

Factors Determining Customer Relationship Management Practices: The Context of Jordanian Commercial Banks

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ABSTRACT

Today's organizations claim to be customer-oriented organizations. Effective Customer Relationship Management (CRM), therefore, is considered as an organizational core competence in a highly competitive business environment. However, the scarcity of research studies concerning CRM is still a major issue within the context of developing countries organizations. Well formulated concepts and practices need to be developed to increase the value of CRM within this context. This study is seen as a step towards this end. It aims to investigate factors determining CRM practices within the context of Jordanian Commercial Banks (JCBs). 400 questionnaires were distributed. The response rate reached to 77%. 309 questionnaires were analyzed by using SPSS. Descriptive methods of analysis were used to achieve the aim of the study.

This was based on the use of the seven components of CRM including customer prospecting, relations with customers, interactive management, understanding customer expectations, empowerment, partnerships, and personalization. These components were factor analyzed to generate the most important and relevant factors to the JCBs context. Accordingly, five factors were generated including interactive management, customers prospecting, customer surveying, responsiveness to customers, and partnerships respectively. These factors were considered, from this study's point of view, as the most important determining factors for CRM's practices.

Keywords: CRM Practices, CRM Components, Jordanian Commercial Banks.

INTRODUCTION

Lakhani & Smith (2007) revealed that retail banks face a big challenge in providing the high level of service that is now expected while still improving their profitability and market share. They emphasize that today's competition is based on a differentiated service rather than a differentiated product. The adoption of (CRM) is widely seen as a way to achieve this. Companies that implement CRM can make better relationships with their customers, improve customers' loyalty, increased revenue and reduced cost (Blery & Michalakopoulos, 2006).

In this study, the problem statement and objectives will first be outlined and the concept of CRM will be discussed. Then, expected benefits of this approach will be discussed based on a review of the available literature. The focus of this study will then be outlined in addition to the methodological approach that will guide the study. Analysis and discussion will then be presented. Recommendation for strategy makers will be provided by the end of this study.

1.1 Problem statement

One could argue that today's organizations are best described as customer-led organizations indicating the critical importance of customers for successful running of any business organization. This proved conjuncture makes consideration of CRM project a necessity to continue growing as well as for survival. However,

unplanned running in this direction created the problem of high failure percentage of CRM projects (Almotairi, 2009). As a response to this annoying and costly problem, many researchers have developed a variety of models for CRM implementation. These models proposed some factors that contribute to the failure of CRM projects. These include managerial, technological, socio-cultural, and customer factors. No agreement in the previous studies was realized. Since most previous studies relating to CRM influential factors were conducted in developed countries, there is a need to re-model these factors and test their practices and applicability to a developing country context. This might contribute in measuring the level of CRM practices, culturing the concept of CRM and initiating of successful CRM projects.

1.2 Research Objectives:

The Jordanian banking sector is witnessing fierce competition; therefore these banks are trying to build relationships with their customers to prevent them from switching to other providers. To do so, several Jordanian banks have been adopting CRM practices since their inception. The major objectives of this research were to:

- 1) Evaluate the CRM practices within the context of JCBs.
- 2) Determine the factors that constitute the base of CRM within the context of JCBs.

1.3 Research Focus

This study will attempt to evaluate the CRM practices within the context of JCBs. The seven components proposed and tested by Lawson-Body and Limayem (2004) will be used as a measurement of the CRM practices to explore the extent of these components which reflects the level of CRM practices. However, the above components will not be taken for

granted. In fact, the above components will be factor-analyzed in order to identify the most important factors that are relevant to the context of the study.

2. Theoretical Background and Literature Review

2.1 CRM Concept

Buttle (2004) defined CRM as the core business strategy that integrates internal process and functions, and external networks, to create and deliver value to targeted customers, at a profit. It is grounded on high quality customer data and enabled by IT. Blery & Michalakopoulos (2006) view (CRM) as a strategy that can help commercial banks to build long-lasting relationships with their customers and increase their profits through the right management system and the application of customer-focused strategies. Accordingly, they emphasize that (CRM) has been adopted by many organizations in recent years because of their effort to become more customer focused to face the increasing competition. Fayerman (2002) also describes CRM as an enterprise-wide business strategy designed to optimize revenue and customer satisfaction by organizing the organization around customer segments.

