based view of interfirm exchange by demonstrating that relationship marketing's impact on performance is affected by relational bonds (e.g., trust, commitment), as well as investments (e.g., training, communication) that enhance the efficacy or effectiveness of the relational asset.
2000s	Interfirm relationship marketing based on  Social exchange and network theories (sociology)	Integrated social network theory to develop an inter- firm-specific relationship marketing framework, which shows that in addition to relationship quality (trust, commitment), two other relational drivers are key to understanding the impact of interfirm relation- ships on performance: contact density and authority.
2000s	Micro-theory of inter- personal	Integrated gratitude, guilt, and norms of reciprocity into a dynamic model of

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	relationships  (Evolutionary psychology and sociology)	intrapersonal relationship marketing based on an evolutionary or quasi-Darwinian perspective of relationships and cooperative behavior.
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**Source:** Bagozzi, Richard P. (1975), "Marketing as Exchange." *Journal of Marketing* 39 (October), 32–9.

### **1.1.4 Relationship Marketing Outcomes:**

The following figure is taken from the study of Thureau et al. (2002) on long term relationships' outcomes and they developed a comprehensive table which is the analysis approach of some important "Long term relational outcome" studied and classified by different approaches and summarized in table 4.

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**Table 4 :** Relationship Marketing outcomes.

<b>Selected Approaches Explaining Long-Term Relational Outcomes</b>				
<i>Name</i>	<i>Type</i>	<i>Description</i>	<i>Key Construct</i>	<i>Illustrative Research</i>
Satisfaction approach	Univariate	Customer satisfaction as antecedent of relational outcomes (i.e., customer loyalty and positive word-of-mouth communication)	Customer satisfaction with the service provider's performance	Anderson (1998); Anderson and Sullivan (1993); Fomell (1992); Hallowell (1996)
Service quality approach	Univariate	Service quality as antecedent of relational outcomes	Perceived quality of service delivered by the provider	Boulding, Kalra, and Staelin (1993); Zeithaml, Berry, and Parasuraman (1996)
Trust approach	Univariate	Trust as antecedent to relational outcomes	Customer trust in the relationship partner (i.e., the service provider)	Bendapudi and Berry (1997); Moorman, Zaltman, and Deshpandé (1992)
Commitment approach	Univariate	Commitment as antecedent of relational outcomes	Customer commitment to the relationship	Pritchard, Havitz, and Howard (1999)
Commitment-trust theory	Multivariate	Commitment and trust as key mediating variables between antecedents and relational outcomes	Customer commitment and trust	Kalafatis and Miller (1997); Morgan and Hunt (1994)
Service profit chain	Multivariate	Customer loyalty as antecedent to firm profitability in a causal chain of several loyalty-determining constructs	Service quality, satisfaction, employee loyalty, employee satisfaction, internal service quality	Heskett et al. (1994); Loveman (1998)
Value-situation model	Multivariate	Perceived value and situational variables predict repeat purchase behavior	Value of the service as perceived by the customer and the customer's individual situation	Blackwell et al. (1999)
Relationship content approach	Multivariate	Three basic relationship contents fundamentally shape the process of relationship building	Economic content of the relationship, resource content, social content	Crutchfield (1998); Morgan (2000); Morgan, Crutchfield, and Lacey (2000)
Relationship quality approach	Multivariate	Customer evaluation of transactions and the relationship as a whole predict relational outcomes	Satisfaction, trust, commitment, various other constructs	Crosby, Evans, and Cowles (1990); Hennig-Thurau and Klee (1997); Smith (1998)
Relational benefits approach	Multivariate	Relational outcomes for the firm are dependent upon the customer's receiving certain relational benefits	Different types of relational benefits include confidence benefits, social benefits, and special treatment benefits	Gwinner, Gremler, and Bitner (1998); Reynolds and Beatty (1999a)

**Source:** Thurau, T., Gwinner, K.P. Gremler, D., (2002), "Understanding Relationship Marketing 103 outcomes An Integration of Relational Benefits and Relationship Quality", *Journal of Service Research*, Volume 4, No. 3, P246.

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### 1.2 CRM basics :

#### 1.2.1 CRM concept definition:

##### **1.2.1.1 CRM definition:**

- KOTLER & KELLER stated that:<sup>7</sup>

*“CRM is the process of managing detailed information about individual customers and carefully managing all customer “touch points” to maximize customer loyalty”*

- Bose gives the following definition of CRM according to his findings:<sup>8</sup>

« CRM is an integration of technologies and business processes used to satisfy the needs of a customer during any given interaction. More specifically, CRM involves acquisitions analysis and use of knowledge about customers in order to sell more goods or services and to do it more efficiently”

- While Johansson & Storm believe that:<sup>9</sup>

*“CRM is the integration of customer focuses in marketing, sales, logistics, accounting. I.e. in all parts of the organization operation’s and structure. Those are the activities a business performs to identify, qualify, acquire, develop and retain increasingly loyal and profitable customers by delivering the right products or services to the right customer through the right channel at the right time and the right cost”*

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<sup>7</sup> Kotler & Keller (2006) Marketing Management (12th ed.), Upper Saddle River New Jersey, USA: Pearson Prentice Hall, Page 152. Kotler & Keller (2006) Marketing Management (12th ed.), Upper Saddle River New Jersey, USA: Pearson Prentice Hall, Page 152.

<sup>8</sup> Bose. R. 2002. “Customer relationship management: Key components for IT success” MCB UP Limited. Industrial Management and Data Systems, page 1.

<sup>9</sup> (Johansson & Storm, 2002).

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- In the other hand Flether & Alan define CRM as:<sup>10</sup>

*« Customer Relationship Management (CRM) is a business strategy for improving profitability by focusing on customer needs and creating an attentive relationship with the customer. It involves a personalized and interactive approach for the entire customer lifecycle »*

- After surveying many alternative definitions of CRM, Payne and Frow offer the following comprehensive definition:<sup>11</sup>

*“CRM is a strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. CRM unites the potential of relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to both understand customers and co-create value with them. This requires a cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology, and applications.”*

- ❖ After reviewing these definition, we came to the conclusion that: “CRM can be defined as a customer centric business strategy that uses IT systems in order to optimize the company’s revenue and enhance its brand image among the customers, through out identifying, understanding and satisfying the individual customers’ needs, which means deliver the right products or services to the right customer through the right channel at the right time and the most convenient cost.

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<sup>10</sup> Fletcher, L. Alan. (2001). Going beyond the buzzword: what exactly is CRM? Learned Publishing, p. 540.

<sup>11</sup> Adrian Payne, Pennie Frow (2005), A Strategic Framework for Customer Relationship Management. Journal of Marketing: October 2005, Vol. 69, No. 4, p 168.

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❖ As CRM definition came to shape, we noticed that there're few concepts that needs to be clarified as well, such as: customer satisfaction and loyalty which we'll talk about in the second chapter, in addition to those element we've got Customer acquisition and customer retention that are defined as follow:

### **1.2.1.2 Customer Acquisition:**

Customer acquisition is a first step in building a customer base. Targeting, acquiring, and keeping the “right” customers entails a consideration of fit with current firm offering, future profitability, and contribution to the overall business risk.

Many companies do not select the right criteria to identify, persuade their profitable customers and their marketing programs are communicated on a wild scale, as a result they may not target the right profitable customer.

Therefor customer acquisition can be an expensive and risky process.

### **1.2.1.3 Customer Retention:**

Even though each company has its own business model, but customer retention stills an important element for each one.

Customer retention is known to be the assessment of a product or service quality provided by a brand that measures how loyal its customers are, these measurements are presented as a percentage of long term clients, who are important to a business since satisfied retained customers tend to spend more, cost less and make valuable references to new potential customers.

Hence, customer retention has received considerable attention from marketers.

## **1.2.2 ORIGIN OF CRM**

CRM originated in early 1970s when the business units had a manifestation that it would be advisable to become customer emphatic rather that product emphatic. Birth of CRM was because of this heedful perceptiveness.

The famous writer and management consultant Peter Drucker wrote; the true business of every company is to make and keep customers. Traditionally every transaction was on paper and dependent on goodwill, which created hindrance in clutching customers. People used to work hard in entertaining customers by presenting new products with astonishing services;

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they were ready to work overtime for grasping more and more customers for increasing business. This too resulted in customer satisfaction and loyalty up to some extent, but at the end of the day there was no such bonding or relation between the two to carry on with future business smoothly. Previously business was quite easy as it was a one-to-one dealing without any specific process. But with time, due to incoming complexities in communication, it found itself in troubled waters. Emerging of new strategies and technologies in global market place and a mammoth degree of competition in business, the approach needed to be changed to proactive rather than reactive. Origination of CRM turned out to be a piece of cake for all suppliers and customers due to its advantages. Customer relationship management came as a process that dealt with relationships with customers surpassing the whole business. Originally customer relationship management was based on three major principles; shielding the current customers, fostering new customers and enhancing asset value of all the customers. With the advent of CRM, which was integrated with high-end software and technology, business perspectives were totally changed. A CRM system eventually emerged as consisting of company-full of information which is depicted sophisticatedly to increase business profit and meliorate customer satisfaction and loyalty, on the same hand reduces business cost and investment. The outgrowth in origin of CRM as a strategic approach is a result of some of the following important perspectives:

1. The belief that customers are the real assets and not just the people in the audience.
2. The maturation of one-to-one transaction advent.
3. Extensive use of software and technologies to maintain useful information and no manual labor.
4. The realization of the benefits of utilizing information proactively and not reactively.
5. The change of business view to relationship approach rather than transactional approach.
6. The approach of concentrating more on customer values rather than concentrating on how the product is delivered to the customer.
7. The approach of focusing on customer satisfaction and loyalty rather than focusing self-satisfaction and profit.
8. The acceptance of the fact that using high-end technologies and software the cost can radically be decreased without compromising on quality and service of products.
9. The increasing tendency to retain existing customers and trying to get more and more business out of them.

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10. The realization that the traditional trends of marketing and selling are increasingly fading out in the current economic scenario. These additive approaches helped a lot in building up consequently the modern CRM. Today we have well defined and sophisticated CRM systems into being which are always in process of improvement.

### **1.2.3 CRM objectives:**

CRM objectives and what is the company's aim from implementing a CRM system is different from an enterprise to another, therefore we will give some CRM objectives according to several authors:

#### **1.2.3.1 Objectives by Burnett:**<sup>12</sup>

Burnett 2001 argues that the objectives from CRM generally fall into three categories: Cost savings, revenue enhancement and strategic impact.

He states that the following objectives seems reasonable for a company implementing CRM:

- Increased sales revenues results from spending more time with customers, which results from spending less time collecting information about the customer.
- Win rates improve since the company withdraws from unlikely or bad deals earlier in the sales process.
- Increased margins results from knowing your customers better, providing a value-sell, and discounting price-less.
- Improved customer satisfaction rates. The increase occurs because customers will find that the offer is more in line with their specific needs.
- Decreased general sales and marketing administrative costs. This decrease occurs since the company had specified and has good knowledge about its target segment customers. Thereby the company is using its resources better when no effort is a waste of money or time.

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<sup>12</sup> Burnett, K (2001) handbook of key Customer Relationship Management, The definitive guide to Winning and Developing Key Account Business, Prentice Hall: New Jersey.

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### 1.2.3.2 Objectives by Swift:<sup>13</sup>

Swift 2001 claims that as organizations move close to their customers and their extended enterprise business unit, the leading organizations specifically communicate their objectives and goals. The CRM objective is to increase business opportunities by:

- Improving the process to communicate with the right customers.
- Providing the right offer for each customer.
- Providing the right offer through the right channel for each customer.
- Providing the right offer at the right time for each customer.

### 1.2.3.3 Objectives by Newell:<sup>14</sup>

Newell 2000 states that the key to CRM is identifying what creates value for the customer and then deliver it. While individual customers have different views of value, there are many ways to satisfy the each customer. Therefor the CRM objectives are to:

- Identify those customer values that are pertinent to a particular segment.
- Understanding the relative importance of those values to each segment.
- Determining if delivery of those values will affect in a positive manner.
- Communicating and delivering the appropriate values to each customer in ways the customer wants to receive the information.
- Measuring results and providing return on investments.

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<sup>13</sup> Swift, R. S (2001) Accelerating Customer Relationship: using CRM and Relationship technologies, Prentice hall: New Jersey.

<sup>14</sup> Newell, F (2000), Loyalty.com Customer Relationship Management in the new era of Internet, McGraw-Hill: New York

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❖ So from the previous surveys we can express CRM objectives as follows:

### 1. Increasing revenue:

- Identifying new opportunities.
- Reducing missed opportunities.
- Reducing customer defection.

### 2. Building customer loyalty:

- Improving customer service.
- Increasing customer satisfaction.
- Enhancing appearance of organization.

### 3. Reducing costs:

- Storing of organization information.
- Reinventing marketing.

### **1.2.4 The benefits of CRM:**

This segment will present several authors' point of views on benefits of CRM and the value its implementation creates for the company.

#### **1.2.4.1 By Swift (2001):**<sup>15</sup>

According to him companies can gain many benefits from CRM implementation. He states that the benefits are commonly found in one of these areas:

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<sup>15</sup> Swift, R. S (2001) Accelerating Customer Relationship: using CRM and Relationship technologies, Prentice hall: New Jersey.

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- **Lower cost of recruiting Customers:** The cost of recruiting or obtaining customers will decrease since there are savings to be made on marketing, mailing, contact, follow-up, fulfillment services and so on.
- **No need to acquire so many customers to preserve a steady volume of business:** The number of long-term customers will increase and consequently the need for recruiting many new customers will decrease.
- **Reduced cost of sales:** The costs regarding selling are reduced owing to existing customers are usually more responsive. In addition, with better knowledge of channels and distributions the relationship become more effective, as well as that cost for marketing campaign is reduced.
- **Higher Customer Profitability:** The customer profitability will get higher since the customer wallet-share increases, there are increases in up-selling, cross-selling and follow-up sales, and more referrals come with higher customer satisfaction among existing customers.
- **Increased Customer retention and loyalty:** The customer retention increases since customers stay longer, buy more and buy more frequently. The customer does also often take initiatives, which increase the bounding relationship, and as a result the customer loyalty increases as well.
- **Evaluation of customers Profitability:** A firm will get to know which customers are profitable, the one who never might become profitable, and which ones that might be profitable in the future. This is very important since the key to success in any business is to focus on acquiring customers who generate profit, and once a firm has found them it will never let them go.

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### 1.2.4.2 Benefits as defined by Zeng, Weng & Yen:<sup>16</sup>

Zeng, Weng & Yen (2003) describe the benefits of well working CRM as:

- Increased Customer Satisfaction, through the use of smart I.T. CRM can provide instant service responses based on customer inputs and requirements.
- Provide Information on future sales. By automatically analyzing the customer's purchases & previous history trends and estimations of future buying behavior can be made.
- Differentiated and Customized Service.
- Use all of the technology available to deliver up to the second information about each customer and to provide key performance indicators about each customer.
- To better meet customers' needs.
- Be flexible and move on information as it arrives. Being able to accept and manage leads as they arrive and meet unexpected demand.

### 1.2.4.3 Benefits of Relationships as defined by Gummerson:<sup>17</sup>

Gummerson (1994) explains that the building of relationships is the key to reaching and maintaining a successful market share. Gummerson defines the benefits as:

- Retention

By learning relevant information about the customers such as; names, habits, preferences and expectations one-on-one relations can be formed and customers can be kept coming back continuously; maybe even become friends

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<sup>16</sup>Zeng, Y. Wen, J. Yen, D. 2003. "Customer relationship Management (CRM) in business- to- business (B2B) e-Commerce". MCB Up Limited. 2003.

<sup>17</sup>Gummerson, E. 1994. "Qualitative methods in Making Relationship Marketing Operational" International journal of service Industry Management Vol5. No5

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- Intimacy & Profits.

Through the use of IT a feeling of intimacy can be created with the customer, as no matter whom they come in contact with, they “know” them. Both parties adapting better to each other being that once the relationship has taken form-increased profits can attain the major benefit.

- ❖ So from the previous perspectives we understand that a customer-centric business strategy helps the organization to proactively and consistently offer (and sell) more products and services for improved customer retention and loyalty over longer periods of time, also maximizing "lifetime customer share", resulting in customer retention and customer profitability, it also helps a business organization to fully understand which customers are worthwhile to acquire, which to keep, which have untapped potential, which are strategic, which are important, profitable and which should be jettisoned.

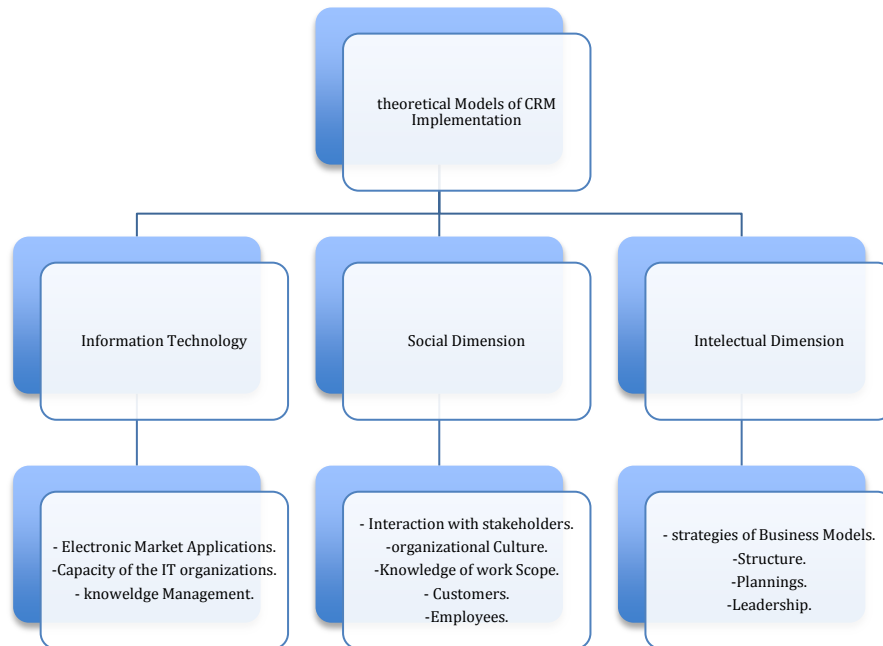
### **1.3 CRM implementation:**

#### **1.3.1 Theoretical Model of CRM Implementation:**

Theoretical Model of CRM Implementation within an organization is considered as an innovation that its realization in service organizations is a priority. Nowadays, organizations are more aware of the fact that they can't operate like in the 90s because of the rise in competition and expansion of the market; therefore paying attention to the needs and expectations of actual and potential customers is essential element for success.

So an improvement in potential of CRM and present uncertainty about its implementation in organizations is a must. According to a literature review of the concepts and principles of customer relationship management, it can be concluded that customer, staff, leadership, organizational culture, strategy and structure are the main factors needed for CRM implementation. Therefore, following theoretical model containing three aspects (intellectual, social and technological information) can be explained and designed.

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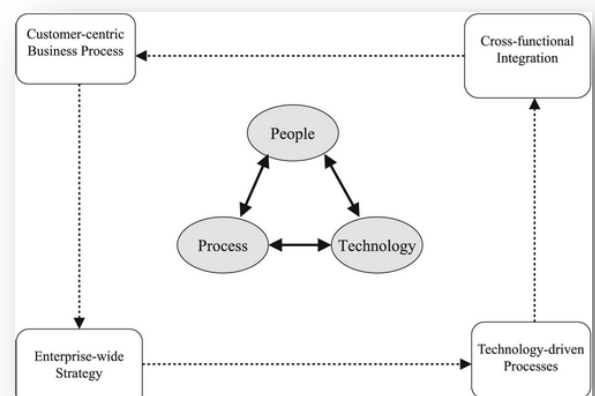


**Figure1: Theoretical models of CRM implementation**

### **1.3.2 CRM Components:**

To be able to satisfy and even exceed customers' expectation, the company needs to have 360 degrees view of the customer. Which requires integrating the key dimensions of people, process, and technology within the context of an enterprise-wide customer-driven, technology-integrated, cross-functional organization. Each component presents significant challenges, but it is the ability to integrate all three that makes or breaks a CRM system. See figure 2.

**Figure 2:** Components of CRM implementation model



**Source:** Chen and Popovich 2003, p. 676.

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### 1.3.2.1 Technology: <sup>18</sup>

Davenport and Short (1990) stated that information technology (IT) for a very long period of time been seen and recognized as an enabler to make firms radically re-engine their business process if they want to achieve dramatic efficiency and improvement in performance. CRM, to many is synonymous to information technology and in most cases the core of it.

The rapid rate at which CRM technologies are evolving gives businesses many tools, which can enable them to enhance customer relationships. According to Trepper (2000) CRM technologies are designed to automate sales and service functions, aggregate customer information into data warehouses and data marts, and manage collaborations with customers through an expanding number of interaction points.

Hammer and Champy (in Chen and Popovich 2003) emphasized that information technology assists and supports business process re-engineering, thus facilitating work practice changes and adopting innovative ways that link a company with its customers, suppliers and other stakeholders. Chen and Popovich (2003) argued that CRM application is capable of leveraging innovations in technology to gather and analyze customer data patterns, interprets customer behavior, develop predictive models, respond with timely and effective customized communications, and deliver product and service value to every individual customer.

Peppard (2000) suggest that technological advances in global networks, convergence and improved interactivity, are key and critical to e-business and CRM growth. The core functionality of a CRM product is its ability to maintain a single, cohesion view of the customer for the customer-facing functions of sales, services and marketing (Trepper 2000). This view is shared by Eckerson and Watson (in Chen and Popovich 2003) that the use of technology can make companies enhance and optimize their interaction with customers by creating an integral view of customers to learn from their past interactions to optimize future ones.