In their investigation of CRM implementation, Thakur (et al 2006) presents a rationale model for conceptualization and formulation of CRM strategies rather than singular tactics. They argue that CRM should be seen as a long-term strategy for sustainable market leadership stemming from carefully cultivated and strong relationships with customer. Their model is seen as an approach to avoid the expensive failure of CRM projects. Their strategic implementation model involves seven stages leading to implementing the CRM strategy (see figure 1 below). They avoid the problem of focusing on CRM as a technological issue and focus in stead on customer as the main target of any CRM project.

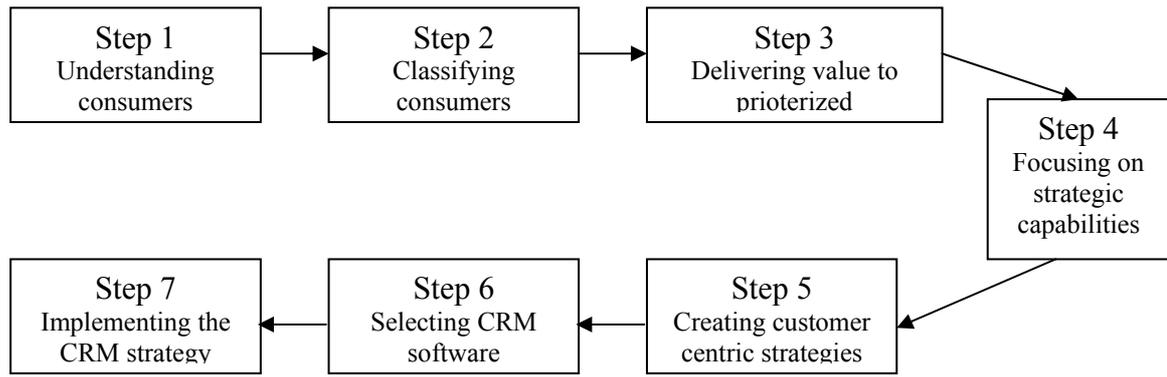


Figure 1: CRM Implementation Model

Source: Thakur (et al., 2006)

According to this model, CRM should be treated not only as a means for putting technology to work to ensure customers’ satisfaction, but also as an approach to effectively integrate people, processes, and technology to produce a winning strategy for optimizing profitable returns (Thakur et al 2006).

Blery & Michalakopoulos (2006) support this view when they deal with CRM as a complex combination of business and technological factors involving the process of acquiring, retaining and partnering with selective

customers to create superior value not only for the company but also for the customer. Earlier extension of this view is provided by Chen & Popovich (2003) who argued that CRM is a combination of people, processes and technology that seeks to understand a company's customers. This combination and successful implementation of CRM, according to Chen & Popovich requires company-wide, cross-functional, customer-focused business process re-engineering as well as technology-driven processes (see figure 2).

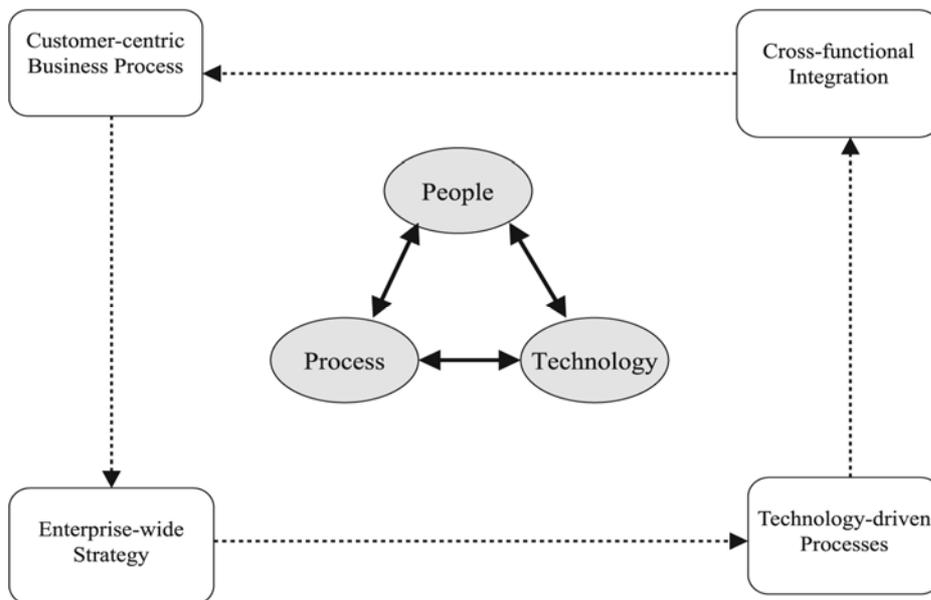


Figure 2: CRM Triangle Model

Source: Chen & Popovich (2003)

In spite of the complexity of CRM concept and the diversity of perspectives concerning it, Nucleus Research (2008) goes on to state that, "If there is one technology area where you should increase your investment today [in these uncertain economic times], it's CRM". CRM can help organizations manage customer interactions more effectively. However, like many new technologies, CRM has been accompanied by stories of implementation failure (King & Burgess, 2008). Consideration of people, processes and technology as core elements is necessary to eliminate such stories as indicated by the previous triangle model.

2.2 CRM Components

Ho & Chuang (2006) emphasize that the use of some approaches including CRM is necessary in order to provide customers with customized services. They add that through CRM systems, enterprises and government institutions could retain the loyalty of old customers and win over new customers, as well as understand and enhance customer profitability and contributions to organizational sustainability.

However, Ang & Buttle (2006) revealed that it is only the intelligent application of CRM software that can yield improvements in business performance. They also emphasize that CRM software applications help companies manage their customer relationships more efficiently and effectively. CRM is not simply about technology alone (Ang & Buttle 2006). Successful use of CRM should serve organization-customer relationship a cross the three-stage of customer lifecycle including customer acquisition, retention and development (Ang & Buttle 2006). Companies that implement CRM successfully make better relationships with their customers, improve customers' loyalty, increased revenue and reduced cost (Blery & Michalakopoulos 2006). Accordingly, an evaluation of CRM should consider the achievement of these valuable and

substantial benefits. Identifying the important CRM features from the customer perspective where current literature has solely focused on the technological and organizational aspects is highly an important issue (Hsieh, 2009). This involves viewing the CRM project from the customers' perspective focusing on the points of interaction with customers as well as the customers' interests.

Within the context of this study, the extent of CRM within an organizational context was measured based on investigation of the seven components of CRM summarized by Lawson-Body and Limayem (2004). These components include: 1) customer prospecting, 2) relations with customers, 3) interactive management, 4) understanding customer expectations, 5) empowerment, 6) partnerships, and 7) personalization.

1. *Customer prospecting* refers to all the various means employed in business to track, locate, and attract new customers (Reinartz et al, 2004). This component, according to the literature is considered as the first variable that should be considered when considering a CRM system. This component is usually emphasized through customers' databases and organizational promotional activities.

2. *Relations with customers* involve the ability of the organization to build, develop and maintain profitable relationship with customers (Reinartz et al, 2004). Accordingly, the ability of sales people to make effective communication with customers, the organization ability to conduct customer follow-ups activities, when-sale and after sale service provided to customers, and the amount of financial resources allocated to build, support and maintain customers' loyalty are all considered as important factors to build, develop and maintain good relationship with customers.

3. *Interactive management* comprises all actions designed to transform the prospective client who enters

into contact with the business representatives into an active and effective customer (Lawson-Body & Limayem 2004). It involves seeking continuous feedback and evaluation from customers, consideration of customers' opinions, conducting of formal customer product evaluations, and building effective communication channels with customers.