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<sup>18</sup> Davenport and Short (1990) stated that information technology (IT) for a very long period of Thomas Kwaku Obeng, Karla Loria “ Customer Relationship Management, a case study of two service companies, Master thesis marketing” Lulea University of technology, 2006

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It is also important to note that technology does play a significant role in CRM efforts, by, among other things, seamlessly linking front (e.g. sales) and back office (e.g. logistics) functions to provide for the efficient and effective management of interactions across different customer touch-points (e.g. Internet, direct mail, sales call etc.) Chen and Popovich (2003). CRM technology enables firms to harness the power of database, data mining and interactive (e.g. Internet) technologies to collect and store unprecedented amount of customer data, build knowledge from the data, and disseminate the resulting knowledge across the organization (Bose, 2002). Thus, it seems that both over and underestimating the role that technology plays in CRM initiatives can have detrimental effects on firms' relationship management efforts.

From a customer's perspective, effectively identified and implemented technology can help companies directly match customer desire for customization in the products and services they seek and provide personalized after-sale service and support based on customer profile data. From a business standpoint, technology can help identify the most valuable customer relationships and equip employees with abundant and relevant information about those customers in order to provide more effective sales and service. In effect, CRM technology can integrate the enterprise, fostering an environment of shared customer knowledge and focusing the right employees on serving the right customers. (Galbreath; Rogers, 1999)

### 1.3.2.2 Processes:<sup>19</sup>

Couldwell (1998) further depicts CRM as a combination of business process and technology that seeks to understand a company's customer from the Perspective of who they are, what they do, and what they are like.

In fact, Companies have been repeatedly warned that failure is eminent if they believe that CRM is only a technology solution as mater of fact it is a continuous effort that requires redesigning core business processes starting from the customer perspective and involving customer feedback.

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<sup>19</sup> <http://www.emeraldinsight.com/1463-7154.htm>, reviewed on 5th august 2015 at 22: 30.

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A business process refers to a collection of tasks or activities that together result in a desired business outcome (Hammer, 1996), one of these (Processes) is CRM life cycle model of Kalakota (2001) which consists of three phases of attraction, promoting and maintenance, and every phase supports knowledge and comprehending of relationship between the firm and its customer. This theory states that every phase has different effect on communication with customers, therefore strategy used by organization from each phase to another phase would be varied which is shown in the table below.

<b>Processes</b>	<b>Actions</b>	<b>Focus center of organization</b>	<b>Strategies</b>
<b>Attraction</b>	Promoting the goods and services leadership	Distinguish.	Innovation.
<b>Promotion</b>	Improving the profitability of existing customers	Separation.	Reducing costs, service to customer.
<b>Maintaining</b>	Customer retention for their life (Focus on providing services based on customers desires)	Adaption.	According to customer- supplying new products.

**Table 5: CRM processes and organizational attention and strategies associated with them.**

Another theory about the processes of the CRM is Swift's model. According to this model, the process cycle includes the following steps: <sup>20</sup>

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<sup>20</sup>International Journal of Business and Behavioral Sciences Vol. 3, No.11; November 2013, PP 65-66.

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1-Knowledge discovery: Analysis of customer characteristics and investment strategies, which is done by process of identifying, classification and predicting customer of organization.

2- Interaction with customers: Implementation and customer relationship management through relevant information at the right time and providing products using a range of interaction channels.

3- Market planning: Definition of distribution way and the products that be offered to specific customers and developing strategic communications plans and programs.

4. Analysis of refinement: With the purpose of attraction and analysis of customer data through the communication that organization has acquired by interactive paths (Swift, 2002). Swift defined CRM as a process of continuous learning in which information about customers would establish a relationship with them. Customer information is not only sufficient, but also the needs of each of them should be collected and analyzed, and appropriate response should be given.

### 5. Steps of Serving Clients in Customer Relationship Management:

In the first step of serving, database is prepared based on data and information of customers. Then information collected in the database is analyzed based on different techniques. The target customers are selected based on profitability criteria for company. In the next step, appropriate marketing mixture is designed for target customers. Then by using information obtained from previous stages, communication with customers is started and finally, after the implementation of relationship marketing, the results obtained is monitored and evaluated.

#### **1.3.2.3 People:** <sup>21</sup>

The process and technology that help implement CRM strategies and achieve CRM goals will only be as effective as the people performing them. Collaboration between people is critical

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<sup>21</sup> By Zaidan A. Zaidan Dhman A “The Effect of Customer Relationship Management (CRM) Concept Adoption on Customer Satisfaction – Customers Perspective”, the Case of Coastal Municipalities Water Utility CMWU- Rafah Branch, thesis Submitted in Partial fulfillment of the requirements for the degree of Master of Business Administration, 2011.

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ingredient in the success of customer relationship management and aligning them with the customer strategy and process can be quite a hustle given the sensitivity of users to change.

CRM systems, which support automation in customer processes, often, imply changes in the way users do their day-to-day jobs. So employees who are not updated and informed about: The changes, the reason behind them, the formula of the changes and who do not get sufficiently trained on the changes will often be adverse to that change, which will have a negative impact on the CRM system's success, in that order organization's customer management, people need to be recruited, managed, developed, trained and motivated within a supporting structure.

As a result customer- centric management requires top management support throughout the entire CRM implementation, also have to show its commitment to an ongoing company- wide education and training program. In addition to enhancing employee skills and knowledge, education boosts motivation and commitment of employee and reduces employee resistance. Additionally, management must ensure that job evaluations, compensation programs, and reward systems are modified on a basis that facilitate and reward customer orientation. After all, how people are measured will determine their behavior

CRM initiatives require vision and each and every employee must understand the purpose and changes that CRM will bring. Re-engineering a customer-centric business model requires cultural change and the participation of all employees within the organization. Some employees may opt to leave; others will have positions eliminated in the new business model. Successful implementation of CRM means that some jobs will be significantly changed.

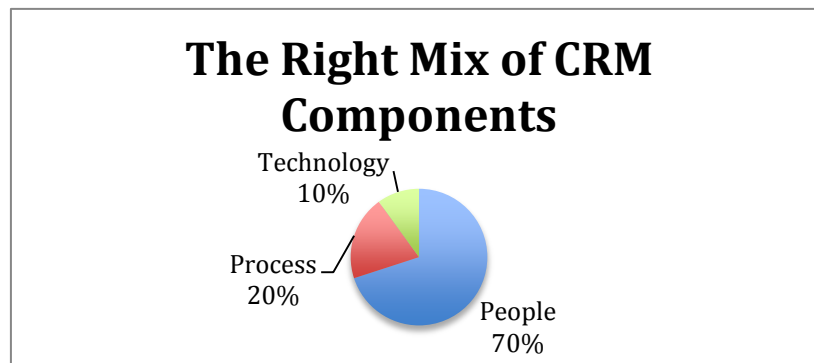
### 1.3.2.4 The Right Mix of CRM Components

Figure 6 below shows the right mix of CRM components according to Limayem (2004). This mix represents the effort in term of resources required for CRM implementation.

According to Limayem (2004) for CRM to be successful and thus achieve its intended purpose, the components must be 70 percent people, 20 percent process and 10 percent technology

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**Figure3:** The right mix of CRM components.



**Source:** Developing the right mix of people, process, and technology (Limayem, M., 2004, Doctoral CRM course material, Luleå University of Technology)

### **1.3.2.5 Characteristics of CRM:**

❖ So from the previous segment we understood that an integrated CRM system can include the following elements:

Characteristic	Benefits
A central database that is accessible by all employees to view and update customer data.	Improved customer service, loyalty and retention
Analysis of customer data including customer segmentation and segmentation of potential customers.	<ul style="list-style-type: none"> <li>• Customized marketing or sales campaigns.</li> <li>• Improved campaign targeting</li> </ul>
Customer self-service where the customers can self-order and help themselves using web-based password access.	Reduced order entry cost and customer service cost.
Identifying and tracking potential customers.	<ul style="list-style-type: none"> <li>• Wider customer base.</li> <li>• More focused prospect tracking.</li> </ul>

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Reports generated with up-to-date information, including revenue forecasting and trend analysis.	Better and more timely decision making.
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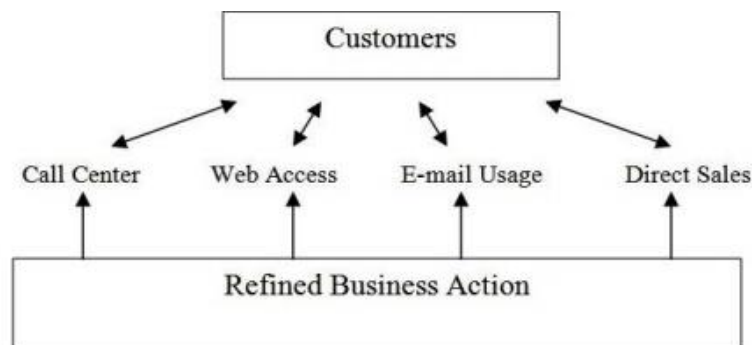
**Table6 : CRM characteristics.**

### **1.3.3 CRM Models :**

#### **1.3.3.1 Operational CRM:**

*“Supports front office processes, e.g. the staff in a call center. Operational integration points exist to human resource systems for user data and ERP systems for transferring order information which was captured e.g. from a call center representative”<sup>22</sup>*

From an operations perspective, Bose pointed out that *“CRM is an integration of technologies and business processes that are adopted to satisfy the needs of a customer during any given interaction.”<sup>23</sup>*



**Figure4: Operational CRM**

<sup>22</sup> R., Puschmann, T. (2004) Successful Practices in Customer Relationship Management, 37<sup>th</sup> Hawaii International Conference on System Science, pp. 1-9.

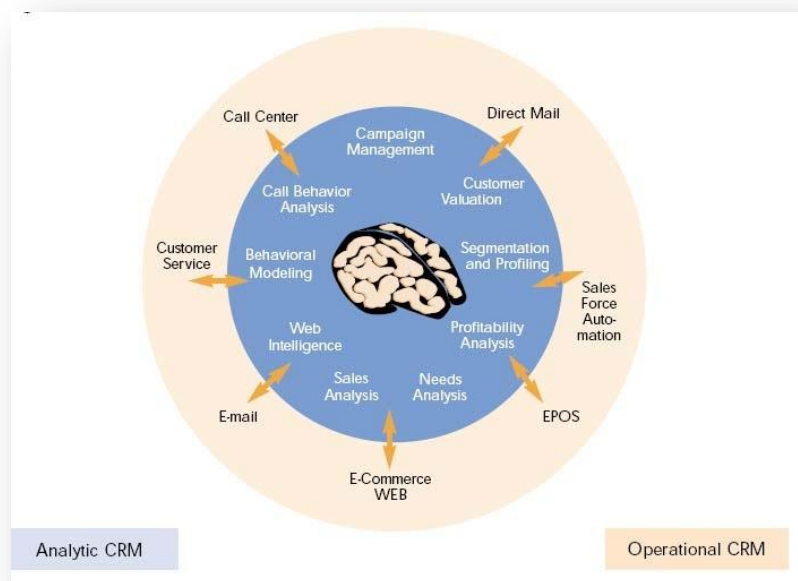
<sup>23</sup> Bose, R. (2002) Customer Relationship Management: Key Components for IT Success, Industrial Management and Data Systems, 102(2), pp. 89-97.

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### 1.3.3.2.1 Analytical CRM:

*“Builds on operational CRM and establishes information on customer segments, behavior and value using statistical methods. It is useful for management and evaluation purposes, the operational customer data are integrated with a centralized data warehouse, which is, consolidated data based on certain criteria (e.g. sales, profits). Here the data mining tool analyses defined dimensions, e. g. compares the characteristics of one customer with another, leading to the determination of a customer segment and thus providing the basis for a targeted marketing campaigns”*<sup>24</sup>

### 1.3.3.2.2 Link Operational and Analytic between CRM:



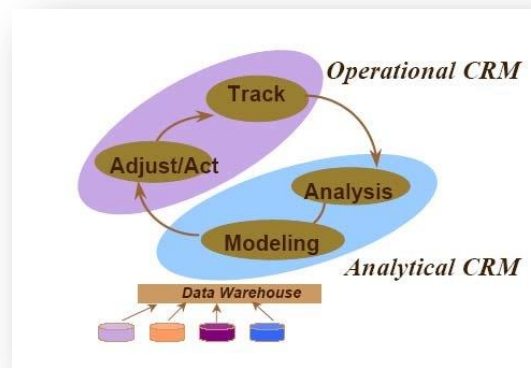
**Figure 5: Overlapping between analytical and operational CRM “Quaero 1999”.**

<sup>24</sup> R, Puschmann, T. (2004) Successful Practices in Customer Relationship Management, 37<sup>th</sup> Hawaii International Conference on System Science, p7.

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Figure 5 shows an overlapping between analytical and operational CRM, which means that companies need to acquire good quality information, the appropriate processes in place, and the ability to assemble everything together in the correct pace in order to have intelligent dialogue and long lasting relationships with their customers.



**Figure6: the International Data Consultancy 1999**

In addition, the International Data Consultancy (1999) advises another comprehensive CRM model, as shown in Figure 6. The model describes CRM as a process divided into four main activities:

- Analyzing data contained in the organization data warehouse,
- Modeling the data through data mining techniques,
- Adjusting the model into an operational field, and
- Tracking the results and closing the circle of CRM strategy.

### **1.3.3.3 Collaborative CRM:**

Another form of CRM is called Collaborative CRM that supports processes conducted at the back office level, it's also considered as a highly effective method of communication, since it covers direct interaction with customers including feedback and issue reporting. Interaction can take place throughout multi-channel management such as: call centers, online shops, web pages, emailing and Automated Voice Response.

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The Use of these various technologies allows companies to gain insight into what are the customer's needs and complains, in addition to collecting, storage and analysis of customer information, which will form a sort of internal database, that would contribute in improving the quality of customer service and eventually maximize profitability, revenue and customer satisfaction which are the primary goals of collaborative CRM.

Collaborative CRM also aims to polish the company's image and convey a unified, positive one among customers and develop a trust worthy relation with them.

### **1.3.4 CRM Implementation tools:**

#### **1.2.4.1 Analytical CRM tools:**

##### **Customers' Database:**

Is an organized, classified and updated collection of useful information about customers, it aims at facilitating the personalization and management of the company's relationship with its customers.

##### **Information system:**

It is combination of people and application software that processes information. In addition to, a communication network that helps with both : access to the information and their exchange with the rest of the company members and its environment as well.

##### **Data warehouse:**

It is a stowage that contains different databases.

It allows the company to collect, storage, check, and process the needed information for any particular task.

##### **Data mart:**

To begin with data mart and data warehouse are usually confused to be synonyms which is not the case, actually data mart is a subset of the data warehouse and it is designed to serve a particular unit/department at the company.

##### **Workflow:**

It is an automated series of activities that are necessary to complete a task.

Generally is consists on the following steps:

- Collecting customers' data and information
- Analyzing data to predict customers behavior
- Applying results of the analysis

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- Measuring results, revising hypothesis and repeating this workflow process.

### Data mining:

It involves specialized software tools, designed to explore and sift through a large amount of data and analyze it from different perspectives also summarize it into useful information.

### **1.3.4.2 Operational CRM tools:**

#### Call centers:

It allows the automation of operations: that includes the inbound and outbound calls generated between companies and their clients.

It integrates the voice switch of automated telephone systems with an agent host software allowing for automatic call routing to agents, auto display of relevant customer data, predictive dialing.

These systems and software are generally used in banking, telecommunication and hospitality.

#### Sales Force Automation” SFA”:

These systems basically serve in automating and optimizing sales in order to shorten the sales cycle and increase productivity.

They also enable companies to track and manage all contacts, opportunities throughout the sales cycle including customer support.

#### Enterprise Resource Planning:

Software help to automate and optimize the internal business in areas such as : finances, grants, management, inventory and human resources, so the focus of ERP is on internal operations.

#### Clubs:

It is a customers’ network that gathers the most loyal customer, whom they’ll benefit from exclusive offers and discounts. The main goal of this kind of clubs is to increase customers’ loyalty and rebuy rate.

#### Loyalty programs:

It is a rewards program offered by a company to its most frequent customers, it generally uses loyalty cards that store the customers’ buying histogram.

Loyalty programs are designed to encourage loyalty toward a brand and repetitive purchasing as well.

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### **1.3.4.3 Collaborative CRM tools:**

#### The mail:

It allows companies to send newsletters and packages in a massive way to clients and prospects.

This tool is easy to manage even though the geographic distance might be very wide in some cases.

#### Telephone:

Besides it's a customized way of approaching people one by one and known to be the most used tool to collect information among customers.

#### The web:

Approaching customers online is a new way of establishing a relationship with them, knowing that this tool allows suppliers to reach a very high number of customers in less time than any other tool.

### **1.3.5 Most common challenges in CRM implementation:**

There are many challenges in CRM implementation project that companies go through, some overcome them while others fail in facing them.

Freeland (2003) states: *“Thousands of companies, in fact, have embraced customer relationship management concepts and technologies during the past decade, often creating significant benefits. Unfortunately, as a number of industry analyst reports make clear, many customer relationship management (CRM) initiatives have also failed to deliver the expected benefits.”*<sup>25</sup>

Therefore Freeland explains that the two common reasons led to CRM's failure as following:

- “The disconnection between customer relationship management vision and execution”: where CRM projects focus on the mechanics rather than the final goal, which is increasing the value of customer relationship. Decisions about technology are made before developing a clear customer strategy, in addition to a lack of senior management support.

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<sup>25</sup> Freeland, J (2003) “the new CRM imperative”, the ultimate CRM handbook” 1<sup>st</sup> edition, McGraw Hill, New York, NY.

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- “The rising standards for customer relationship management excellence”: the development of new technology is disturbing the stability of entire markets. Competitors in the marketplace, with the help of advanced technology, are able to adapt quickly to changes in the environment and therefore improve their operation. Meanwhile, technology offers customers the ability to learn more and turns them into informed, demanding customers with high mobility. As a consequence, processes and technologies that once provided competitive advantages became basic capabilities; therefore, companies are forced to follow up with each successive customer initiative.

In addition to that Mr. Price Pritchett (2005) listed the ten most common change management mistakes that the company may go through, they are presented in Table 7.

**Table 7:** 10most common change management mistakes.

<b>1. Starting too late</b>	This is the most common fundamental error because people feel that waiting will provide more information for a better decision. In the majority of cases, time is your number one enemy!
<b>2. Moving too slowly</b>	Organizations do not need consensus to proceed, just consensus for goals. Speed to add value is critical to success.
<b>3. Lack of a coherent</b>	Well-conceived change strategy. Bad design will doom your change effort into failure.
<b>4. Failure to apply project management techniques</b>	“Ignore good project management, and your people will end up just muddling along.”
<b>5. Using the wrong indicators to measure progress</b>	Managers should not be scared off drops in attitude when a major change is under way because often negative signs could indicate the right things are being done
<b>6. Not giving people the « know-how »</b>	Change means new learning and that means new trainings.

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<b>they need</b>	
<b>7. Failure to take care of the “me” issues</b>	If employees are not sure of the effect on them personally, they won't accept the change as positive. It is also easier to not support than support a very ambiguous project.
<b>8. Not altering the reward system to support change</b>	Does the company want to end up paying those employees who resist change? Usually current reward system maintains the current situation not the new one.
<b>9. Flawed communications</b>	Good communication means honest discussions with the right people at the right time and those moments keep a change effort alive
<b>10. Lack of leadership</b>	If the change effort lacks committed leaders, who are not afraid to implement the change through the resistance towards a set goal, the change will most probably fail.

**Source:** Pritchett, Price. 2005. The 10 Most Common Mistakes in Change Management. Retrieved 26.7.2015. <http://www.pritchnetnet.com/The-10-Most-Common-Mistakes-in-Change-Management>

### **1.3.6 CRM Critical Success factors:**

CSF model for ERP/project implementation by Slevin and Pinto (1987), whom suggested that to manage an ERP project successfully, project managers must be able to handle the strategic aspect as well as the tactical one of ERP project management.

They organized ten CSFs in strategic and tactical framework by making an ERP implementation project profile. Strategic CSFs include project mission, top management support, and a project schedule outlining individual action steps for project implementation. Tactical CSFs consist of communication with all affected parties, recruitment of necessary personnel for the project team, obtaining the required technology and expertise for the

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technical action steps, user acceptance, monitoring, and feedback at each stage, and troubleshooting.

Type	Critical Success Factors
Strategic CSF	<p><b>Project Mission:</b> initial clarity of goals and general direction.</p> <p><b>Top management support:</b> willingness to provide the necessary resources and authority of power.</p> <p><b>Project schedule/plan:</b> detailed specification of the individual action steps required for project implementation.</p>
Tactical CSFs	<p><b>Client consultation:</b> communication and consultation with and active listening to all parties.</p> <p><b>Personnel:</b> recruitment, selection, and training of the necessary personnel for the project team.</p> <p><b>Technical tasks:</b> availability of the required technology and expertise to accomplish the specific technical action steps.</p> <p><b>Client acceptance:</b> the act of ‘selling’ the final project to its intended users.</p> <p><b>Monitoring and feedback:</b> timely provision of comprehensive control information (monitoring and feedback) at each stage in the implementation process.</p> <p><b>Communication:</b> provision of an appropriate network and necessary data to all key actors in the project implementation.</p> <p><b>Trouble shooting:</b> ability to handle</p>

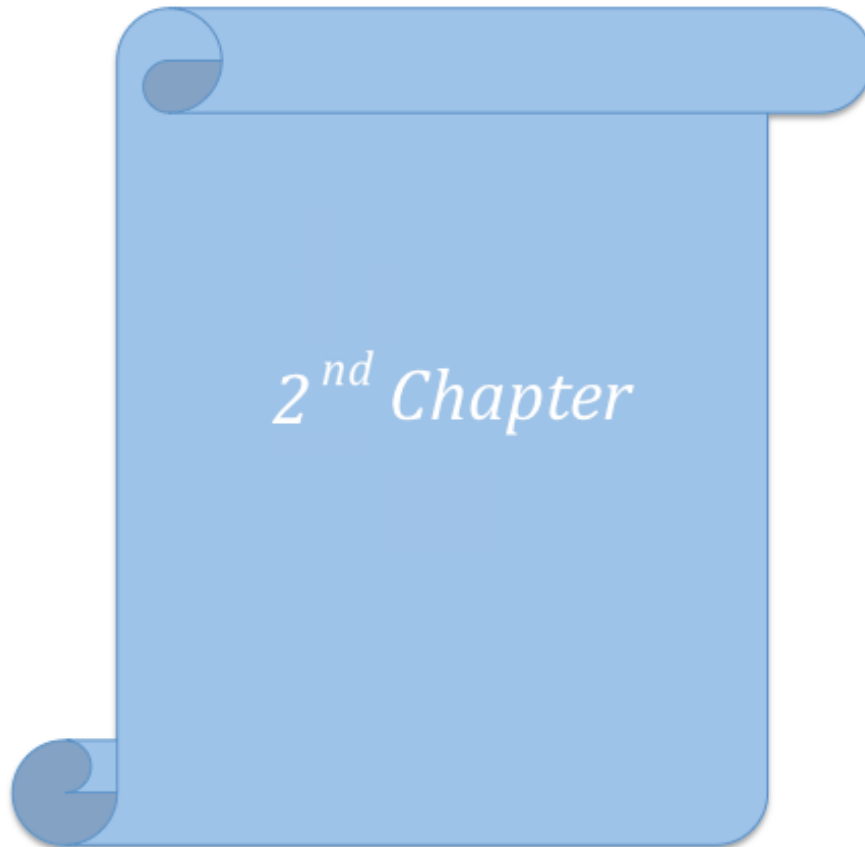
## Chapter 01: CRM

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	unexpected crises and deviations from the plan
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**Table 8; Slevin and Pinto CSF model (1987) Critical Success Factors.**

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Customer loyalty is the number one goal of most organizations, it's the ideal situation that they aim to establish for themselves, because managing this particular element can make or destroy you in the business world.