4. *Understanding customer expectations* is also an important component of effective CRM system. It includes clear identification of customers' desires and matching them to the product and/or service specifications. This is considered as a main building block towards a customer-centric approach as a key success factor of today's business environment. The most important efforts to determine customer expectations may involve conducting of market studies and surveys.

5. *Empowerment* generally refers to the process an organization adopts to encourage and reward employees who exercise initiative, make valuable creative contributions, and do whatever is possible to help customers solve their problems (Lawson-Body & Limayem 2004, Herzberg 2003). Empowerment of employees might be seen as one of the determinant factors that determine the level of CRM system and practices within a particular organizational context. Empowerment of employees is encouraged through training of employees, motivating them, granting sufficient authority for employees to better perform their jobs...etc.

6. *Partnerships* represent creating of close relationship between value chain entities including suppliers, organizations and customers. Joint development, Joint advertising programs, creation of joint ventures with customers, and resale of the organizational products and services by customers are all considered as forms of partnership.

7. *Personalization* is the final component of CRM system according to Lawson-Body and Limayem (2004) which refers to the extent to which a firm assigns one business representative to each customer and develops or prepares specific products for specific customers. It might also involve sending customized mail to customers and assigning one salesperson to each customer.

3. Methodology

This study is a descriptive and analytical study which aims to model CRM practices within a particular context. Exploratory research is a type of research conducted because a problem has not been clearly defined within the research context which is the case of this study. This study is also seen as a deductive research because it starts from theories and current literature to explain and analyze the reality.

3.1 Population and Sample

The population of this research includes all employees of the thirteen Jordanian Commercial Banks (CBJ directory of banks). To select the sample of this study, a convenience sampling strategy was used, where the sample included respondents from all the thirteen banks based on the ease and speed of access to those respondents, according to the concept of convenience sample.

Respondents were asked to express their opinions on the degree to which each dimension of customer relationship management is present in their banks using a Likert-type scale in responding to the various items. Each item was scored on a 5-point scale ranging from "1: strongly disagree to 5: strongly agree." The questionnaire also required respondents to provide information on their demographic characteristics (gender, age, experience, and education level and job title). A modified version of the questionnaire designed by Lawson-Body and Limayem (2004) was used to gather data from the research sample (see appendix 1). The original version was judged by a

number of academic colleagues and modifications were made based on their notes. This includes deleting of some items and modification of some others. An Arabic translation of this questionnaire is prepared to match the participants' language. 400 questionnaires were distributed, 323 questionnaires were retrieved. 14 questionnaires were rejected due to too many missing data, leaving 309 usable questionnaires. The response rate reached to 77%. 309 questionnaires were analyzed using the SPSS. Descriptive methods of analysis were used to achieve the aim of the study.

4. Data Analysis

4.1 Sample Characteristics

As table (1) indicates, 60.8% of the respondents were male and 39.2% were female. The majority of the respondents (48.5%) were in the age group 26-30. More than 46% of the respondents had more than 5 years of job experience. In terms of education levels, 2.9% of the responders had graduated from secondary school, 19.7% held diploma degrees, 64.4% held Bachelor degrees, and 12.9% had postgraduate degrees. Respondents held a variety of positions in the businesses. They included managers (16.2%), head officers (55.3%), employees (18.8%), and other positions (9.4%).