So in order to put hands on this competitive advantage and benefit from its diverse qualities, companies need first to understand the nature of loyalty; it is also imperative to be acquainted with the aspects that revolve around it.

So the conception of the topic requires accurate definitions of loyalty, which we will clarify in this chapter, in addition to a detailed illustration of the elements that influence it.

### **2.1 Customers' loyalty basics**

#### **2.1.1 Defining customer loyalty concept:**

##### **2.1.1.1 Definition of customer's loyalty:**

- Oliver defined customer loyalty as a *“deeply held commitment to rebury or re-patronize a preferred product or 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 behavior”*.<sup>26</sup>

- On the other hand, Hayes said: *“Attempt to make existing customers increase their purchases is one way to strengthen the financial growth of a company”*<sup>27</sup>. *“Furthermore, organization's financial growth is dependent on a company's ability to retain existing customers at a faster rate than it acquires new ones”*<sup>28</sup>.

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<sup>26</sup> While Oliver, (1997, p.392) Oliver, R. L. (1997). Satisfaction: A Behavioral Perspective on the Consumer, New York: McGraw Hill.

<sup>27</sup> Hayes, B. E. (2008). The True Test of Loyalty, Quality Progress, 41, 6, pp.20-26.

<sup>28</sup> Ibid

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- “With loyal customers, companies can maximize their profits. Loyal customers are willing to (1) purchase more frequently (price insensitivity), (2) try the firm’s new products or services (repurchase intention), (3) recommend products and services to others (word-of-mouth), and (4) give companies suggestions” (complaint behavior) (Reichheld & Sasser, 1990)<sup>29</sup>

- “Brand loyalty can be defined as the extent of consumer faithfulness towards a specific brand and this faithfulness is expressed through repeat purchases and other positive behaviors such as word of mouth advocacy, irrespective of the marketing pressures generated by the other competing brands”.<sup>30</sup>

- ❖ In general, customer loyalty is a critical element for the company’s prosperity and growth, it’s usually seen as the customer’s buying frequency of the same brand/company.

### 2.1.1.2 Customer’s loyalty levels:

The degree of loyalty is not constant among customers, as matter of fact it varies from a customer to another, so the degree of customer loyalty can be defined as follows:

**Suspects:** It includes all buyers of the product category in the market

**Prospect:** Potential customer who have some attraction towards organization but not started business with organization

**Customers:** ON-off purchasers of product but have no real affiliation with the organization

**Clients:** Repeat purchasers who have positive feeling about the organization but support passive instead of active to organization

**Advocates:** The customers who actively support the organization and recommend to others

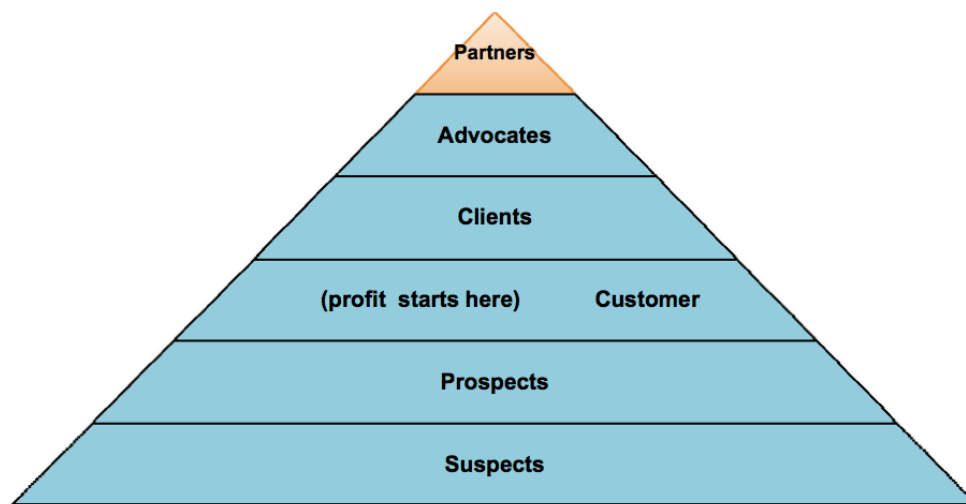
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<sup>29</sup> Reichheld, F.F. & Sasser, Jr., W.E. (1990). Zero defections. Quality comes to services. *Harvard Business Review*, 68(5), 105-111.

<sup>30</sup> Kotler, P. & Keller, K.L. (2006). *Marketing Management* (12<sup>th</sup> ed.). Upper Saddle River, NJ: Prentice Hall.

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**Partners:** The strongest form of customer-supplier relationship where both have a feeling of mutual benefit with partnership



**Figure 7:** Customers' loyalty levels adapted by Hill & alexander 2000.

### **2.1.2 Customers loyalty Dimensions:**

Customer's loyalty is a sensitive topic in the business world, that's why companies keep a close eye on it and it's development pattern. The dimensions that help measure customers loyalty are the behavioral and attitudinal ones.

The behavioral dimension and customer loyalty is usually expressed by repeated purchase of service among other variable intention to repurchase and to recommend (Wong & Sohal, 2003). Barnes (1997) found out those customers having a closer relationship with a service employee present higher share of business with the service provider. Which means if a server maintains good relationship with customers, those customers may wish to return again to the company/bank and to request to be served with the same agent.

On the other hand, attitudinal dimensions refer to a customer's intention to repurchase and recommend, which are good indicators of a loyal customer (Getty & Thompson, 1994). Moreover, a customer who has the intention to repurchase and recommend is very likely to

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remain with the brand.

Thus, Sheth (2002) stated that customer attitude is difficult to measure, for financial and practical purposes; customer retention is generally used as an indicator of customer loyalty. However, attitude and behavior can be very different. (Sheth and parvatier, 2002)

Different loyalty types are shown in the matrix in figure 9 and can be matched with different forms of relationships.

- Truly loyal customers are willing to seek out a particular service, location or brand.
- Spuriously Loyal customers tend to be more motivated by impulse, convenience, and habit- that is, if the conditions are right.
- Latent loyalty applies to customers who are loyal simply because they have no other choice.
- No loyalty. Obviously there will always be some customers who display no loyalty to a particular company or brand.

**Table 9:** The dimensions of customer loyalty

		Buying Pattern	
		Positive	Negative
Attitude	Positive	True loyalty	Suspicious Loyalty
	Negative	Latent Loyalty	No Loyalty

**Source:** A.S. and Basu, K.(1994) journal of academy of marketing science ;cited by Sheth and parvatier,2002)

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### 2.1.3 Factors contributing to customers' loyalty: <sup>31</sup>

#### **2.1.3.1 corporate image:**

Associated to the physical and behavioral characteristics of a firm, corporate image portrays the general perception of people about a particular firm (Nguyen, N. and LeBlanc, G. 2001). ). The consumers of products of a firm use a variety of information during an interconnection process and as a result form their concrete opinion about the firm. It has been found that a fine corporate image gives rise to customer loyalty and aids in maintaining that relationship with the consumers (Andreassen, T. W. and Linstead, B. (1998). This then persuades the customers to buy the products repeatedly (Dick, A. S. and Basu, K. (1994).

The crucial factors for setting up and then upholding the loyal relationship with customers are corporate image and reputation (Raj, 1985). It is corporate image that relates directly to the probability of preserving/retaining customers for the firm (Ball et al. 2006; Nguyen & Leblanc, 2001). The assessment of services provided to the customers is the leading criterion that determines the corporate image thus adding value to the products and being readily available in the minds of people for impression formation. This concept has been put forward in the attribution theory (Fazio, 1989).

During the year 1995, Berman & Evans found that when the different untested sources of information e.g. commercials, word-of-mouth impact and the prophecies are turned into practical experiences such that they fulfill the wants and needs of customers then they generate an optimistically positive impact giving rise to satisfaction. This satisfactory impression then creates an emotional and functional blend of feelings called the corporate image; according to Mitchell (2001), corporate image is a positive influencer for corporate profits as there is a quite clear and explicit rapport between corporate image and performance

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<sup>31</sup>International Journal of Accounting and Financial Reporting ISSN 2162-3082 2014, Vol. 4, No. 2 (Factors Contributing to Customer Loyalty in Commercial Banking by Bareerah Khan Research Scholar, Department of Management Sciences The Islamia University of Bahawalpur, Pakistan.), pp.: 417-422

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The sum total of the people's cognitions i.e. ideas, beliefs, and notions about an organization resulting from the value being delivered through the organization's products & services is called corporate image. So, it has been put forward that corporate image is the readily available impression of the organization (Tang Weiwei, 2007). When a person interacts with the customers of an organization then the factors like business name, its structural design in terms of construction, the market mix of the organization, convention, philosophy, and quality of organizational impression being conveyed do contribute to it.

Having two main elements i.e. emotional and functional, corporate image is said to be the practical experience of a customer about a particular product or service with the passage of time. The emotional element is not visible to the eye and are quite qualitative in nature so are the mental aspects composed of feelings and perceptions of people about the firm while the functional element is the one that is associated to the quantifiable and visible features (Tang Weiwei, 2007). The individual customer experiences about the organizational offerings and their functional features forming the corporate image give rise to such feelings on part of the consumers. Thus a combined process of comparing and contrasting information about different organizations by people results into the creation of corporate image.

### **2.1.3.2 Customer involvements:**

Used as a tool to know about consumer perceptions about different products or brands, involvement is termed as a motivational state of mind (Guthrie & Kim, 2009). The main theme behind the different definitions given by various researchers remains the same about involvement i.e. the level of importance given to a product or brand by a customer during a purchase process (Park & Young, 1983). A higher level of satisfaction is the result of motivation produced by higher involvement on part of the consumers (Park & Young, 1983). Consumers with high involvement are motivated to experience higher satisfaction (McColl-Kennedy and Fetter, 2001; Oliver and Bearden, 1983; Richins and Bloch, 1991). It is believed that such consumers experience a better degree of satisfaction by making a right buying decision because they have top-level knowledge regarding a particular product (Oliver and Bearden, 1983; Shaffer and Sherrell, 1997).

It is predominantly important to have an understanding of the thought processes operating

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behind a consumer's feelings of involvement. With the passage of time and availability of new information, consumers make comparisons on the basis of existing knowledge and new information. This leads them to develop modified perceptions. This is a sort of personal investment in terms of time and energy and it is thought to be in vein if a consumer has bad experiences with the product. The negative perception gives rise to more dissatisfaction as compared to those who are not involved into the firm. So, in case of satisfaction with the process of buying experience no negative effects of involvement are seen (Srivastava and Kamdar, 2009; Brockner, Tyler and Cooper-Schneider, 1992).

### **2.1.3.3 Perceived service quality:**

The evaluation that a consumer makes about the quality of a service as whole is termed as service quality. When consumers compare the delivered service value with that of their hoped service value, the resulted information tells about service quality (Rust and Oliver, 1994). The appraisal of the service performance metrics (Cronin and Taylor, 1992) or the unconfirmed outlook about the delivery of a service generates this evaluation (Parasuraman et al., 1988). There is a controversy in these two approaches i.e. is service quality the result of only customers' thought processes or is it the difference calculated between the perceived and delivered service features. The perceived service appraisal relies solely on consumers' expectations of the service delivery according to the disconfirmation approach (Zeithaml 2000).

It is argued for satisfying service delivery it is necessary that expected services delivery either matches or exceeds the perceived service delivery. The SERVQUAL model supports five quality dimensions for services: reliability, responsiveness, tangibility, assurance and empathy to measure service quality. This model was developed by Parasuraman et al(1988) keeping in view the disconfirmation approach. A positive contribution of these dimensions of the SURQUAL model, in the service quality measurement particularly in the industries like banking and telecommunication, has been identified by various studies (Caruana, 2002). On contrary to that, a few researchers center their support to the view that this disconfirmation approach of making expectations and then comparing them with perceptions is false rather it is sufficient to rely on the performance-based metrics of service quality i.e. only perceptions (Boston and Drew, 1991; Brady et al., 2002).

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The disconfirmation approach is about finding out the factors on which service delivery depends while the performance based approach identifies the loopholes in the delivery of services. This is how these two views are discriminated (Parasuraman et al., 1994; Zeithaml et al., 1996). Now we can see that the above mentioned studies support that the service quality can give a boost up to the customer's intentions for advocating a services firm and recommending it to others by conveying positive word of mouth and readiness to pay high, purchase repeatedly, and avoid switching even if better options are available. Hence, there is a positive relationship between customer satisfaction from the services delivered and customer loyalty. It is such that customer switching is increased due to poor services delivery (Zeithaml et al., 1996; Bloomer, J., Ruyter, K. and Wetzels, M. 1998; and Jones, M. A., Beatty, S. E and Mothersbaugh, D. V, 2004). According to Fornell C (1992), perceived service quality is the outcome of positive and negative behavioral intentions. Services improved in terms of quality add to the profitability.

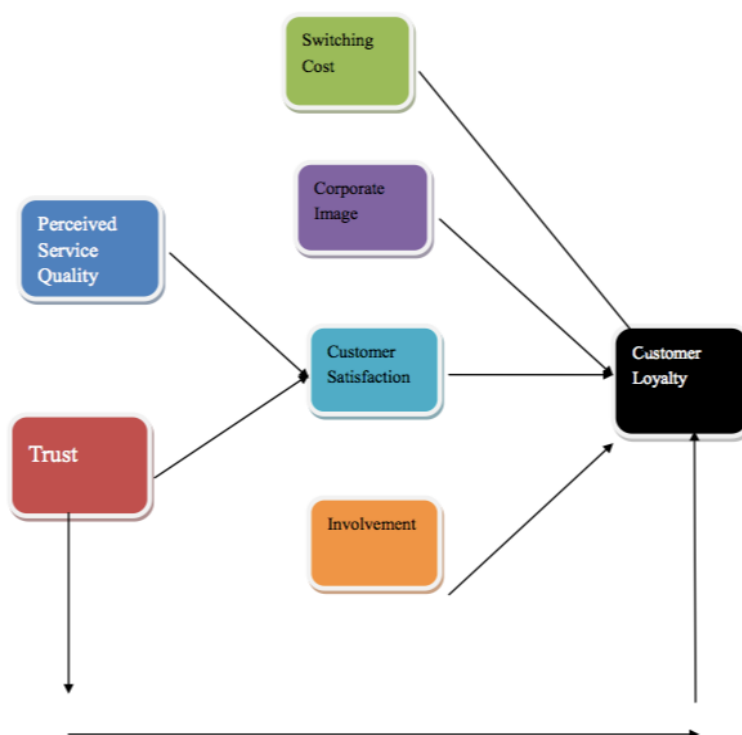
### **2.1.3.4 Trust:**

According to a former analyst of the U.S. state department, Francis Fukuyama, when the inhabitants of a particular community sharing the same norms, hope from the other members to behave regularly, honestly and in a cooperative manner then there exists what we call trust. In case of business relationships, we may say it as the belief of one party that the other party who is going to be trusted will act dependably, ethically, and in a socially acceptable way for fulfilling the business obligations (D. Gefen, E. Karahanna, and D. W. Straub, 2003). In a market transaction, the strength of the buyer seller relationship is enhanced with trust while generating a high level of expectations on buyer's side (J. M. Hawes, E. M. Kenneth, and J. E. Swan, 1989). Trust on a certain brand influences the customer to do repeat purchases and be up hold with that brand (Lau, G. and Lee, S., 1999). It is trust that gives rise to satisfaction (Palvia, 2009).

During trade interactions, to reap the complete fruits of these interactions and have a look into the nature of such interpersonal relationships, it is important to understand the concept of Trust (S. Ba and P. A. Pavlou, 2003, P. M. Doney and P. Cannon, 1997). Trust has gained the attention of marketers especially as they believe it boosts up customer loyalty (Reast, 2005). Customer responses like repeat purchases and high level of customer satisfaction are also a

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result of trust (Ballester and Aleman, 2001). To develop brand trust is quite a complicated process. A trusted brand delivers whatever it promises in terms of value. This gives rise to brand trust and its reliability. Brand trust development is a long term process, a trustworthy brand cares the customer expectations, fulfill promises and value its customers that eventually leads to brand trust and reliability (Ballester and Aleman, 2005). Trusted organizations get more loyal customers (Garbarino& Johnson, 1999). This study has been carried out to determine the relationship between trusts, customer satisfaction, and the customer loyalty.



**Figure 8: Research model “factors contributing to customers’ loyalty.”**

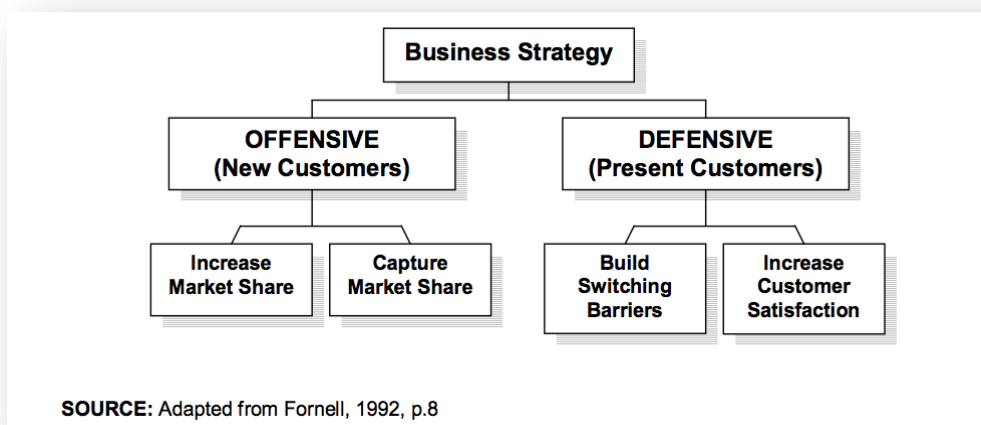
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### 2.1.4 Strategies Used to Maintain Customer Loyalty: <sup>32</sup>

Customers loyalty is one serious matter, that the company needs to focus and work on it on a regular basis, so here we present to you some of the most common strategies used to maintain loyal customers.

#### **2.1.4.1 Defensive Strategies:**

Companies' relationship to their customers can be divided into two separate business strategies, offensive and defensive. The offensive strategy deals with attracting new customers and the defensive with trying to keep already existing customers, this is shown in figure 9. (Fornell, 1992)



**Figure 9: Offensive and Defensive Strategies.**

Traditionally companies have devoted more resources to acquiring new customers but today most companies apply a combination of both offensive and defensive strategies. The objective of the defensive strategy is to minimize customers switching and maximize customer retention by protecting the brand and its market from competitors and by having highly satisfied customers. (Fornell, 1992)

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<sup>32</sup> Sara Gustavsson and Erica Lundgren "Customer Loyalty", Luleå University of Technology, BSc and MSc Programs in International Business Administration and Economics BSc Department of Business Administration and Social Sciences Division of Industrial marketing and e-commerce, 2005, p6.

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Fornell (1992) further states that switching barriers makes it costly for the customer to switch brand, vendor or store. To accomplish switching barriers companies' make it difficult, expensive and sometimes even illegal for customers to switch. Examples of switching barriers could be; search costs, transaction costs, loyal customer discounts, customer habit, emotional cost etc. Basically any pursuit from the company to limit the customers brand alternatives, to achieve repeated purchases can be equivalent to a strategy for building up switching barriers for customers. (Ibid)

Customer satisfaction on the other hand makes it costly for the competitors to entice other companies' customers. A common example of satisfaction and switching barriers is the airline companies and their frequent flyers program, which are designed to enhance repeated purchases by providing economic incentives for the customers to remain loyal. A measurement for successful customer satisfaction is high customer retention leading to loyal customers. Benefits of high customer satisfaction are increased profits and that customer satisfaction can generate a favorable word of mouth. (Fornell, 1992)

### **2.1.4.2 Decision-Making Stages:**

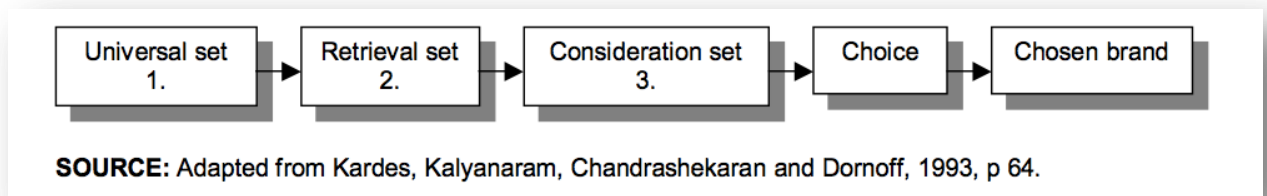
According to Baker, Hutchinson, Burk & Nedungadi (1986) there are three stages within consumer decision-making process. The first stage is defining brand alternatives, and then reviewing the relevant information concerning the brands and finally applying a decision rule. Although the customers have knowledge of a large number of brands in a product class, they only consider a few of these for purchase; this range of alternatives is referred to the evoked set or the consideration set. The composition of an evoked set is highly significant since a brand that is not considered cannot be chosen. There are two ways for brands to be included in the evoked set, stimulus based and memory based choice. Stimulus based choice is when a brand is recognized in the environment and memory based choice is when a brand is being recalled from memory. In both of these situations brand familiarity facilitates the identification of the brand and the probability of the brand being included in the evoked set. (Ibid)

Kardes, Kalyanaram, Chandrashekar and Dornoff (1993) claims that the consumer choices vary across purchase situations. This variability is due to the complexity of the decision process and the consumers' efforts to reduce this complexity. The authors suggest a two-stage decision model to reduce the complexity. The first stage is where the available alternatives are evaluated on a non-compensatory rule, in the second stage the remaining alternatives are

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analyzed more carefully by using a compensatory rule. (Ibid)

Furthermore, the authors suggest that the consumers may use more than two decision- making stages if the purchase is extremely complex; this is shown in figure 10.



**Figure 10: The Sequential Multistage Process Model.**

The consumers develop a series of hierarchical set of brand alternatives; the first is the universal set which refers to all brands available on the market. The next is the retrieval set, which consists of a subset of brands, which customers can recall from memory and is emerged from the universal set. The retrieval set is considerable smaller than the universal sets since consumers are neither exposed nor susceptible to all brands. The last set is the evoked set or the consideration set, which consists of a subset of brand from the retrieval set, which are carefully evaluated by the consumers before finally selecting one specific brand for purchase. (Kardes et al., 1993)

### **2.1.4.3 Building and Sustaining Profitable Customer Loyalty:**

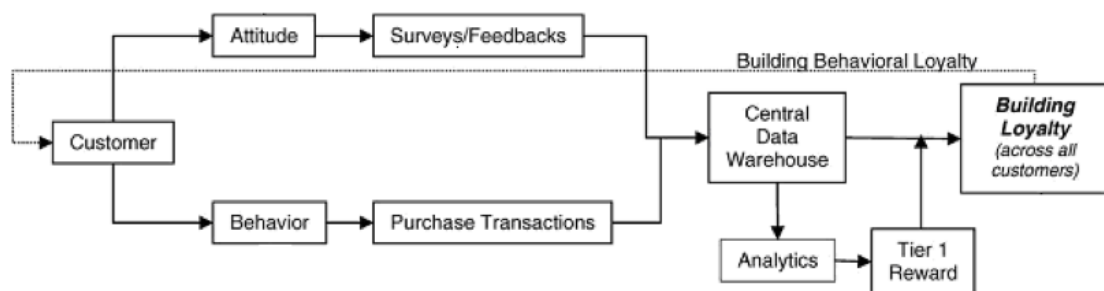
According to Kumar and Shah (2004) the main goal of every company is profitability and one method to achieve this for a company is to gain and maintain loyal customers. If a company invests resources to build customer loyalty without focusing on profitability it may lead to failure in the long run. Kumar and Shah (2004) further states that there are two types of loyalty; behavioral and attitudinal loyalty. Customer loyalty becomes important to a company when it results in purchase behavior. This generates for a company in direct and tangible returns which attitudinal loyalty does not. Behavioral loyalty is important for a company in order to generate profitability, attitudinal loyalty on the other hand is important for a company, because it helps the company to build up an exit barrier for their customers. This is

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especially true in non-contractual situations where there are low switching costs. Attitudinal loyalty can be a commitment or trust to a company, which do not have to result in any purchase. This because, even though the customer has a positive attitude towards a company or a brand, they might have an even more positive attitude towards another company or another brand. The attitudes that customers have are best measured through surveys; other types of methods to obtain data are focus groups and feedback from the customers. (Ibid)

In figure 12, Kumar and Shah (2004) show how customers' attitudes towards a brand transact through buying behavior.

**Figure 11:** Building and sustaining customer loyalty



**Source:** from Kumar & shah, 2004, p 320.

Through surveys and transaction data the behavior and attitudes of customers is captured through the company's central database. How much information that is gathered in the central database will determine the efficiency of the framework. The model can be explained through three fundamental objectives:

- Building (and enhancing) behavioral loyalty
- Cultivating attitudinal loyalty
- Linking loyalty to profitability

Tier 1 rewards in this model are those rewards directed to meet specific strategic objectives. The first objective is that it rewards all customers that do or has been doing business with the

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company. The second objective is that companies can reward their customers in different ways, either on how much the customers are spending or the profitability of the customers. It can also help companies to capture customer transaction data. (Kumar, & Shah, 2004)

### **2.1.4.4 Customer Loyalty Programs:**

The adaptation of customer loyalty programs among companies has increased over the last couple of years, and the customers have become the focus of attention. Customer loyalty programs offer financial and relationship rewards to customers with the purpose of making the customers' brand loyal. (Uncles Dowling & Hammond, 2003) The authors further states two aims of customer loyalty programs, the first is increased sales of revenues through increasing purchases. The second aim is to build bonds between the brand and the existing customers to maintain the existing customer base. According to O'Malley (1998) loyalty programs are developed to reward loyal customers, generate information about the customers and manipulate their behavior. Yi and Jeon (2003) state that loyalty programs are usually introduced to build customer loyalty through a reward scheme. The goal of loyalty programs is to establish a high level of customer retention by providing satisfaction and value to certain customers. These programs can also increase customers' opinion that matters, and the only way a loyalty program can work is if the companies offer customers what they like rather than what the companies wants the customers to like. (Butscher, 2002)

### **2.1.4.5 Brand Loyalty:**

According to Aaker (1996) the key consideration when placing value on a brand is brand loyalty, this because a highly loyal customer base can generate a very predictable sales and profit stream. The impact of brand loyalty on marketing costs is often substantial because it is much less costly to retain customers than to attract new ones. Many companies make the mistake of seeking growth by enticing new customers to the brand and neglecting already existing ones. (Ibid)

Aaker (1996) further suggest an approach to enhance the loyalty of the fence sitters and the committed. This approach is to develop or strengthen their relationship with the brand through brand awareness, perceived quality and a clear brand identity. Brand awareness reflects the presence of the brand in the mind of the consumer, perceived quality is the brands

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associations, and brand identity provides direction, purpose and meaning for the brand. Programs that can build this type of loyalty are frequent-buyer programs and customer clubs which are becoming more common. Frequent-buyer programs are being adopted by many different brands in a variety of product classes; the program provides direct and tangible reinforcement for a customer's loyal behavior. The program also enhances the value proposition of the brand, the brands differentiation, and affirms the commitment between the companies and their loyal customers. A more intense loyalty program is the customer clubs where the members receive discounts, news of upcoming events and special offers. Similar to the frequent-buyer program, customer clubs also provides visible evidence that the company really cares for their loyal customers. (Ibid)

### **2.1.5 Benefits of Maintaining Customer Loyalty:**<sup>33</sup>

As it's knowing in the business world maintaining a loyal customer cost less than acquiring new one, which make us question how much customer loyalty is beneficial for the company? And, what are its benefits beside the one mentioned previously?

To help us clarify these points we have used several books and researches, and we managed to summarize those benefits in the following categories:

#### **2.1.5.1 Economical and Non-economical Benefits:**

In general the end goal of companies marketing efforts is to generate profit. From the relationship marketing's perspective, a successful company is according to Ahmad and Buttle (2001) a company "which manage to turn their customers into clients and from prospects into partners" (p.33).

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<sup>33</sup> Sara Gustavsson and Erica Lundgren "Customer Loyalty", Luleå University of Technology, BSc and MSc Programs in International Business Administration and Economics BSc Department of Business Administration and Social Sciences Division of Industrial marketing and e-commerce, 2005, Pp: 12-14.

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The most common argument for customer retention is that it is less costly to retain customers than to acquire new customers. There are both economical and non-economical benefits of retaining customers. The authors have identified six economic benefits of retaining customers shown in table 10:

**Table 10:** Economic benefits of retaining customers

<ul style="list-style-type: none"> <li>• Savings on customer's acquisition or replacement costs.</li> </ul>
<ul style="list-style-type: none"> <li>• Guarantees of base profits as existing customers are likely to have a minimum spend per period.</li> </ul>
<ul style="list-style-type: none"> <li>• Growth in per-customers revenue as, over a period of time, existing customers are likely to earn more, have more varied needs and spend more.</li> </ul>
<ul style="list-style-type: none"> <li>• A reduction on relative operating costs as the firm can spread the cost over many more customers and over a longer period of time.</li> </ul>
<ul style="list-style-type: none"> <li>• Free of charge referrals of new customers from existing customers, which would otherwise be costly in terms of commissions or introductory fees.</li> </ul>
<ul style="list-style-type: none"> <li>• Price premiums as existing customers do not usually wait for promotion or price reduction before deciding to purchase</li> </ul>

**SOURCE:** Adapted from Ahmad & Buttle, 2001, p.36

### **2.1.5.2 Relational Benefits For the Customer:**

Marzo-Navarro, Pedraja-Iglesias and Riviera-Torres (2004) states that to be able to maintain a relationship, promises must be kept in order to expand the relationship and new promises must be established as long as the previous has been kept. The benefits of a stable relationship that a customer can obtain are for example an increase in confidence, reduction of risk, economic advantages, increase and simplification of efficiency in the decision process. These benefits are determined by the established relationship and can be divided into two primary categories; functional benefits and social benefits. The functional benefits include time

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saving, convenience, making the best purchase decision etc., and the social benefits include how pleasant and comfortable the relationship might be. The authors further states that by establishing stable relationships, customers themselves will reduce the problems associated with the purchase choice and thereby improve the efficiency of the decision-making process. (Ibid)

### **2.1.5.3 Relational Benefits For the Company:**

The business strategy of retaining customers by making them brand loyal is done because it is more profitable to retain existing customers than to attract new customers. Customer loyalty leads to improved business due to the effect of the loyal customers. The loyal customers provide a communication route for strengthen the brand image, makes it difficult for competitors to entice customers and allows setting higher prices. Another factor that loyal customers generate is a decrease in marketing costs since the loyal customers have knowledge about the company, their standpoint and know the quality of their products. (Marzo-Navarro et al., 2004)

The authors further states that no customer can be made brand loyal if they are not satisfied, which drives the companies to improve customer satisfaction. The concept of loyalty can be interpreted in two ways; affective loyalty and behavior loyalty. Affective loyalty has a positive attitude towards a brand or a company, which is generated through an internal evaluation process; the behavior loyalty reflects the degree of purchase repetition that an individual makes. There are also other determinants than satisfaction to create loyalty for example; brand capital and management of communication with the customers. This indicates that satisfaction is a feeling that generates a higher rate of customer retention and wider spread positive word of mouth. In order to make customers brand loyal the companies must act both effective and affective in their relationships to create both social and personal bonds with their customers. These bonds along with the financial bonds are the most significant elements for achieving brand loyalty. (Marzo- Navarro et al., 2004)

### **2.1.5.4 Benefits of Customer Loyalty Programs:**

Uncles, Dowling and Hammond (2003) states that loyalty programs can increase the brand loyalty through a decrease in price sensitivity and decrease in customers desire to consider

## Chapter 02: Understanding Customers' Loyalty

other brand alternatives. It is shown that customer loyalty programs generate in higher profits since loyal customers buy more frequently and buy more products. This is a highly significant factor for companies since most companies are profit seeking. Loyalty programs can also encourage a positive word of mouth, attract more customers and increase the number of purchases. (Ibid) According to Yi and Jeon (2003) loyalty programs are profitable because the cost of serving existing customers is less than attracting new ones. The authors further states that loyal customers are less price sensitive and usually spend more money with the company.

### **2.1.5.5 Benefits of Brand Loyalty:**

According to Aaker (1996) and Burgeson (1998) keeping customers brand loyal is easier and more profitable than attracting new ones. The increasing profits are due to the increase in purchase that follows from customers being brand loyal (Uncles, Dowling & Hammond, (2003). Another benefit arisen from brand loyalty is the spread of a positive word of mouth, which increases the reputation and image of the brand and also entices more and new customers (Kumar & Shah, 2004). The authors continue by claiming that keeping customers brand loyal builds exit barriers and switching costs for the customer to prevent the customers from switching brand. Companies create incentives for the customers in order to create brand loyalty and not just retention. Through brand loyalty the companies gain a customer base with high retention and according to Aaker (1996) the marketing costs for existing customers are lower than for new customers. This since the company does not have to build up the existing customers' awareness of the company. The existing customers already have knowledge of the company and the quality of the company. (Ibid)

## **2.2 Customers' satisfaction & service quality basics**

In this section we are going to present some concepts that are related to customer 's loyalty.

### **2.2.1 Customer satisfaction concept:**

#### **2.2.1.1 Customer Satisfaction:**

Customer satisfaction has been in the spot light on both levels, theoretical literatures and practical researches as well, because delivering satisfying products/services to customers is

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considered as the one step that separates companies from success.

- Fornell for example defined satisfaction as *“An overall evaluation dependent on the total purchase and consumption experience of the target product or service performance compared with repurchase expectations over time.”*<sup>34</sup>
- Oliver 1999 describes it as *“The consumer senses that consumption fulfills some need, desire, goal, or so forth and that this fulfillment is pleasurable”*<sup>35</sup>
- As per Armstrong & Kotler, (2009) customer satisfaction is, *“The extent to which a product's perceived performance matches a buyer's expectations" If the performance match the customers expectation, they are satisfied and if, performance exceeds the customer's expectation then customers are highly satisfied or delighted. In the following section customer satisfaction is discussed in relation to its importance with various perspectives. The drivers of customer satisfaction are perceived value, company image, customer expectation, product quality and service quality.”*<sup>36</sup>

❖ To have a thorough satisfaction firstly the good working condition is needed to bring satisfied employees which leads to loyal employees and by preparing all this, good production would be followed which influenced on Customer satisfaction and make them loyal and as mentioned before high profit is about customer retention.

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<sup>34</sup> Fornell, C. (1992). A National Customer Satisfaction Barometer: The Swedish Experience. *Journal of marketing* 56(1), p6.

<sup>35</sup> Oliver, Richard L. (1999), “Whence Consumer Loyalty?” *Journal of Marketing* 63 (Special Issue), 34.

<sup>36</sup> Armstrong, G., & Kotler, P. (2009). *Marketing An Introduction* (9th ed.). Upper Saddle River, New Jersey: Pearson Prentice Hall.

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**Figure 12:** The circle of satisfaction

### 2.2.1.2 Customer satisfaction dimensions:

#### 2.2.1.2.1 What we need to measure?

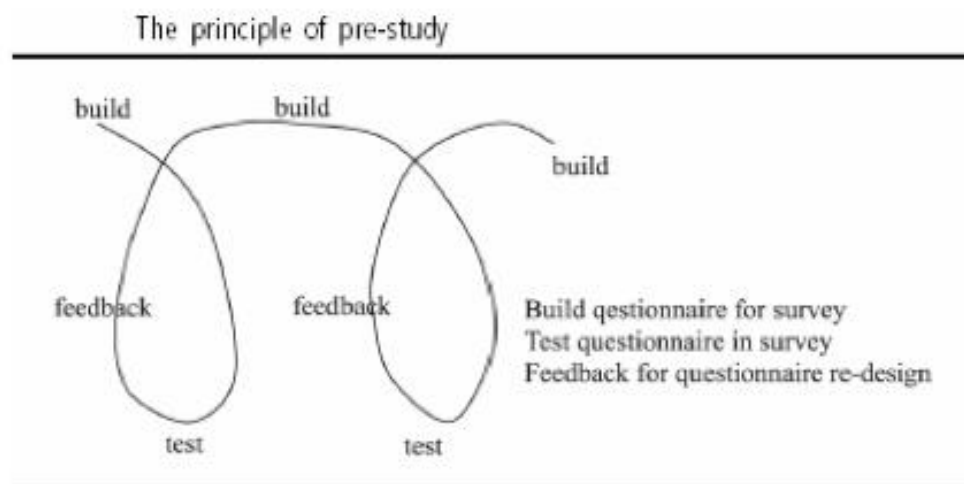
When it comes to measuring customers' satisfaction we need to measure dissatisfaction by taking in consideration the number of problem calls, the number of complaints throughout the different communication tools" E-mail, phone, at sell points..." and also the number of returned products. Measuring these elements, collecting and analyzing those data will not only help to figure out the satisfaction level among the customers but also to improve the quality of the product/service offered and avoid those defections in the future.

But to be efficient and achieve your expectations from those measurement, you need to distinguish between what do you think " as company" the customer wants and what he actually wants. Many organizations determine the criteria for measurement internally, but "suppliers" rarely have an accurate understanding of customer priorities It is a problem with measuring the performance dimensions that are not critical drivers of value to the customers (value in the eye of customers, not in the eye of organizations). The solution for this problem, to provide real insight into the market needs, is to filter out irrelevant information and concentrate on the few dimensions that really matter.

For evaluation of information, which we will achieve by pre-study, we can use the histogram.

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**Figure 13:** The principle of the pre-study



The histogram shape shows how the respondents understood the questions in the questionnaire, for example: no-rectangular distribution means misunderstanding a question, etc. After a simple pre-study the companies can find support for their assumptions and simultaneously create a new, more effective, questionnaire. If we have a set of customer demands and expectations we can translate them into technical product features by using, e.g. the QFD methodology which is a structured approach to defining customer needs or requirements and translating them into specific plans to produce products to meet those needs. Very important also is determining the specific features, which mean a limited number of critical measures in order to avoid information overload. There are various methods (various approaches) for (to) the measurement of customer satisfaction.

### **2.2.1.2.2 Techniques to measure customer satisfaction:**

Market research techniques to measure customer satisfaction, which are:

- Customer satisfaction survey methodologies;
- Focus groups to study customer satisfaction issues;
- Standardized packages for monitoring customer satisfaction; and various computer

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software.

There are some problems with typical customer satisfaction measurement techniques such as focus groups, survey methodologies and customer satisfaction software. These include:

- Analytical - concerned with techniques, formal procedures, systems, and so on, behavioral - concerned with the attitudes, beliefs, perceptions, motivation, commitment and resulting behavior of the people involved in the process; and
- Organizational - concerned with the organizational structure, information flows, management style and corporate culture, i.e. the context in which the process is conducted.

### **2.2.1.3 Satisfaction-profit chain:**

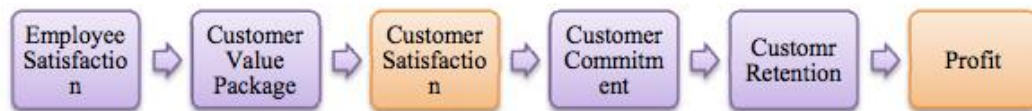
The relation between customer satisfaction and company success was matter of faith in the past, but studies have proved that a satisfied customer equal more profit for the company, as matter of fact studies have shown that “5 Percent increase in customer loyalty can increase 25 to 85 percent of profit, in most of the industries”<sup>37</sup>. In addition to that to retain existing customers cost less than acquiring new ones.

The link between customer satisfaction and company success has described by (Hill & Alexander, 2000).

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<sup>37</sup> Hill, N., & Alexander, F. (2000). *Hand Book Of Customer Satisfaction And Loyalty Measurement*. Alder shot, Hampshire: Grower Publishing Limited.

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**Figure 14:** Satisfaction-profit chain, adopted by Hill and Alexander 2000.

❖ As shown in the previous diagram, it all starts with satisfied, motivated employees that are aware of the impact of dedication on the customers and their careers as well. Because a happy customer with the service would always want to go back and deal with same agent which will develop a sort of bonding between the customer and the company that is translated as commitment toward the brand, this leads to a higher rebuy frequency I.e. customer retention that is nothing but profitable for the company on both the financial wise and brand image/recognition wise, because a happy customer is a great tool to promote the brand among his entourage through word of mouth, in that way profits are more likely to increase.

### **2.2.1.4 BENEFITS OF CUSTOMER SATISFACTION:**

Customer satisfaction is not something that should be taken lightly, because it can be the element that builds or destroy the company's reputation among its rivals.

The table below gives us a prospective on how customer satisfaction is beneficial for the company

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Competitive Advantage	
Profitability	
Increasing market share	
Keeping customers	Economic benefits
Cost reduction	
Enhancing reputation	Social benefits

**Figure 15:** Benefits of customer satisfaction, by Chaudhuri, 2001, P42.

❖ The main effects of customers' satisfaction on organizational processes according to Kavousi, Saghaei:<sup>38</sup>

- Progressive reduction of costs and shorten the cycle time of work due to the efficient use of resources.
- Improving the results of operations and making it consistent and predictable (recommendations for improvement).
- The possibility for addressing centralized and prioritized opportunities in order to improving operations.
- Increasing ability to create value for both organization and customers.
- Transferring the importance of meeting customer demands and legal and regulatory issues to organizations.
- Establishing the policy of quality.

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<sup>38</sup> Kavousi and Saghaei M, A, "measuring customer satisfaction" sbzan Publishing, printing; Tehran, 2005 p.128

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### **2.2.2 Service Quality concept**

#### **2.2.2.1 Definition of quality service:**

Service quality has been given increased importance, due to its specific contribution to business competitiveness. SERVQUAL, a model developed by Parasuraman et al. (1988), is the most prominent and widely used model for measuring service quality., they identified five determinants of “tangibles”, “reliability”, “responsiveness”, “assurance” and “empathy” as part of the 22-item SERVQUAL scale for measuring service quality.

Grönroos (2000) described service quality in terms of seven perceived scale:

- (1) Professionalism and skills;
- (2) Attitudes and behavior;
- (3) Accessibility and flexibility;
- (4) Reliability and trustworthiness;
- (5) Service recovery;
- (6) Serviscape;
- (7) Reputation credibility.