Table 1: Sample Characteristics

		Frequency	Percent
Gender	male	188	60.8
	female	121	39.2
Age	22-25	61	19.7
	26-30	150	48.5
	31-40	69	22.3
	more than 40	29	9.4
Experience	less than 1	28	9.1
	1-5	137	44.3
	6-10	78	25.2
	more than 10	66	21.4
Education level	secondary	9	2.9
	diploma	61	19.7
	bachelor	199	64.4
	postgraduate	40	12.9
Job title	manager	50	16.2
	head office	171	55.3
	employee	58	18.8
	other	29	9.4
	Missing	1	.3
Total		309	100.0

4.2 Factor Analysis of CRM Factors

Before indicating the factors that constitute the customer relationship management (CRM) within banking sector by using factor analysis, the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and the Bartlett's Test of Sphericity were persuaded to test the fitness of the data. The Bartlett's Test of Sphericity (Chi-Square) was found to be 2572.742, with

significance level of 0.000 (table 2), which suggests that the intercorrelation matrix contains sufficient common variance to make factor analysis worthwhile. Kaiser-Meyer-Olkin measure of sampling adequacy was 0.891, in the acceptable range (Özgener and İraz, 2006). Accordingly, statistical data supported the use of factor analysis for these items.

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.891
Bartlett's Test of Sphericity	Approx. Chi-Square	2572.742
	Df	210
	Sig.	.000

The sample data of 309 responses was examined using factor analysis with principal components as the extraction technique and varimax as the rotation method. Besides, Eigenvalue applied as criteria for selecting the right number of factors (Wong & Pang, 2003). According to the accepted guidelines for identifying significant factor loadings, 0.50 was accepted as the cut-off point for interpretation purposes. The factors with the highest loadings were first taken into account when naming the factors. Unlike the original measure (Lawson-Body & Limayem, 2004), which consisted of seven factors, five factors were identified as the main dimensions underlying CRM within the context of JCBs, which explain 61.306% of the variance, which is an acceptable percentage.

Reliability was evaluated by assessing the internal consistency of the items representing each factor using Cronbach's alpha. The reliabilities of factors are shown in table 3. Cronbach's alpha values were high, ranging from 0.70 to 0.82 for the five factors. Factors were titled based on the items that comprised them. The factors that were extracted include the following:

Factor 1: Interactive Management

The questions that load highly on factor 1 seem to all relate to capturing customers' feedback and involving them in products improvement (see table 3). Therefore, this factor was labeled as *Interactive Management*. This factor corresponds to the same variable in the original measure (Lawson-Body & Limayem, 2004), which was adopted by the current study.

Factor 2: Customer Prospecting

The two questions that load highly on factor 2 seem to all relate to tracking and prospecting and acquisition of new customers (see table 3). Therefore, this factor was labeled as *Customer Prospecting*. This factor corresponds to the same variable in the original measure (Lawson-Body & Limayem, 2004), which was adopted by the current study. According to Payne (1994), customer prospecting plays a key role at the beginning of the CRM process. Having a dedicated budget, as argued by Ang & Buttle (2004), is crucial to acquire new customer.

Factor 3: Partnerships

The three questions that load highly on factor 3 seem to

all relate to building partnerships with customers (see table 3). Accordingly, this factor was labeled as *Partnerships*. This factor corresponds to the same variable in the original measure (Lawson-Body & Limayem, 2004), which was adopted by the current study.

Factor 4: Responsiveness to Customers

The six items that load highly on factor 4 involve responding to customer's problems and special needs that meet his/her interests (see table 3). Therefore, this factor was labeled as Responsiveness to Customers. This factor correspond to the personalization variable in the original measure (Lawson-Body & Limayem, 2004), which was adopted by the current study. Blery & Michalakopoulos (2006) and Ang & Buttle (2006) support this finding when they emphasized that implementation of CRM enabled companies to make better relationships with their customers and to improve companies' response to customers needs.

Factor 5: Customer Surveying

The five questions that load highly on factor 5 involve follow-up and surveying customer's expectations and satisfaction (see table 3). Therefore, this factor was labeled as *Customer Surveying*. This factor correspond to the customer relations and customer expectations variables in the original measure (Lawson-Body & Limayem, 2004), which was adopted by the current study. According to Clements (2006) CRM database and software enable customer services' forces to address customer's needs instantaneously and to be consistent with follow up. Sales people also use the dashboard to schedule their daily activities, manage customers, and view all contact history.