#### **2.2.2.2 Measuring Service Quality:**

Grönroos (1984), Lehtinen and Lehtinen (1982) and Czepiel et al. (1985) have considered the service quality of the service encounter as two different dimensions, one being technical or output quality and the other functional or process quality. These dimensions were assessed according to attitudes and behavior, appearance and personality, service mindedness, accessibility and approachability of customer contact personnel.

Edwardsson et al. (1989) expanded further these two types of service quality, and summarized four aspects of quality which affect customers' service quality perceptions:

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- 1- Technical quality: Technical quality refers to the skills of the personnel and design of the service system.
- 2- Integrative quality: Integrative quality is concerned with how the different parts of the service delivery system work together.
- 3- Functional quality: which means the manner in which the service is delivered.
- 4- Outcome quality: is when the actual service meets the promised service and the customer's needs and expectations, because if a customer is dissatisfied, he or she is unlikely to visit that shop or buy from the Web site again. The likelihood of non-purchase is greater on the Internet due to the ease with which customers can click to a competitor's Web site

❖ After reading some surveys we think that The best dimensions to measure service quality are the following:

- 1- Efficiency: Refers to the ability of the customers to find their desired product and information associated with it and check out with minimal effort.
- 2- Fulfillment: incorporates accuracy of service promises, having products in stock and delivering the products in the promised time.
- 3- Reliability: is associated with the technical functioning of the service offered, particularly the extent to which it is available and functioning properly.
- 4- The privacy dimension includes assurance that the histogram behavior data are not shared and that the account information "e.g.: balance" are secure.

### 2.3 Link between CRM, customers' satisfaction and customers' loyalty

In this section we'll provide with some studies that shows the links between customer satisfaction, customer loyalty, and how to improve customer loyalty with the help of CRM, which means we'll emphasize on the importance of CRM at the firm.

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### 2.3.1 Previous Study on the Relationship between Effectiveness of CRM, Customer

#### Satisfaction and Customer Loyalty:<sup>39</sup>

Khaligh et al. (2012) investigate the impact of CRM on customer loyalty and retention in the telecom industry in Iran. The data are collected from 200 Iranian telecom services users.

Finding shows that commitment and vision of the management system is highly required for a successful CRM implementation. The structure of the strategy should be based on flexibility and explicitly of the policies especially pricing policies. These factors are very important to increase customer loyalty and benefit of the firm (Khaligh et al. 2012).

According to the research by Bhattacharya (2011), CRM is implemented in an organization to reduce cost and increase company performance, which means profitability result through customer loyalty. Indeed, in a successful

CRM implementation, data are collected from internal and external source such as sales department, customer service, marketing, after sales services, procurement, and others. This is crucial in obtaining a holistic view of each customer requirement in a real time system. This information will able to aid employees to make fast and accurate decision when dealing with the customers in different areas and touch points. The finding of this study shows that the customer perception and treatment given to each customer individually able to assist in solving many customer's problems. Thus, customer satisfaction and loyalty would be achieved through a successful CRM implementation. Therefore, organization should discover different requirements of the customers and adjust their policies according to their needs to increase the firm's competitiveness.

According to the conceptual framework proposed by Faed (2010), customer relationship management amplifies the relationships of customers and competitors in a firm to increase the share of the organization in marketplace by integrating technology, procedures and people. The aim of CRM is to maintain the customers and increase their loyalty and organization profit. Customer satisfaction and pleasing are two main elements in a successful CRM implementation for retaining customer's loyalty to a firm.

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<sup>39</sup> Impact of CRM Factors on Customer Satisfaction and Loyalty Asian Social Science; Vol. 9, No. 10; 2013  
ISSN 1911-2017 E-ISSN 1911-2025 Published by Canadian Center of Science and Education. Pp: 247-249

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Kim et al., (2003) stress that each perspective of the CRM framework is evaluated by a set of related metrics. In this regard, a case study has been carried out by Kim et al., (2003) to an online shopping company in South Korea that sales 30,000 products in 12 categories. This company ranked as 18th online shopping mall in South Korea.

Data collected through experts' interview, questionnaires and weblog analysis. Findings illustrates that, the factor which is very important to increase customer satisfaction, customer loyalty and benefits of the firm is to clear all vagueness and implicit problems that exist in the top level of strategic managements. A single and explicit language would be provided for accurate communication in an organization.

According to a study on 100 firms who are active in different area of industry such as: manufacturing, communication, financial and others, Bohling et al. (2006) develop a number of criteria to implement CRM successfully. These criteria are divided to three main groups:

- 1) Project focused
- 2) Internally oriented metrics, employees' adoption
- 3) Externally oriented metrics, customer satisfaction and loyalty

According to the findings, the most important externally oriented criteria are as follows:

- 1) Verified customer influence in terms of loyalty and satisfaction
- 2) Measureable revenue development
- 3) Enhanced information and perception
- 4) Measurable cost drop
- 5) Enhanced employee efficiency
- 6) Practice by employees
- 7) Compliance to particulars

Wang and Lo (2004) found that CRM model is based on two perspectives. First, measures the factors related to customer behavior such as: repurchasing, cross and up selling and customer acquisition rate, and second, measures the relationship quality, such as customer satisfaction and customer loyalty (Wang and Lo, 2004). Data were collected randomly from 400 selected customers of two security companies from China. The finding shows that emotional and functional behavior of customers has positive impact on customer satisfaction and customer satisfaction has positive effect on customer behavior based on CRM elements. Finally, the

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result of this study shows that customer behavior based on CRM have a positive effect on customer and brand loyalty (Wang and Lo, 2004).

Zineldin, (2006) developed a triangle strategy between quality, CRM, and customer loyalty, which is leading to companies' competitiveness. This research was designed to measure satisfaction and loyalty of the customers based on two main conditions where the customer database information and strategy of CRM should be well structured and the capacity of the system should be enough to produce data for accurate analysis. According to the findings of the research, any changes of the quality of the services or productions in a firm over time could be used as an indicator to find the level of customer loyalty through a well-structured CRM strategy. If the indicators of interaction, infrastructure, and atmosphere are linked to the product and process quality, it helps the researchers to find what changes are required in CRM strategy to improve customer satisfaction and loyalty.

Izquierdo et al. (2005) developed a model in which, car repair and maintenance are tested as a case where long-term customer relationship is frequentative. Path analysis is used to evaluate the association of customers' perception, market loyalty and market position. The hypotheses were evaluated using a path analysis, which examines the relationship between marketing activities and economic performance.

This model is proposed based on performance of the market and economic. The measures of proposed model are as follows (Izquierdo et al., 2005):

- 1) The position of Market
- 2) Customer Loyalty
- 3) Customer insight
- 4) Economic and market performance

The findings suggest that CRM implementation include attraction activities, which are service quality, commercial practices and loyalty programs such as bonus, contact, satisfaction and complaints handling. This result in appropriate perception of customers leading to increasing customer loyalty and therefore, economic performance of the firm would be increased.

Feinberg and Kadam (2002) argue that emphasizing to online business rather than traditional way of business is necessary nowadays. So in this way, the usage of Internet provides an opportunity for business to use it as a tool for

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CRM. According to their research, there are 42 different e-CRM features used by the retailers. The finding shows that there is significant relationship between CRM implementation on websites of the retailers and customer satisfaction, which leads to customer loyalty. However all attributes of implemented CRM are not equal in terms of predicting the customer satisfaction and loyalty (Feinberg and Kadam, 2002).

### 2.3.2 Previous study on improving loyalty with CRM:<sup>40</sup>

Zineldin (2006, 430) refers to Porter (1980) who defined two common ways of establishing competitive advantage: a low-cost supplier or differentiating the offer. One way of improving competitive advantage is by increasing loyalty (Zineldin 2006, 430). This revolves around adequately satisfying customers and increasing customer retention (Lee-Kelley, Gilbert & Mannicom 2003, 239). Lee-Kelley et al. (2003,239) remind of the fact that previous research findings have concluded that greater customer loyalty leads to higher customer profitability. This has lead organizations to “become more customer-focused and driven by customer demands, the need to meet customers’ expectations and retain their loyalty becomes more critical” (Lee-Kelley & al. 2003, 239). Zineldin (2006, 431) remarks that, “close relationships provide a boost to the added value. The added value creates customer loyalty.” Lee-Kelley et al. (2003, 239) also note that, “-- relationship strength is a key barrier to external forces such as economic changes and competition.”

Each service encounter includes elements, which can build the relationship between the user and provider. Several encounters may even lead to an emerging relationship. If the customer feels something special and valuable the encounter may develop into a relationship. It’s important to keep in mind that this does not make them a loyal customer. However, perceived relationships are a central issue. (Grönroos 2000, 7.)

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<sup>40</sup> FINAL THESIS REPORT, IMPROVING CUSTOMER LOYALTY THROUGH REGULAR CUSTOMER PROGRAM, by Teemu Savolainen, TAMPEREEN AMMATTIKORKEAKOULU UNIVERSITY OF APPLIED SCIENCES BUSINESS SCHOOL, June 2010, pp:39-42.

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Grönroos affirms that relationship marketing has re-emerged as a marketing paradigm and that “-- understanding relationship marketing or marketing based on customer relationship management becomes a necessity for understanding how to manage a firm in service competition” (Grönroos 2000, 8).

Zineldin (2006, 430) states that any company that is not taking into notice the changing business atmosphere and not building or protecting their competitive position will be consumed. Protecting the competitive advantage requires measures of finding new solutions and improving the quality of products and services (Zineldin, 2006).

Zineldin (2006, 431) defines the delivered value as the subtraction of the total cost to the customer and the total value offered to the customer. “Total customer value can include functional value of the product, service value, emotional value, social value, conditional value, and epistemic value, and image” whereas “total customer cost can include monetary price, time, shopping efforts, energy and psychological cost efforts.” He also remarks that, “Improving the intangible attributes of quality is not necessarily achieved by higher re- source spending”, but rather by addressing the correct aspects. In understanding and examining these aspects CRM is at its best.

I feel that many companies talk about the customer perspective being one of their values and a key area in their strategy. However, I feel that it has become more of a trend and is not actively pursued, understood or even taken into consideration to the degree in which it should. Every company knows that without a customer they have no chance of succeeding so they claim that customer perspective is exceedingly important. From my personal view, it has led to the mitigation of the term customer service.

Grönroos (2000, 3-4) notes that “Customers do not buy goods or services, they buy the benefits goods and services provide them with. -- Customers do not seek products or services per se; they look for solutions that serve their own value-generating processes.” He also mentions that the consumers purchasing behavior is based on offerings comprising of goods, services, information, personal attention and other components which render services. It is the customer-perceived service of an offering that creates value for them. So in other words, the value of the goods is not generated in factories and offices, but in the value- generating

## Chapter 02: Understanding Customers' Loyalty

process of the consumer. (Grönroos 2000, 3). "Consequently firms should provide customers with solutions consisting of all the components required to function in a value-creating way in customers' own value-generating processes", he continues.

In many cases companies see services as a tool that reflects positive experience in customer relationships. Grönroos (2000, 3) claims that the view is restricted since the services, which are usually seen by the organization, are only service components that can be invoiced and calculated as part of total turnover and only form a fragment of the total service, which is offered to customers. The customer on the other hand often sees so-called non-billable service components. These are small aspects such as how the billable services are performed.

Grönroos (2000, 3) also reminds that usually these non-billable services influence the customer perception far more than the billable ones. Customers especially note the way in which business is conducted. This can be the way in which an organization handles quality problems, mistakes and service failures, manages complaints, how they offer help and training and whether or not they answer their phones and emails. It would be fair to say that billable services are seen by the provider, and the non-billable by the purchasing party, but it's evident that they are connected. As an example, we can imagine that a customer would rather not get an invoice at all. However, once an invoice has been received it is more important to the customer that the invoice is accurate and clear than that the invoice was received. (Grönroos 2000, 2-3.)

At best the non-billable services save time and costs of the customer. This will contribute to the customer perspective and prevent the consideration of using other suppliers. Grönroos (2000, 3) states that management seldom perceives non-billable services and, they are thus often neglected and not included in service management as value enhancing. I feel that it has changed to the contrary. Management is nowadays more aware of consumer behavior and value-creation which makes it even more a necessity to realize the intangible trait of services. It may be that non-billable services have lost some of the edge in creating competitive advantage and become more of a necessity to keep up with other contenders. I personally see hidden services as requisite for conducting profitable business. It's by far the easiest way to boost sales, handle customer relationships, minimize retention and gain true customer loyalty.

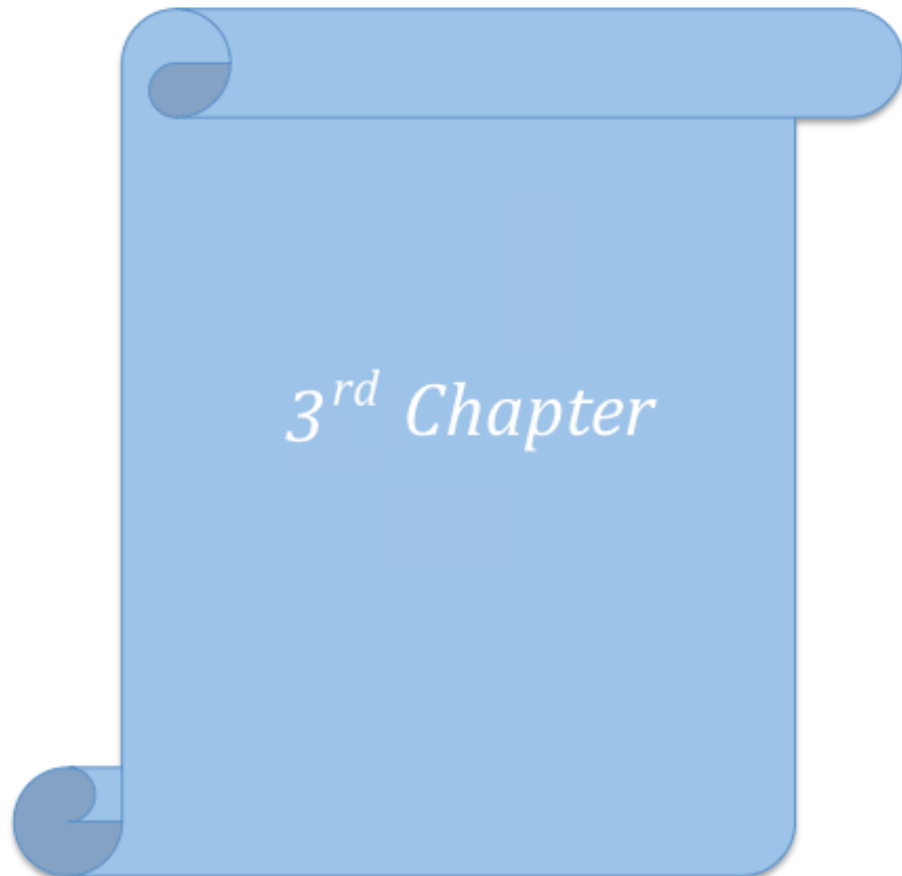
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An effective database will evidently help a company understand the needs of their customers and what they require from the relationship. This data will help identify key customers, develop CRM with future customers, calculate revenue generated by customers and estimate own future investment opportunities. (Zineldin 2006, 431.)

Understanding where you stand with your service isn't easy and there's always the possibility that you over-emphasize marketing communication or fall into a price-trap as a result of poor service management. More than ever before, companies find themselves with a core product that only enables them a starting point for developing competitive advantage.

The service perspective is controlled by three variants: customer, competition and technology. The demand of today is more than just a technical solution to a problem as a result of a more sophisticated and informed customer. This leads to higher expectations regarding the product. Customers seek for comfort, fewer problems, and lower additional costs and less trouble caused by the use of the products or services. Competition is becoming fiercer and increasingly global. (Grönroos 2000, 10.) In my opinion, the service perspective has pretty much become a necessity, but the possibility to gain from it is shrinking constantly. Without sufficient service and product oriented R&D any company will not stand out. Grönroos (2000) suggests that the rapid development of IT-technology has been a large reason for the changes in client knowledge and awareness. Ironically it is also a way to distinguish oneself from competitors through new innovative IT-technologies and applications which to tempt the customer and generate useful value. (Grönroos 2000, 10-11.)

## Chapter 03: CRM at AGB



## **Chapter 03: CRM at AGB**

### **3.1 AGB overall presentation**

#### **3.1.1 KIPCO Group presentation:**

KIPCO or Kuwait Project Company is one of the most successful business groups in the MENA region ever since it was created back in 1975. It operates across 24 countries from the Atlantic ocean to the Arabian sea employing more than 12,000 people in over 60 holdings in multiple fields such as: Financial services, Media, Manufacturing and Real estate with more than billions 30 USD assets.

KIPCO's primary business sectors are financial services and media.

- In financial services, KIPCO Group companies include Burgan Bank Group which is one of the region's biggest banking groups with operations in Algeria, Iraq, Jordan, Kuwait, Malta, Tunisia and Turkey. KIPCO also has a majority holding in Gulf Insurance Group - one of the region's biggest insurance groups - with operations in Bahrain, Egypt, Iraq, Jordan, Lebanon, Kuwait, the United Arab Emirates, Saudi Arabia and Syria.
- In the media sector, KIPCO has majority ownership of OSN which is the region's biggest and most successful Pay-Tv company that broadcasts high quality Arabic, English and Filipino content using the latest technology.

The managerial approach of the Group is based on encouraging the adoption of best practices by all its subsidiaries, whilst taking in consideration the Group's development strategy that is based on risk minimization objectives in addition to diversification of both global and sectorial investments, which aims to maximize the existing synergies within the same sector as well as between the various companies of the group.

KIPCO is also an active element when it comes to education, youth welfare and healthcare, as it's keen to enhance the quality of community life of the countries in which she operates by developing a series of initiatives in these areas.

It is this constant preoccupation that gave the KIPCO Group a reputation for quality and excellence among investors in the MENA region.

## Chapter 03: CRM at AGB

### 3.1.2 Presentation of Algeria Gulf Bank:

Gulf Bank Algeria is a commercial bank and Member of one of the leading business groups in the MENA region KIPCO "Kuwait Projects Company".

It started operations in March 2004 with a capital of 2.500.000.000 AD and set contributing in the economic and financial development of Algeria as its main mission, by offering businesses, professionals and individuals a wide and constantly changing range of financial products and services, in addition to Conventional banking products as well as services consistent with the precepts of Sharia.

Algeria Gulf Bank is the first bank in Algeria allowing customers to perform all kinds of banking transactions through ATM (Withdrawals, check returns, cash deposits, order check books or CIB SAHLA cards, getting the account statements in A4 size and account status, without the intervention of bank staff, and 24/7).

Gulf Bank Algeria nowadays has a network of 51 operational agencies and self-banking operators throughout the national territory in order to be closer to its 100 000 customers and meet their expectations.

### 3.1.3 AGB throughout the years: <sup>41</sup>

2003: Foundation of the bank by 03 banks of KIPCO group (Burgan Bank, JKB, and TIB).

2004: Opening of the first branch in Dely Ibrahim customer-oriented Corporate.

2007: Extension of the market to Retail clients by a wide range of products.

2008: Gulf Bank Algeria gets closer to its clients by expanding its network in the country (13 branches).

2009: On going expansion with 12 new branches; new products and services such as «AGB Online Prepaid VISA, Sahla card » are launched.

2010: Credit service is enriched with Proline. GPRS TPE chips have been commissioned.

2011: Reorganization of credit and Risk Management businesses.

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<sup>41</sup> <https://www.agb.dz/PDFA-AGBAnnualReport2013.html>, p12, verified on june15th, 2015 at 23:00

## Chapter 03: CRM at AGB

2012: Launch of the first Self-banking branch and the first Drive Banking in Algeria. Acceptance of VISA and MasterCard cards on all ATM of the bank. 4 new branches were opened and PULL SMS is started.

2013: E-payment, MasterCard and dematerialized card savings are launched for the first time in Algeria. In 2013, its ever-growing network reached 40 bank branches operating in all segments (corporate, SME's, profession, and retail).

### **3.1.4 Organization and governance:**<sup>42</sup>

#### **3.1.4.1 Organizational Chart of the bank**

Concerned with the best practices in governance and keen at earning the confidence of its owner-shareholders and clients, a new organization chart of the bank was set up in 2013. The new organization aims at an optimal growth of the bank's businesses based on 03 areas:

- Separation of trades
- Control of operational risk
- Organizational and commercial flexibility

For an effective and efficient implementation of the bank strategic plan, the new organizational chart consists of 04 major business lines under the authority of the General Manager.

It takes into account the implementation of effective corporate governance, but also the evolution of the bank, its businesses and its network expansion. These are:

- Deputy General Management in charge of the operation hub: it includes financing management, support and sales management, and 05 regional operating managements.
- Deputy General Management in charge of Risk Management hub: it includes credit risk section, operational risk and internal control, IT and business continuity and market departments.

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<sup>42</sup>Ibid

- Deputy General Management in charge of operations and IT hub: it includes the departments

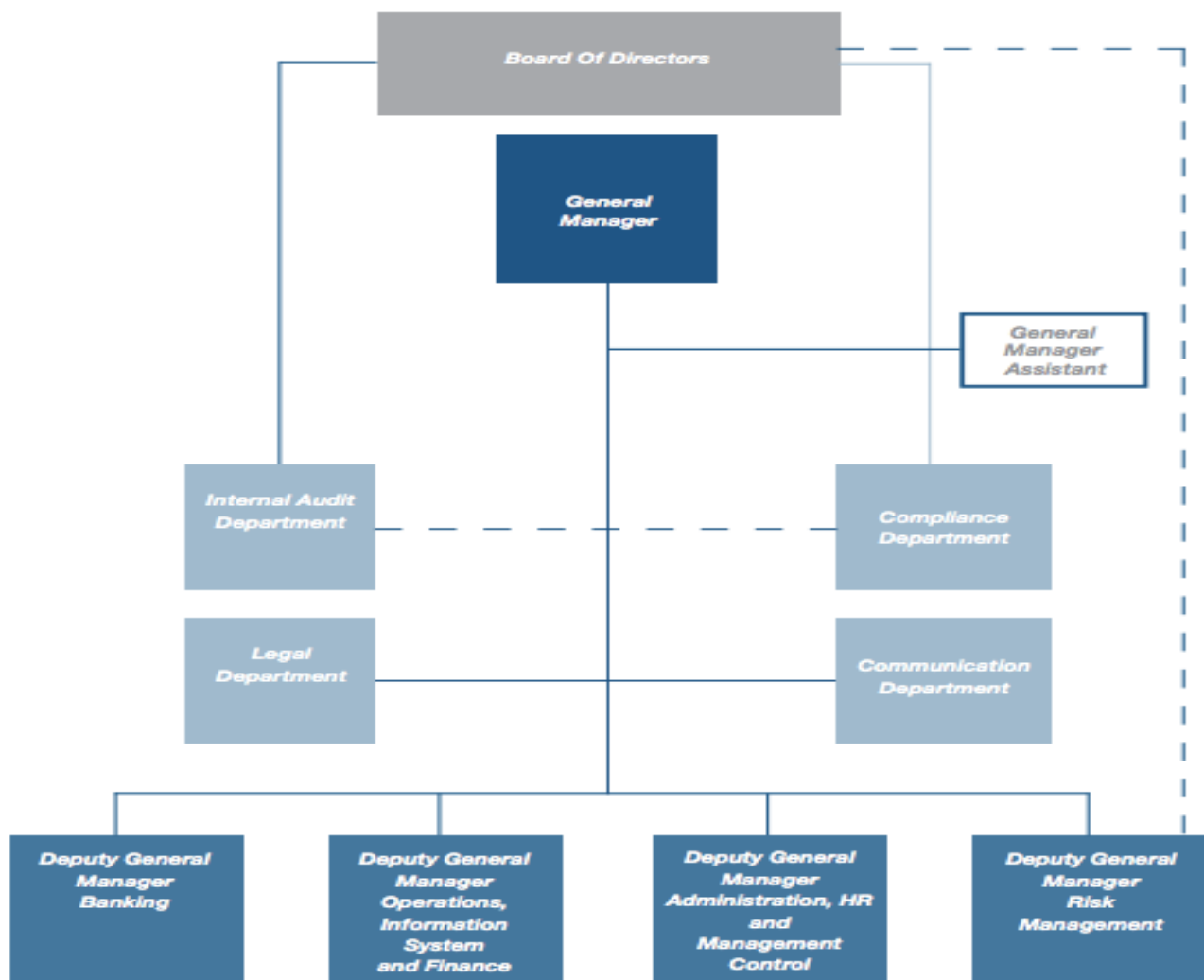
## Chapter 03: CRM at AGB

of International Relations, the central back office and IT departments.

- Deputy General Management in charge of Finance and Administration hub: includes the human resources department, general administration, and finance and accounting departments.

Celerity and responsiveness have always been the core interest on which was built the whole process of the bank for optimal quality.

### 3.1.4.2 ORGANIZATION OF THE BANK :



**Figure 16:** Organization of AGB.

## **Chapter 03: CRM at AGB**

### **3.1.4.3 Governance and Credit Committee**

The year 2013 was devoted to strengthening the implementation of the rules of good corporate governance in compliance with the Basel guidelines 3. Therefore, during 2013, the Board of Directors adopted mainly the rules on the constitution of the steering bodies, incorporating some structures directly to the Board, the role and the structure of the various committees, the remuneration policy and the criteria for independent managers.

In this respect, the bank has completed its organizational model by the whole device, defined as follows:

For this purpose, the bank has completed its organizational model by the complete device that comes under this definition:

#### **3.1.4.3.1 BOARD COMMITTEES**

- The Executive Committee.
- The audit Committee.
- The risk committee.
- The Governance Committee.
- The Appointments and Remuneration Committee.

#### **3.1.4.3.2 MANAGEMENT COMMITTEES**

- Management Committee (MCOM).
- Internal Control Committee.
- Asset-Liability Management Committee (ALCO).
- Provisions of the Risk Management Committee.
- New Product and Price Committee.
- Human Resource Management Committee.
- Credit Management committee.

### **3.1.5 Strategy and vision of AGB**

#### **3.1.5.1 AGB Strategy:**

The Strategy of Gulf Bank Algeria was established in early 2009, along the same lines as that of the Burgan Bank Group with the aim of achieving its mission while remaining faithful to its values and standards.

## Chapter 03: CRM at AGB

This strategy is based on five pillars:

- **Total Quality Management:** This falls within each of the actions taken by the bank in order to achieve a quality service bank, with both internal and external customers. It covers several areas of intervention such as Quality of Service, Products, Infrastructure, Risk Management, etc.
- **Widen a Network of agencies:** To be always closer to its customers and enable them to benefit from universal products and services shaped according to their local needs.
- **Expanding the offer of Products and Services** so that it can meet the customer's expectations.
- **A Human Resources Management based on performance:** Aiming to provide to all its employees a fulfilling and exciting work and living environment, AGB also has adopted a human resource management policy that rewards according to the employee's output allowing human and professional development of all staff.
- **Conquest and growth of market shares:** Believing in the potential of Algeria, the skills of its staff and strong support of the Group, AGB focuses its trade policy on growth and conquest of market shares whilst taking part in the economic and social development of Algeria and Algerians.

### **3.1.5.2 Our mission:**

Gulf Bank Algeria was born, lives and grows thanks to its devoted staff, their mission is to offer the most innovative range of customized financial products and services, both conventional and conforming the precepts of Sharia, and thus contribute to improve the lives of Algerians.

### **3.1.5.3 Our vision:**

To be the leading bank in Algeria in term of winning and deserving our customer's trust, also be the partner that they choose to improve their quality of life.

### **3.1.5.4 Our Values:**

- Progress

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Feeling the value of progress means being constantly updated about where we are today and where we want to be tomorrow in order to keep closer to our objectives. Progress is also improvement, perfection and evolution. At AGB you get to live day-to-day progress, in our approach, our attitudes, as in the fruit of our actions.

- Listening

At AGB, we made listening a priority because we are aware that it is our best satisfaction tool for both our internal and external clients, because Listening is the best way to be close to our customers (employees, consumers, businesses), get to know them, but also to recognize what their needs are and their expectations as well. That is why each of the members AGB is committed to being attentive to each other and to their environment.

- Recognition

Recognition is undoubtedly the value, which brings most pleasure, satisfaction and contentment to the individual. This is why AGB wishes to make recognition its best tool to provide satisfaction to its internal and external clients. To be recognized, is to be seen in its identity, is to be heard and accepted as such.

We recognize our employees, our internal customers, listening and responding to their need for professional growth through setting personalized Objectives and an Individual Development System. We recognize our external customers by adapting our products and services to their needs, their personalities....

- Constancy

For AGB, constancy means security, stability and seriousness.

When talking about banking, we talk about money, when it comes to money we speak of a reward currency for our efforts and a mean of achieving our lifetime projects. Therefor AGB wishes to commit for life with its internal and external customers, pampering them with quality, security and stability with the promise of constancy and continuity of operations.

- Commitment

For AGB, to demonstrate commitment is to invest fully in the success of its mission and its objectives. This is displayed each day by listening, by its dedication, its initiative and active participation in meeting the customer's expectations.

Commitment is also to feel personally responsible for your success, the team's success and the company's success, that's why AGB is fully committed to find success from the inside,

### Chapter 03: CRM at AGB

with its employees and then fully commit to prove the success to its external clients, individuals and businesses in Algeria.

#### **3.1.5.5 Evolution of the company's share capital:**

The share capital of the company was initially fixed at 2.500.000.000 DA and it developed throughout the year in an increasing rhythm as it's shown in the table below:

Year	Share capital
2004	2.500.000.000 DA
2009	6.500.000.000 DA
2012	10.000.000.000 DA

**Table 11:** Evolution of the company's turnover.

**Table11:** The evolution of the company's capital

#### **3.1.5.6 The policy of communication within AGB:**

The banking sector is very inclined to innovation especially within the circle of: telecommunications, Internet telephony, distributors and SMS.

These innovations depend on technology, so it is very important to keep customers and employees constantly updated while being very responsive to market expectations, because the more a customer is informed, the more it's beneficial to the bank. This is why communication is an essential element in a bank either internally or externally.

- Internal communication:

Since competition is important, it is crucial that employees have a good knowledge of the products and services offered. This requires the creation of an effective communication system within the bank such as internal newsletters, E-mailing and weekly meetings, that allows uniting employees around a common goal with a global vision of the market.

- External Communication:

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Communication is the sinews of war for all companies in all sectors and stop communicating is the fastest way to disappear for them. And banks like all companies are concerned about their brand image and brand recognition therefore they must communicate: on their products, offers, services offered and the actions they perform. And this must be perceptible by all our targets from seniors to youth, which requires adapting various media compatible with each target segment.

AGB therefore focuses on the most effective ways that can reach the widest target possible. Its choice was fixed on the local and regional newspapers (about 48 provinces) but also, and primarily through advertising in sale points through leaflets and information sheets (put at disposal in agency) and to end up with, we have the use of customs website by integrating web banners.

Gulf Bank Algeria also marked its presence by approaching more its professional clients during the economic Fairs such as the International Travel & Tourism Exhibition (SITEV) and the finance Expo dedicated specifically to banks and in parallel with the production show.

### **3.1.6 The Economic situation and banking Environment:**

#### **3.1.6.1 Economic situation**<sup>43</sup>

At the end of 2013, the macroeconomic balances of Algeria remained healthy, thus enabling Algeria to be ranked among the first economies in Africa. The gross domestic product of Algeria in late 2013 was Billion 212 USD, 194 Billion USD foreign reserves against a very low external debt 3.4 Billion USD, which ranks Algeria as the least indebted countries in the MENA region. Overall growth for the same year was 4.5%, while inflation significantly lowered to stand at 3.3% after a sharp increase in 2012.

#### **3.1.6.2 Banking environment 2013**<sup>44</sup>

Loans granted by the banks to the national economy were around Billion 5200 dinars, increasing by 20 % compared to 2012. Furthermore, 52 % of loans, i.e. DZA Billion 2720 were assigned to the private sector with 71% for the medium and long term oriented productive:

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<sup>43</sup> <https://www.agb.dz/PDFA-AGBAnnualReport2013.html>, p12, verified on june15th, 2015 at 23:00

<sup>44</sup> Ibid

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Investments. Facing with the increase in imports over 50% in 4 years, which lowered the balance of payments when Algeria recorded a stable export volume of hydrocarbons, several regulations and mechanisms were adopted by the government to reduce the import bill and encourage productive investments. Facing with the increase in imports over 50% in 4 years, which lowered the balance of payments when Algeria recorded a stable export volume of hydrocarbons, several regulations and mechanisms were adopted by the government to reduce the import bill and encourage productive investment• Fixing and ceiling co commissions applied on foreign trade operations.

- Cancelling exchange earning commissions on foreign transfers
- Ceiling credit rates These measures have greatly affected the profitability of some Algerian banks, mainly private, which earnings came rather from foreign trade. To compensate the shortfall in commission, the competitiveness of the production financing will be tougher among banks at the expense of imports.
  - Increasing the maximum investment period to 06 months as part of the liquidity taken over by the Bank of Algeria.
  - Increasing the reserve requirement rate to 12% of the overall base of bank deposits. The increase in the reserve requirement ratio mainly targets the absorption of liquidity excess and affects consequently inflation, which has significantly increased by 2012 to reach 8.9%.
  - Fixing the premium rate due for the participation in the guarantee fund bank offsets to 0.25%.
  - Finally, according to the finance law 2014, the government restored the documentary remittance as a means of payment for imports, in addition to documentary credit (LC), that is always maintained.

#### **3.1.6.3 Competitive position of AGB:**

Thanks to its innovative products, AGB quickly made itself a place on the Algerian banking market and became the reference in terms of banking services such as VISA and Master Cards "The first bank to launch them in ALGERIA". Despite its dominant position and good penetration of the Algerian market, AGB continued its offensive actions in order to increase its market shares and remained in a policy of conquest by trying to stand out from the rest and putting the customers at the center of their interests.

Continuous innovation and continually renewed offers while remaining loyal to its values is what allowed AGB in record time to be part of the " Top of mind " of the first 3 private banks

## Chapter 03: CRM at AGB

in Algeria that are: Company General and BNP Paribas, at short period of time.

### **3.1.6.4 Competitive Advantages of AGB:**

In today's market, every bank has to fight for its spot by consolidating competitive advantages to retain customers in order to increase its market share. For that AGB has conquered the Algerian market through out differentiation strategies and by integrating new technologies such as: The E-banking and CRM tools.

The introduction of these innovations in customer relations induces the transition from traditional distribution channels (bank branches and physical sell point), to technological channels type: website, mobile phone, call center, ATM, which result the emergence of a new management tool called "multichannel marketing" that brings customized offers adequate with the customer's expectations. So integrating the power of technology in business development policies, allows the emergence of a new marketing approach

### **3.1.7 Products and services offered by AGB:**

As the number one concern of AGB is satisfying its customers, it always makes sure to stay updated and innovative in term of products and services offered at its locals.

Therefor in this segment we are going to present to you the different products and services that belong to AGB wide portfolio beside the regular bank accounts and currency bank accounts.

#### **3.1.7.1 AGB Products:**

##### **3.1.7.1.1 Corporate loans:**

###### **✓ Credit short-term cash:**

The short-term loans meant to finance the companies' operating cycle remain dominant compared to medium term corporate direct credit.

###### **✓ Credit by signature**

It's also known as the unsecured line of credit, it basically consists on an assessment of the customer's credit rating before making the granting decision.

###### **✓ CMT:**

It's a loan that should be repaid within a one to five year's period of time.

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### ✓ **Sharia compliant financing:**

It's a loan that follows the Islamic precepts, which means the customer won't pay a constant interest rate but will pay a variable margin on each year.

This product is very popular among the bank clients for its advantages. This type of funding targets the specific client requesting to undertake movable or immovable property investments but have insufficient guarantees.

#### 3.1.7.1.2 Retail loans "BAYTI":

The most suitable offer and the handling of different kinds of financing requests within the LSP, LPP (socio-participative and tailor-made housings) program in which the buyers benefited from subsidized interest rates that defined as 35% which competitive compared to the other banks. The bank also finances up to 80% of the overall price and the buyer has the duration of 5 to 25 years to pay that amount.

#### 3.1.7.1.3 Deposit from customer:

### ✓ **Deposit from customer:**

Deposit account paying interest is typically used to hold money for future needs; in AGB we find two types deposit accounts:

### ✓ **Sight:**

A bank deposit that can be withdrawn without advance notice or penalty, and we have two types of this at AGB: classic "works on an interest rate" and participatory "works according to the sharia precept".

### ✓ **Eventually:**

A bank deposit account that customers can't use its money before the date stated in the commitment, and according to interest rate we also find two types of at AGB.

#### 3.1.7.1.4 Savings:

### ✓ **Professionals:**

It's a passbook that is destined for employees, it allows them to save any amount of money, while following the flow of the operations made and they can also check the balance of their account at any time.

### ✓ **Individuals:**

Any individual has the right to create saving account even minors, where they can save money.

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### 3.1.7.1.5 Credit cards:

#### ✓ **RIB:**

It's basically a bank ID that subscribers receive for free once they create an account at AGB; it serves for instant identification of the customer once presented at any AGB agency in Algeria, it replaces check book which use it to make a withdrawal.

#### ✓ **Sahla:**

This card allows AGB customers to make a withdrawal at any ATM in Algeria not just AGB ATMs; they can also make online payment “ pay their Ooredoo phone bill, since AGB and Ooredoo have signed a convention”

#### ✓ **VISA Card:**

It's a debit card that has the following types “ prepaid/ Classic/Gold/ Platinum” that can be used for online shopping and payment

#### ✓ **Master Card:**

It's a debit credit card as well it serves for online payment and shopping and has the same types as the Visa card, any one above the age of 18 that has a job justification can get a one.

### **3.1.7.2 AGB Services:**

- An e-payment solution to settle the online purchases by the CIB dinar card.
- The issuance of the VISA Platinum card to its high net worth customers.
- The issuance of MasterCard in dollars (prepaid, classic and gold) card.
- The service of changing the VISA card and MasterCard PIN code on ATM,
- The recharge service of the prepaid cards on AGB website.
- Acceptance of withdrawals from AGB ATMs with all cards (national and international)
- Order through ATM (electronic transfer between two ATMs) though the beneficiary is not necessarily a client of the bank.
- The transfer of funds from the AGB website, from the check account to the saving account.
- The sale of the dematerialized savings account with two CIB cards.
- SMS BANKING: Ability to check the balance and account information by SMS in real time on the executed operations.

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### **3.2 Methodology:**

This chapter will present profound view of the conducted research, which includes the purpose of the research, research approach, research strategy, sample selection methods, data collection methods and data analysis methods.

At the end of this methodology, you'll find access to a discussed validity and reliability issues, in addition to our recommendations.

#### **3.2.1 Research Purpose:**

The purpose behind this study is: "Understanding, how can the adoption of CRM at AGB contribute in customers' loyalty?" in other words, what is the impact of CRM implementation on the customers' behavior toward the company, would it makes them more loyal or is it indifferent?

#### **3.2.2 Research approach:**

The structure of the proposal is dictated by the nature of the suggested research project being, because fundamentally, the proposal should have enough information to ensure that the proposed project will contribute in solving the problem, and the results will help the reader to improve their decisions.

When conducting research there are two different approaches to consider: « Quantitative and Qualitative ». The abstract of these approaches considering their strengths and limitations is explained in the following section.

For our research we used the qualitative approach, since our main goal is to understand the contribution CRM implementation in the customers' loyalty.

##### **3.2.2.1 Quantitative Approach:**<sup>45</sup>

Characteristically, studies begin with statements of theory from which research hypotheses are derived. Then an experimental design is established in which the variables in question (the dependent variables) are measured while controlling for the effects of selected independent variables. Subject included in the study are selected at random is desirable to reduce error and to cancel bias. The sample of subjects is drawn to reflect the population (Newman & Benz

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1998).

“Quantitative research methods usually involve large randomized samples, more application of statistical, and few applications of cases demonstrating findings. The objective of quantitative research is to determine the relationship between one thing (an independent variable) and another (a dependent variable) in a population. (An independent variable) and another (a dependent variable) in a population.

Further, quantitative methods are often used within natural science, and the aim is usually explanatory to explain causal relationships, to facilitate generalization, and also to predict the future.”

**Table 12: Strengths and limitations of quantitative approach.**

Strengths	Limitations
Precision.	Less detail on human behavior, attitudes and motivation.
Control.	Denigrates human individuality and ability to think.
Hypotheses test based on statistical analysis.	

Some of the characteristics of quantitative research/method are:

- It is numerical, non-descriptive, applies statistics or mathematics and uses numbers.
- It is an iterative process whereby evidence is evaluated.
  - The results are often presented in tables and graphs.
- It is conclusive.
- It investigates the what, where and when of decision-making.

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<sup>45</sup> Charles C. Ragin , Joane Nagel, Patricia White. Workshop on Scientific Foundations of Qualitative Research“  
– National Science Foundation – 2004 PP. 17 – 18.

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### 3.2.2.2 Qualitative approach:<sup>46</sup>

Qualitative research methods focus on providing a complete picture of the situation with the aim of increasing the understanding of social processes and interrelations. It is defined as a research to explore and understand the opinions and strive for in-depth understanding of different kind of findings in library research.

**Table 13: Strengths and limitations of qualitative approach**

Strengths	Limitations
Acquire a depth of information about a problem area.	Findings are not statistically reviewed.
To discover perceptions of the context and problem under study.	
Closeness to the source of information.	
To provide abundant information and prerequisites for deeper knowledge of current problem.	

Some of the characteristics of qualitative research method are:

- It is non-numerical, descriptive, applies reasoning and uses words.
- Qualitative data cannot be graphed.
- It is exploratory.
- It investigates the why and how of decision making
- It uses surveys, focus groups, and interviews...

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<sup>46</sup>Charles C. Ragin , Joane Nagel, Patricia White. Workshop on Scientific Foundations of Qualitative Research“ National Science Foundation – 2004 PP. 17 – 18.

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### **3.2.3 Data collection methods:**

❖ For our study we opted for the focus group method, which we believe that it's the most convenient tool for our research, since our goal is to understand the feeling of customers and their reaction toward the implementation of CRM at AGB.

So we addressed a questionnaire to a randomly chosen sample composed of 10 people that are all clients at AGB.

#### **3.2.3.1 Focus group discussion:**

Sometimes it is preferable to collect information from groups of people rather than from a series of individuals. Focus groups can be useful to obtain certain types of information or when circumstances would make it difficult to collect information using other methods to data collection.

#### **3.2.3.2 Characteristics and uses of focus group discussions:**

A FGD is a group discussion of 6-12 persons guided by a facilitator, during which group members talk freely and spontaneously about a certain topic.

The purpose of an FGD is to obtain in-depth information on concepts, perceptions, and ideas of the group. It aims to be more than a question-answer interaction

Its aim is to get the meaning, feeling and describe the situation.

#### **3.2.3.3 FGD techniques can be used to:**

- a) Develop relevant research hypotheses by exploring in greater depth the problem to be investigated and its possible causes.

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<sup>47</sup> LECTURE NOTES for Health Science Students, by Getu Degu Tegbar Yigzaw, University of Gondar In collaboration with the Ethiopia Public Health Training Initiative, The Carter Center, the Ethiopia Ministry of Health, and the Ethiopia Ministry of Education 2006, page 61.

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- b) Formulate appropriate questions for more structured, larger scale surveys.
- c) Supplement information on community knowledge, beliefs, attitudes, and behavior already available but incomplete or unclear.
- d) FGDs are not used to test hypotheses or to produce research findings that can be generalized.

### 3.3 Data analysis:

In this section, we'll deliver to you our research results.

To begin with, we've divided our survey into the following 5 categories:, in order to facilitate our data analysis, knowing that we've used Excel in order to draw our graphs and diagrams.

- 1- Interviewees' profile: this section was made in order to have an overall idea about the population that we're studying.
- 2- AGB image among its customers.
- 3- Trust level of clients toward AGB.
- 4- AGB clients' satisfaction level.
- 5- Customers' involvement.