As revealed above, there are three common factors between the original measure of Lawson-Body & Limayem (2004) and the current study including interactive management, customer prospecting and partnerships.

Table (3): Results of factor analysis to CRM

Factors	Factor loadings	Initial eigenvalues	Variance explained (%)	Cronbach's α
<u>Interactive Management</u>		7.245	34.500	.80
IM3: your firm actively solicits customers' opinions on your products	.766			
IM1: your firm uses customer feedback to improve your products and services.	.721			
IM2: your firm records customer feedback about your products and services.	.636			
IM4: your firm discusses with its customers their feedback.	.622			
IM5: your firm seeks formal customer product evaluations.	.542			

<u>Customer Prospecting</u>		1.675	7.975	.70
CP1: Your firm uses a database for tracking and prospecting new customers.	.820			
CP2: your firm devotes resources to help with the prospecting of new customers.	.742			
<u>Partnerships</u>		1.580	7.525	.79
PAR1: Creation of joint ventures with customers	.786			
PAR2: Joint development of products and services with customers.	.776			
PAR3: your firm builds partnerships with its customers.	.754			
<u>Responsiveness</u>		1.281	6.100	.81
EMP1: Your firm rewards employees who do their very best to solve customer problems.	.754			
PER3: Your firm develops or prepares specific products for specific customers.	.667			
EMP2: Your firm has policies indicating to employees their degree of responsibility and authority in solving customer problems.	.663			
PER2: Your firm manages its customers technique problems	.647			
EMP3: your firm empowers employees with regards to customer relations.	.616			
PER1: Your firm assigns one salesperson to each customer	.532			
<u>Customer Survey</u>		1.093	5.206	.82
CR2: your firm conducts customer follow-ups.	.745			

CE1: Your firm conducts satisfaction surveys among customers.	.698
CE2: your firm makes an effort to determine customer expectations.	.697
CR3: Your firm actively initiates contacts with customers.	.679
CR1: Salespeople from your firm maintain contacts with customers.	.665
Total variance explained	61.306

Extraction method: Principal component analysis. Rotation method: Varimax with Kaiser normalization.
 Rotation converged in 7 iterations.

Differences between the original model of Lawson-Body & Limayem (2004) are identified based on the outcomes of factor analysis above. Therefore, this study is of great importance and proposed a modified version of Lawson-Body & Limayem (2004) model that seem appropriate for the context of JCBs with potential for other sectors within the Jordanian context. Means of the

five extracted factors were used to order the five extracted factors according to their existence within the context of the study (see table 4).

Accordingly, interactive management was the most important factors followed by customers prospecting, customer surveying, responsiveness to customers, and partnerships respectively.

Table 4: Order of CRM factors according to their means

Factor	N	Mean	Order
	Statistic	Statistic	
Interactive Management	309	3.9871	1
Customer Prospecting	309	3.9579	2
Partnerships	309	3.6969	5
Responsiveness to Customers	309	3.7994	4
Customer Surveying	309	3.9055	3

5. Conclusions and Recommendations

The current study emphasized the importance of some factors for successful implementation of CRM within the context of JCBs. These factors can be seen as a key success factors for CRM applications. This exploratory study has

tested Lawson-Body & Limayem model of CRM (2004) within a different context and based on analysis of empirical data, the study proposed a five-factor model that seems appropriate for JCBs context as well as for similar Jordanian contexts. In addition, the findings of this study

enable ordering of the five factors according to their relevance to the research context.

Since CRM has been adopted by many organizations in recent years as part of their effort to become more customer focused to face the increasing competition, Jordanian and Arab organization should rethink their customer focus approaches to consider CRM software applications. The model proposed in this study can be an appropriate starting point.

Accordingly, the study claims that any Jordanian

commercial bank that plans to introduce and use CRM software applications must consider the five factors generated from this study including interactive management, customers prospecting, customer surveying, responsiveness to customers, and partnerships respectively. Future research however should test the proposed model of this study in others similar Jordanian as well as Arab contexts to test and probably improves its validity.

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