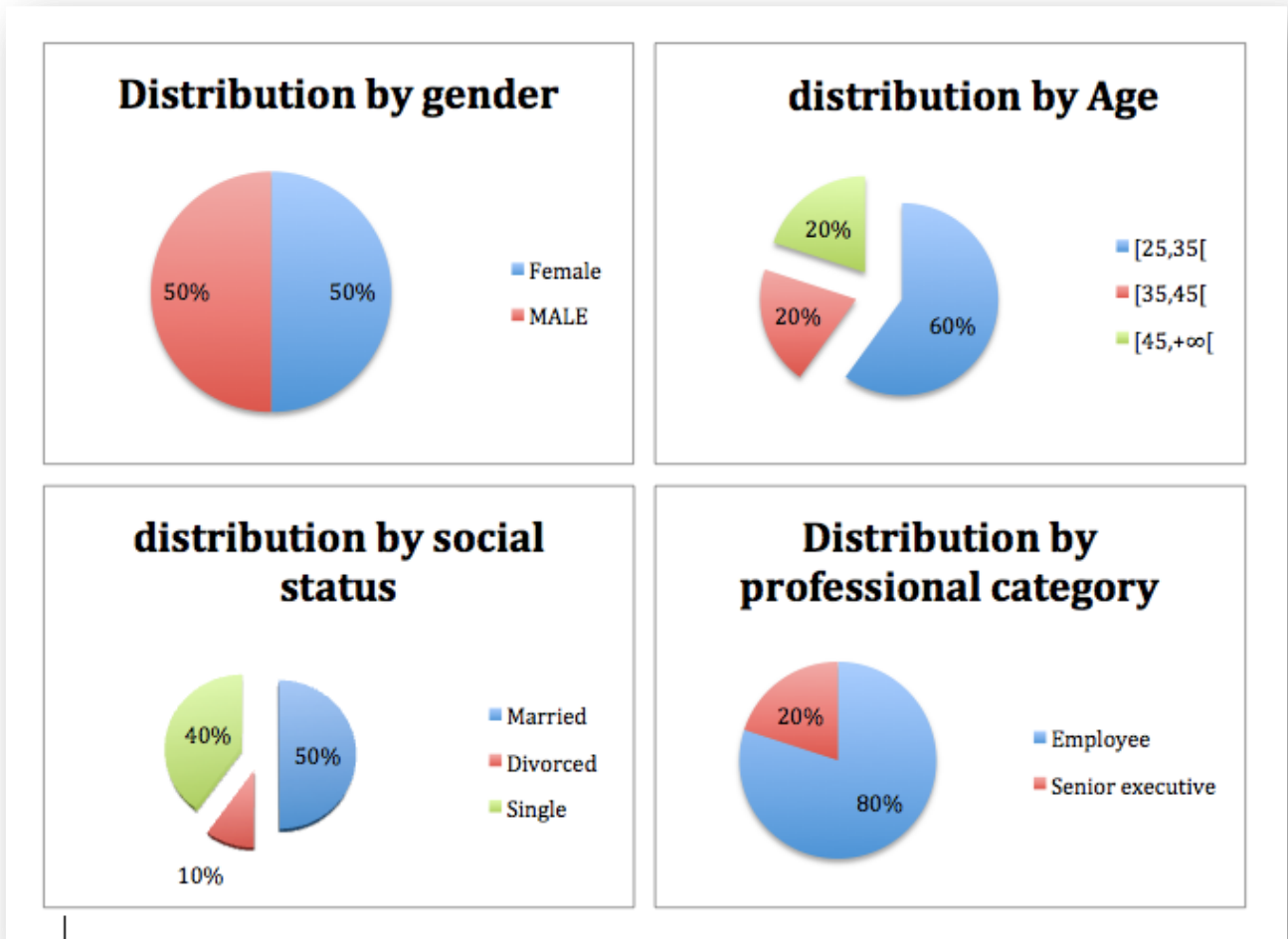
Ps: the past three categories are known to be elements that effect customers loyalty in banks, so we incorporated them in our survey in order to see there impact on customers' loyalty, in case we use them along with CRM tools "Software, emailing, SMSing...".

- 6- Prospects: this part of the survey serves us to give recommendations and have insight about the results of using CRM.

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### 3.3.1 Focus group Results:

#### 3.3.1.1 Interviewees' profile:



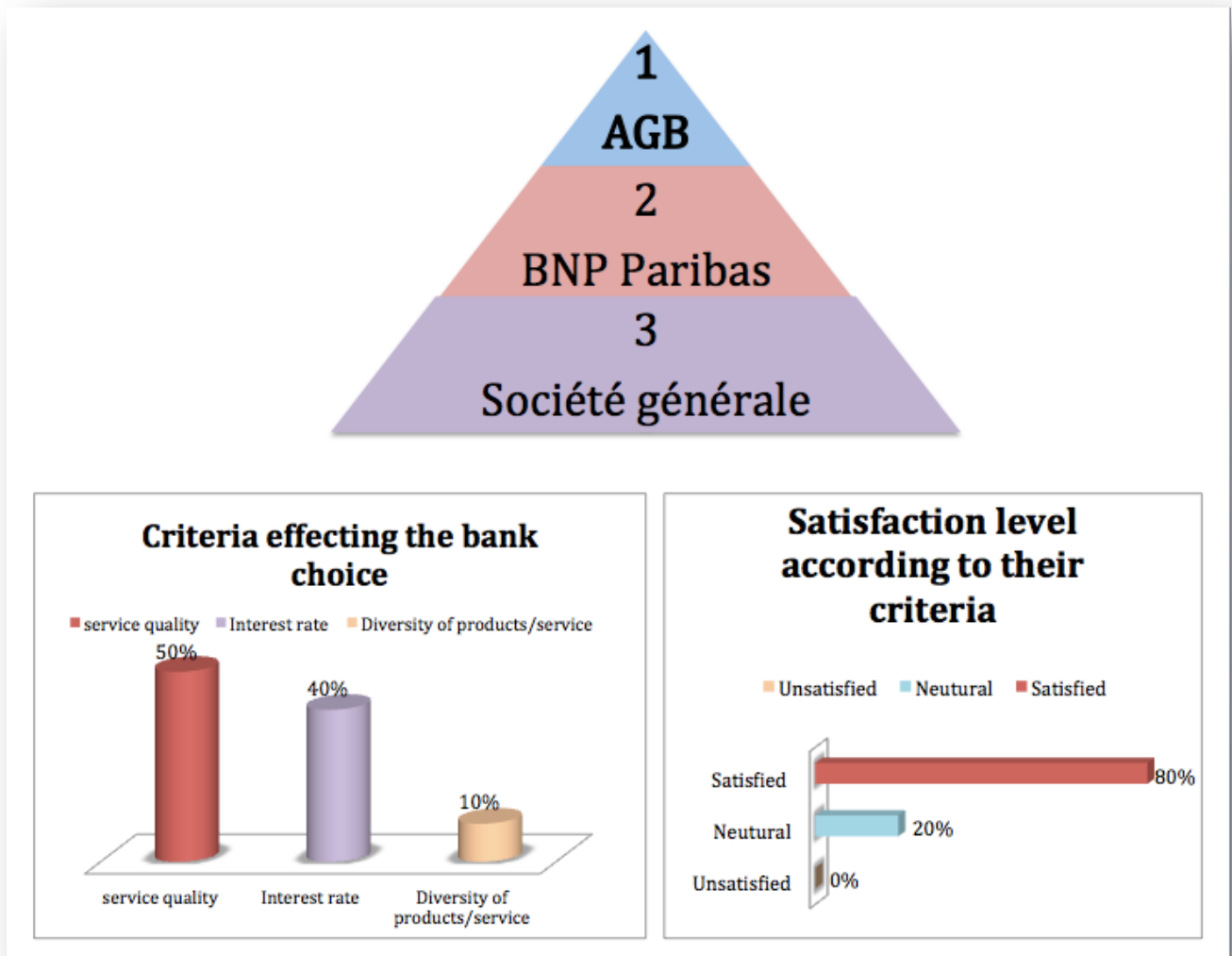
### Sample presentation:

The previous graph shows that our panel has a homogenous distribution between man and women “50/50”, whereas 50% of them are married.

Coming to the age range we notice that 60% of our panel members are between 25 and 35 years old and 80% of them are employees, these two elements are significant indicators of consistency between AGB current client shares and strategy that consists

## Chapter 03: CRM at AGB

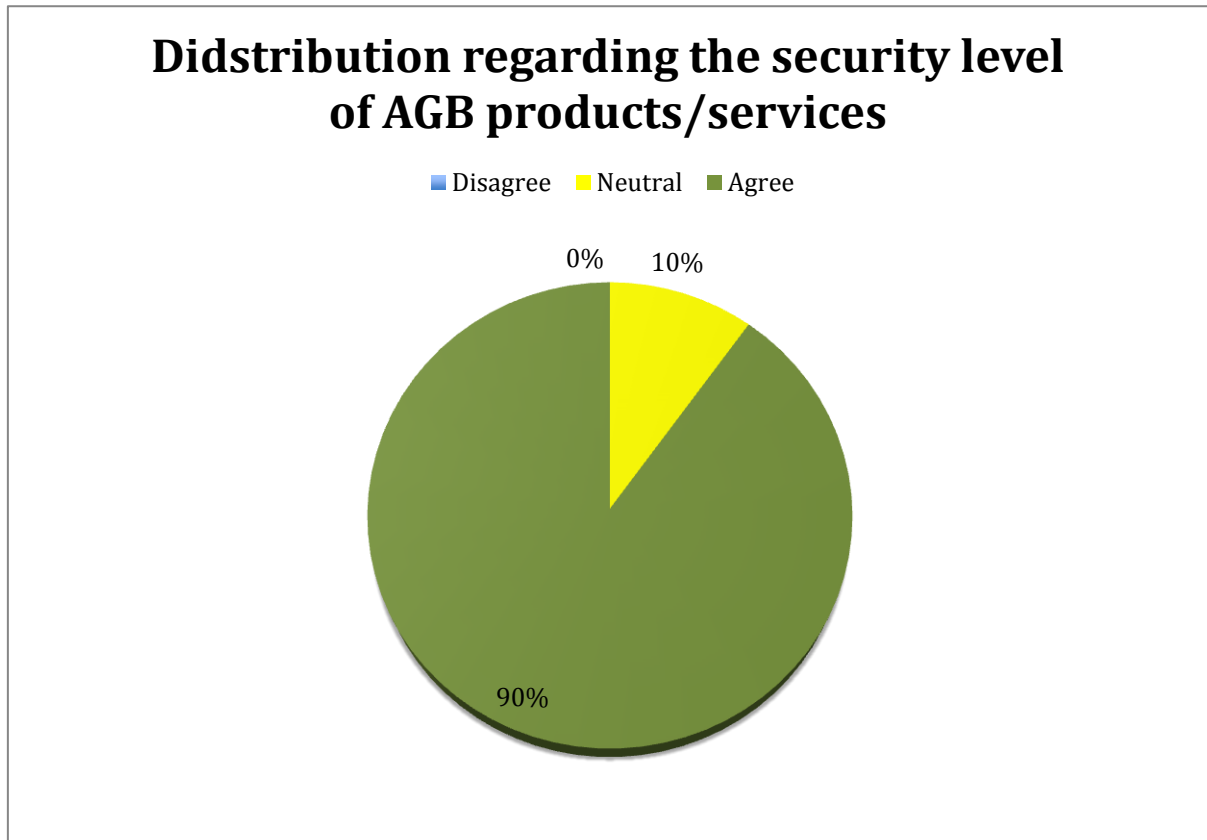
### 3.3.1.2 AGB image among its customers:



We asked our focus group members to name 3 banks in Algeria and after doing our calculations, we found out that AGB was in first place "top of mind" before "BNP Paribas" and "Société générale", which allow us to describe it as a leader in the Algerian bank sector. According to them we can say that the service quality and the way the staff treats the customers is so important, it might be reason why they will come back to that agency or never do that again, and when we asked them what about the AGB staff, they were satisfied and they all witnessed that they had a good experience at AGB agencies. So our focus group in general considers AGB as the ideal bank for satisfying their needs.

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### 3.3.1.3 Trust level of clients toward AGB:

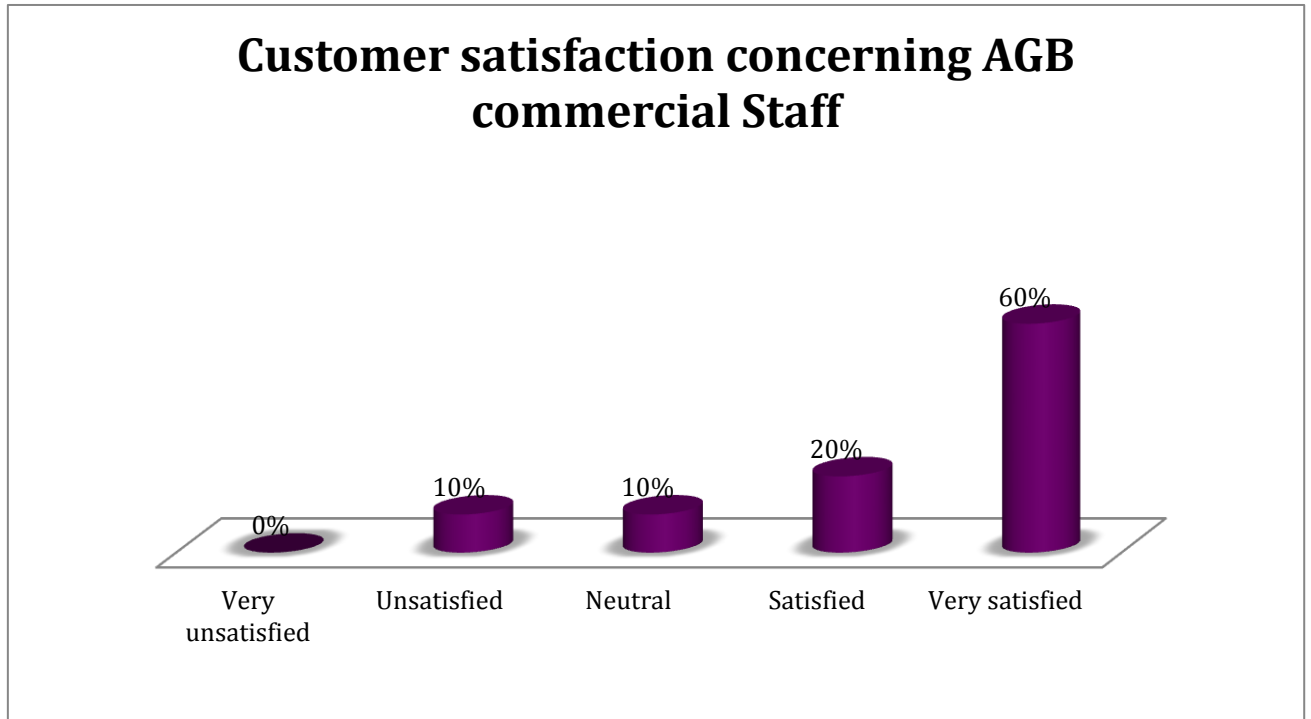


We asked our focus group about their evaluation of AGB products/services security level and whether they trust it as a bank on their personal information and money, and 90% of them said that they are satisfied security wise and they have full trust, and 10% of them decided to go as neutral, because they didn't try AGB services online so they decided to not give their opinion and go for the neutral option.

But overall evaluation AGB share a trust worthy relation with its customers.

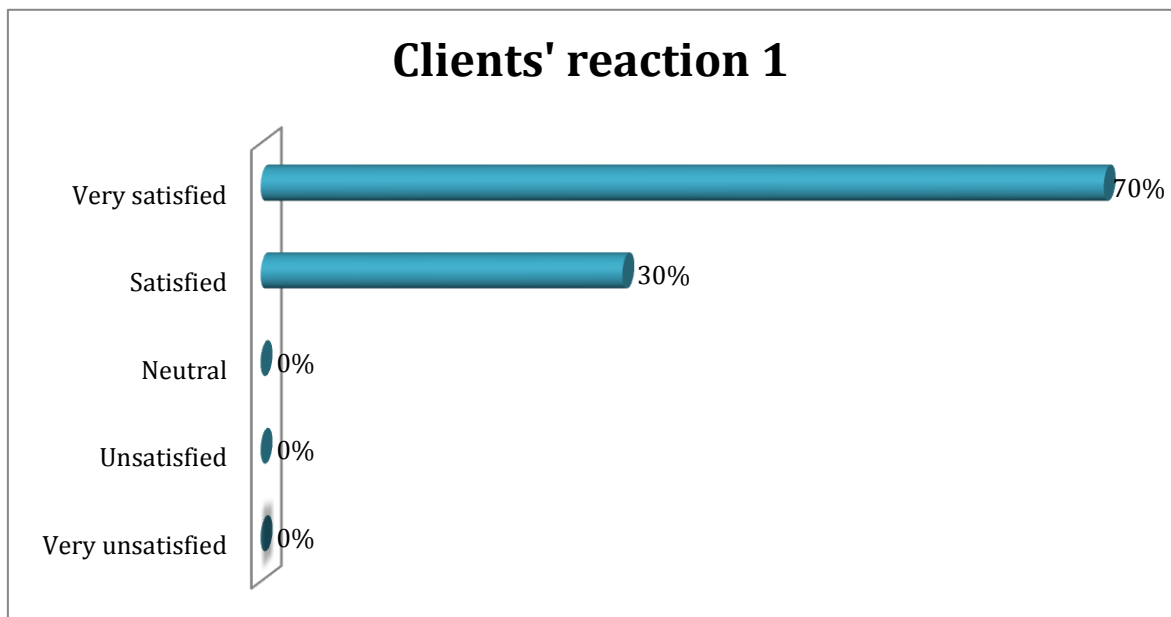
## Chapter 03: CRM at AGB

### 3.3.1.4 AGB clients' satisfaction level:

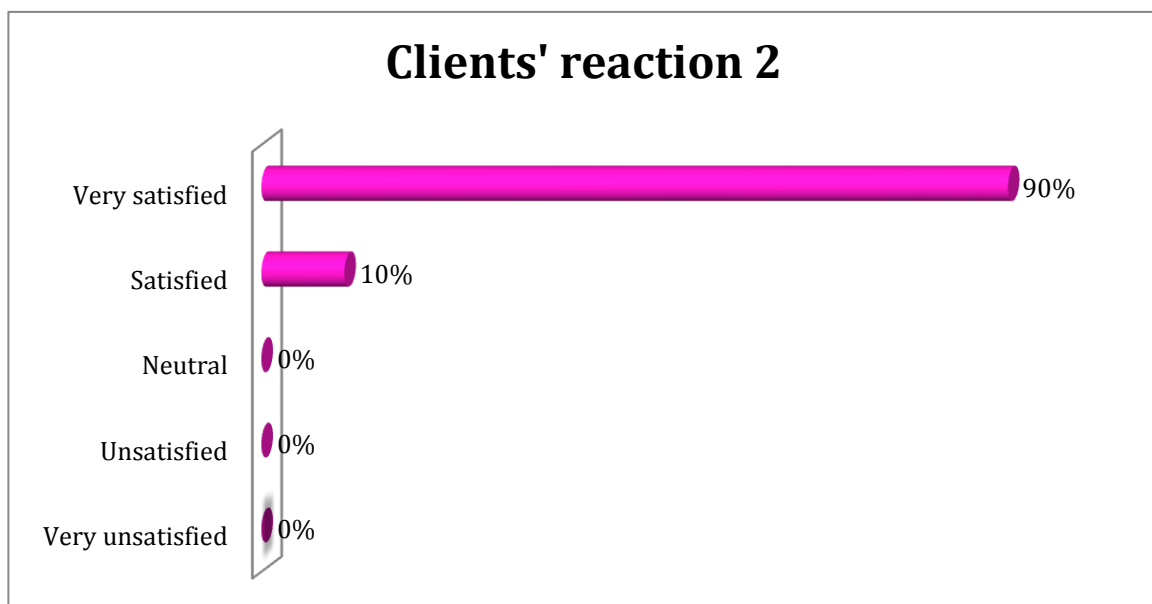


In this section we asked our sample members what are their impressions regarding AGB commercial staff, whether they are satisfied with the way they treat them or not! And 60% of the sample think that AGB employees are friendly, collaborative, professional and they generally welcome them with a smile.

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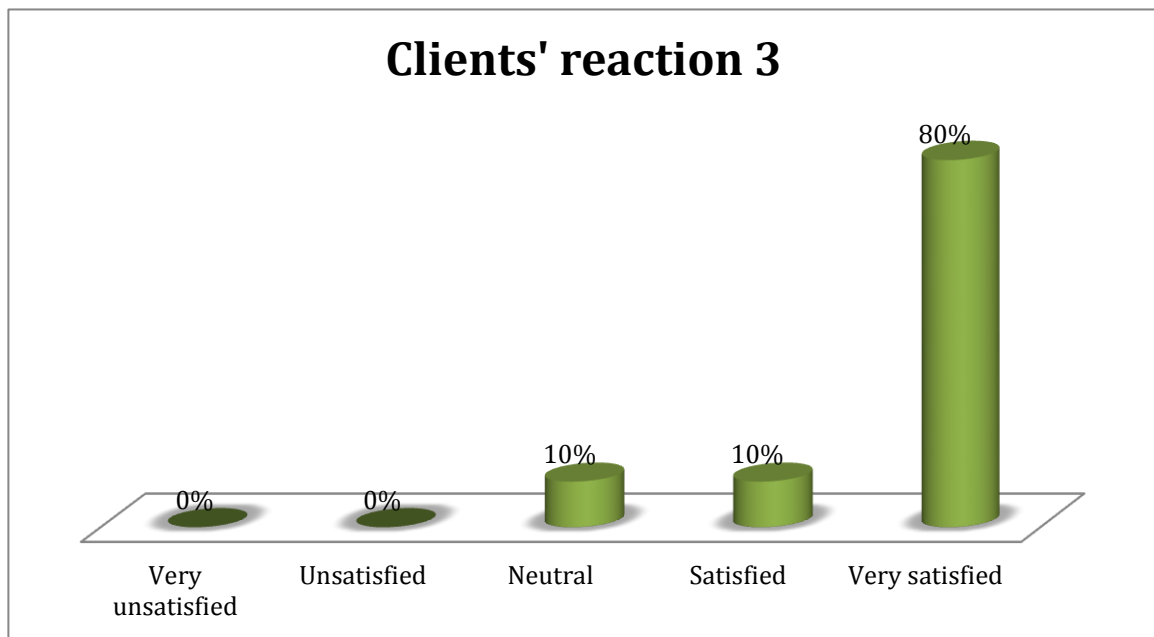


We were wondering how our sample group would feel if they receive a congratulations letter from AGB via phone or mail on the national and religious holidays, and 70% said that it would make them feel more connected to the bank, therefore more satisfied.



In this part we asked what about receiving a congratulations letter on your personal events (Birthday, anniversary of your account at AGB...) 90% answered that this would make them feel appreciated as clients and not just numbers on paychecks, so they would very satisfied.

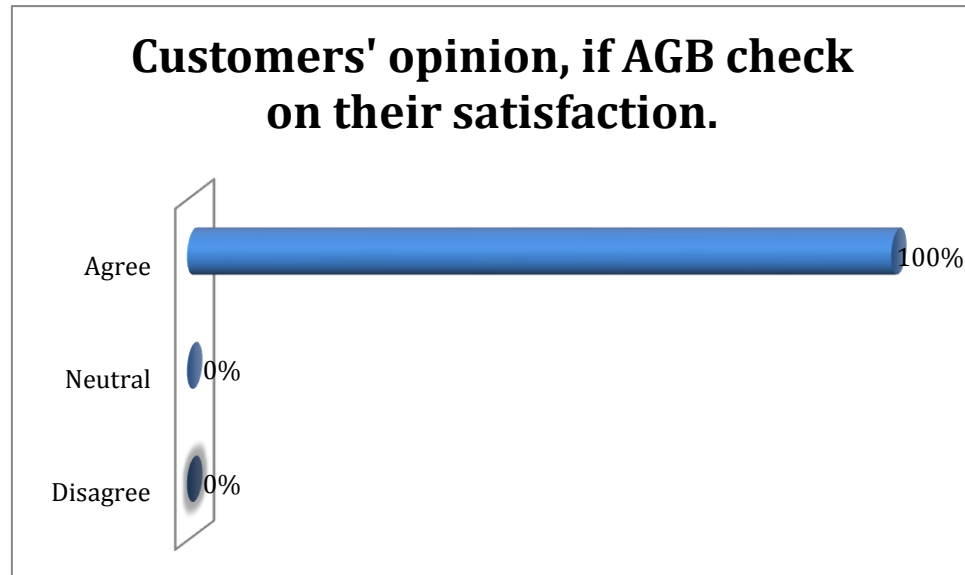
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For this part we were would people how would the feel if employees from contacted them to inform them about AGB updates, new products and services, and 80% answered that in the opposite they would be very satisfied because this way I can benefit from new deals, while 10% said that it doesn't make a difference for them because they can always catch with AGB news at the agency or online.

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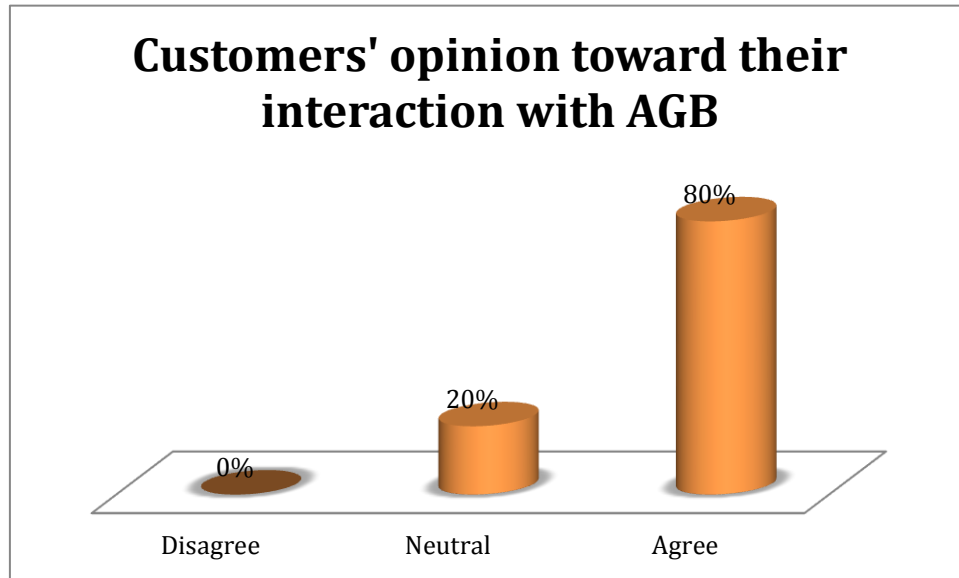
### 3.3.1.5 Customers' involvement:



In order to see how customers' involvement would affect the customers' loyalty, we asked our focus group would it affect positively their opinion toward the bank in case AGB call them to check on their satisfaction.

AND 100% said that it'd change their opinion positively and that they would make them more attached to the bank.

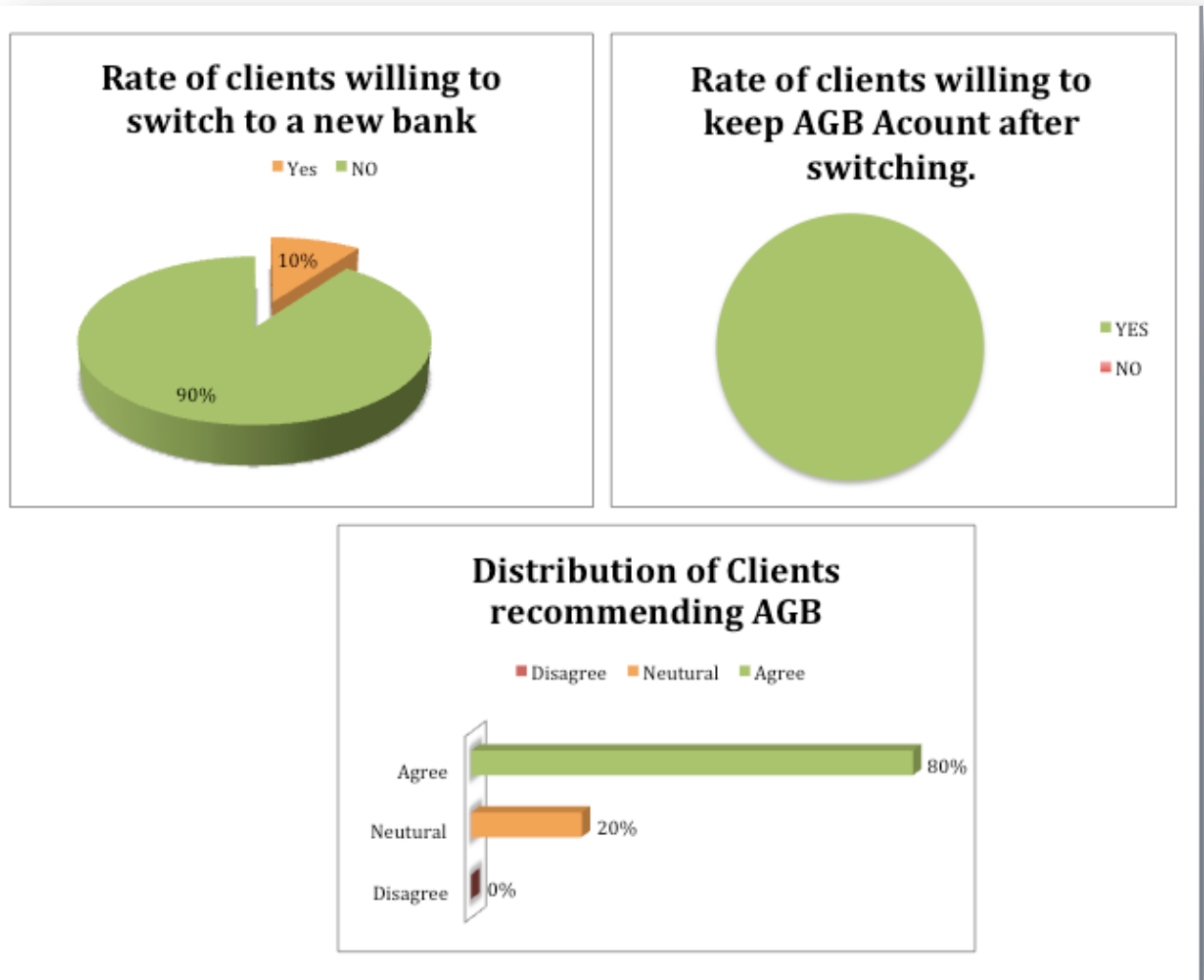
### Chapter 03: CRM at AGB



When asked them “are they satisfied about their interaction with AGB” 80% of them said yes, it has been the best relation they have ever shared with the a bank and full of professionalism.

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### 3.3.1.6 Prospects:



According to our chosen sample, 90% of them are not willing to change to another bank, while the remaining 10% are willing to keep on their AGB account after switching to a new bank for some personal reasons.

We also notice that 80% of the interviewees are willing to recommend AGB to their friends and family, because they are satisfied by the products and mostly by the service quality offered at AGB.

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### **3.3.2 Results discussion:**

In order to investigate the validity of our suggested hypothesis, it is necessary to remind you of our research problem:

“ How strategies used for CRM influence the customers’ loyalty toward a brand?”

- Our 1<sup>st</sup> hypothesis is the following:

H1-Adopting a CRM business strategy influences positively the customers’ loyalty.

The results gained throughout our focus group discussion assure this hypothesis. This shows in their answers on question 13 “ and the interviewees confirmed that customers involvement makes them feel more satisfied which grow a feeling in them toward the brand” bank” therefor they remain loyal to it.

- Whilst Our 2<sup>nd</sup> hypothesis is:

H2-CRM definitely increases the customers’ loyalty.

Whiling discussing with our focus group interviews, especially throughout question N° 11, 12 and 13, interviewees showed such an excitement and enthusiasm and expressed that if they receive this kind of attention from a bank, it would make them think twice before switching to another bank. Which assure our hypothesis as well.

- For our 3<sup>rd</sup> hypothesis it says:

H3-No, it doesn’t. It impacts customers’ satisfaction, which influences customers’ loyalty.

During our questionnaire with the interviews we didn’t ask them directly if getting a phone call from AGB would make more loyal, but we used the different factors that effect the customers’ loyalty “ that we highlighted in the literature review “ and we came to a conclusion that if they are more satisfied, and feeling secure about depositing their money and information at that particular bank and if they get to experience that they are involved, they would definitely remain loyal to this bank, so loyalty isn’t an element that we can build over night, it is a continuous process.

So their answer once again came in our favor and confirmed our 3<sup>rd</sup> hypothesis.

## Chapter 03: CRM at AGB

### 3.3.3 Recommendations:

After our internship at AGB and having a perspective of the CRM stage in there, I'd like to suggest the following recommendations:

- Offer training sessions for the sales, marketing employees in order to learn more about CRM as an important strategic tool for the company and also on the use of CRM software.
- There are a number of CRM software in the market such as the ones suggested by "Aliana CRM", so I suggest implementing one of these softwares as soon as possible in all the agencies as well and exploit the existing database.
- Incorporate more of web 2.0 tools in the organization.
- Create a Facebook page in addition to rubric on AGB website that allows interactions between the bank and customers, where clients can leave comments, impressions.... etc.
- Create a community management unit at AGB, where they handle the online community and always be at their service in the virtual world, in order to enhance and promote the same image that is promoted for AGB in real life.
- Avoid the use of the pop-ups in the AGB website because they are considered as highly intrusive elements and also there're programs that customers use to block them, so basically they wouldn't contribute as wanted.
- Give the visitors of AGB website the chance to chose between the French and English language, because the Algerian markets nowadays contain a large number of foreigners "Chinese, Europeans..." that we are suppose to satisfy as well and don't ignore.
- Emphasize the advertisement on AGB exclusive products "The Master and Credit cards" because most of the population isn't aware about the existence of such a product and they still think that they can't do online purchasing because there's no Master card in Algeria.

### Limitations:

This study investigates the impact of CRM implementation on customers' loyalty, using the focus group research method. There are few limitations associated with this study:

### **Chapter 03: CRM at AGB**

- The obtained data were from the customers' perspective only and we have not taken into account the managers' point of view, because while talking to employees from the sales and marketing departments, we couldn't get a valid answer about the stage that CRM has reached at AGB, some were proclaiming that AGB do practice CRM while others were saying that they don't even though they own a database, but it hasn't been exploited.
- The effect of Customer relationship management on customers' loyalty could be time dependent. Hence, companies that are implementing the CRM strategies today " such as AGB" may not experience the actual effect until years from now.
- Access to books was an obstacle for this study, since most of the documents at our university and most libraries are in French.

At the end, we want to mention that we wished we could accompanied this research with a quantitative research as well, in order to understand the impact of CRM on customers' loyalty on a deeper level.

## Conclusion



*General Conclusion*

## Conclusion

The fierce competition in the banking sector pushes banks to adopt customer centric strategies that help them to build a valuable relationship with their clients, using the different technologies that the IT world offers, and assembling them under one name “CRM” Thus we were interested to study the impact of CRM on Customers’ loyalty and the link between these two elements.

So this curiosity leads us to establish two types of studies, the first one was a literature review, where we clarified all the concepts related to our two variables “CRM and CL” using several books and research studies.

And the second type was a qualitative one, this approach allowed us to investigate the validity of the suggested hypothesis and collect varied information; about the way customers feel if CRM tools “ Phone, mailing, database...” would be implemented at AGB through out the focus group method.

So as result of our research we came to know that CRM implementation has a positive impact on the customers’ loyalty because it strengthen the relationship of the company with its customers and make them feel more connected to it. Beside CRM has an impact on customers’ satisfaction, which influence customers’ loyalty because CRM helps identifying and understanding customers’ needs and wants, which leads to a better targeting.

Although CRM is extremely important for banks but we can’t help but say that the Algerian banking sector and AGB are experience quite a delay in term of CRM implementation and aren’t putting enough efforts to exploit the existing database at AGB and benefit from the potential benefits of CRM.

At the end, we would like to highlight that this research was our first experience and it allowed us to deepen our theoretical information and knowledge gained throughout the past 5 years, therefor we hope to be able to pursue other research studies in order to acquire a more reliable criteria on how to improve customers’ loyalty with the help of CRM tools and implementation.

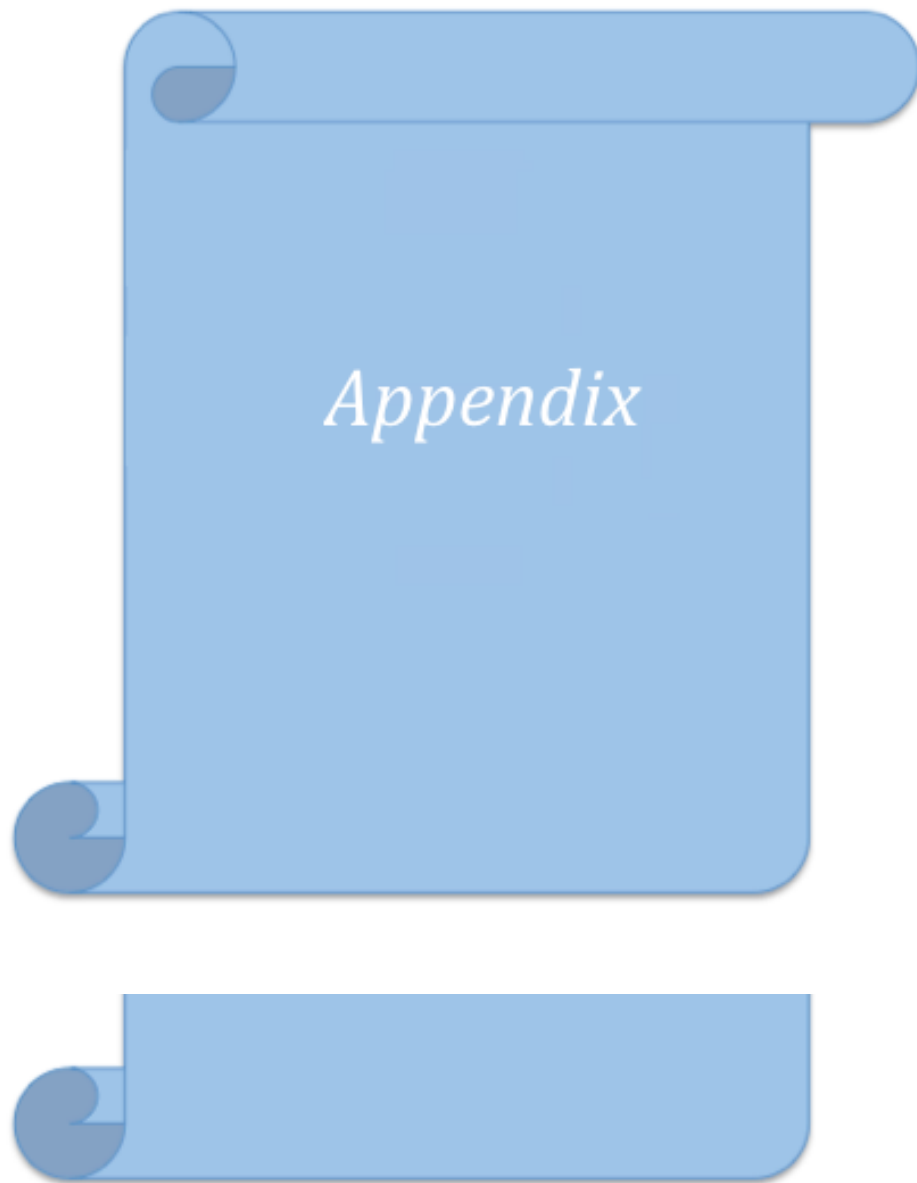
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## I. Media plan.

### Plan Média : Campagne AGB Lancement Nouveau

Support	Format	Qté	1	1	1	1	1	1	1	1	1	1	1	1			
			Mardi	Mercredi	Jeu	Vend	Samedi	Dimanche	Lundi	Mardi	Mercredi	Jeu	Vend	Samedi	Dimanche	Lundi	
			25-mars	26-mars	27-mars	28-mars	29-mars	30-mars	31-mars	01-avr	02-avr	03-avr	04-avr	05-avr	06-avr	07-avr	
Liberté	Pleine Page CL	2	1					1									
	1/2 page CL	3							1		1						
El Watan	Pleine Page CL	2		1				1									
	1/2 page CL	3								1				1	1		
El Khabar	Pleine Page CL	2	1					1									
	1/2 page CL	3							1		1			1			
Ennahar	Pleine Page CL	2		1				1									
	1/2 page CL	3							1		1				1		
Quotidien d'Oran	Pleine Page CL	1	1														
	1/2 page CL	4			1				1		1				1		
Akher Esaa	Pleine Page CL	1		1													
	1/2 page CL	4						1		1		1		1			
		30	3	3	1				4	3	3	3	3	0	0	3	3

## II. The focus group questionnaire.

Interviewees' profile:

**1- Gender:**

Male       Female

**2- Age:**.....

**3-Social status:**

Married

Single

Divorced

**4- Professional category:** .....

AGB image among its customers:

**5 Can you name the tree first banks that come out to your mind please?**

1.....

2.....

3.....

**6 What is the most important criterion for you when you choose a bank?**

Diversity of products/services

Interest rate

Service quality

**7 What is your opinion regarding AGB's products/services**

Unsatisfied

Neutral

Satisfied

Trust level of clients toward AGB:

**8- AGB products/services are secure:**

Disagree

Neutral

Agree

AGB clients' satisfaction level:

**9-What is your impression regarding AGB sales staff?**

Very unsatisfied

Unsatisfied

Neutral

Satisfied

Very satisfied

**10- How would you feel, if you receive a congratulation letter from AGB on national and religious holidays:**

Very unsatisfied

Unsatisfied

Neutral

Satisfied

Very satisfied

**11-How would you feel, if you receive a congratulation letter from AGB on your birthday?**

- Very unsatisfied
- Unsatisfied
- Neutral
- Satisfied
- Very satisfied

**12- How would you feel, if you receive a call from AGB about the new products and offers?**

- Very unsatisfied
- Unsatisfied
- Neutral
- Satisfied
- Very satisfied

Customers' involvement:

**13-It will effect my opinion positively if AGB staff call me to check on my satisfaction:**

- Disagree
- Neutral
- Agree

**14- I feel satisfied about my interaction with AGB:**

- Disagree
- Neutral
- Agree

**Prospects:****15- I am switching to a new bank:** Yes No**16-If yes, will you be keeping the AGB account?** Yes No**17- I recommend AGB to my friends and family:** Disagree Neutral Agree

### III. AGB website.

بنك الخليج الجزائر  
Gulf Bank Algeria

Simplifions la Banque

Qui Sommes nous Informations Financières Informations Utiles Agences & Correspondants

**MasterCard**  
**PLATINUM**

Venez découvrir la nouvelle carte MasterCard Platinum auprès de votre agence AGB.

Simulation  
Sondage d'opinion

ESPACE PARTICULIERS ESPACE ENTREPRISES ESPACE PROFESSIONNEL

La Banque Au Quotidien	La Banque Au Quotidien	Proline
Les Financements	Les Financements	Proline Formule Classique
Epargne et Placements	International	Proline Formule Islamique
Les Services	Les Produits de Placements	Les Cartes AGB
Simulation	Les Services	Services Complémentaires

AGB ONLINE

### IV. The website pop up.

MasterCard AGB

MasterCard, enfin en Algérie !  
ماستركارد، أخيرا في الجزائر!

بنك الخليج الجزائر  
Gulf Bank Algeria   
Member of the KIPCO Group

Simplifions la banque  
www.ag-bank.com

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