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Customer Satisfaction and Loyalty: A Literature Review in the Perspective of Customer Relationship Management

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ABSTRACT: Customer Relationship Management (CRM) is the entire process that focuses on the interface between the organization and its customers. The objectives of CRM are to enhance profitability, income, and customer satisfaction. Customer satisfaction and customer loyalty are two main criteria for every organization to get success. A satisfied customer plays a role as a free advertiser for every organization. It was argued that, customer satisfaction alone is not enough to be successful in today's competitive market. Previous researchers proved that the cost of retaining the exits customer is less than the cost of finding the new one. Therefore, customer loyalty must be considering as an important issue and it is required to increase the customer loyalty by positive impact of CRM strategy and customer satisfaction. In spite of the most essential advantages of CRM, there are some difficulties in CRM implementation for different organizations. Therefore, this study attempt to review the effective relationship between CRM, customer satisfaction and customer loyalty of the selected organization by investigating the key elements factors of CRM.
Key words: Customer Relationship Management; Relationship Development; Customer Loyalty; Customer Satisfaction; Interaction Management

INTRODUCTION

Customer relationship management (CRM) is basis on the idea that developing a relationship with customers is the most excellent way to find them to become loyal and that loyal customers are more profitable than non-loyal customers. The objectives of CRM are to enhance profitability, income, and customer satisfaction. To attain CRM, a companywide set of tools, technologies, and procedures support the relationship with the customer to enhance sales. Therefore, CRM is mainly a strategic business and process issue rather than a technical issue (Dowling, 2002).

The significance of customer satisfaction cannot be dismissing while happy customers are like free advertising. It is necessary to put the customer at the centre of the business according to its strategies, events and processes. In fact, it is easier and more profitable to sell to presented customers than to find new ones. Organizations are ever more setting themselves strategies to determine and make sure customer retention, and charging their employees to be more customer-focused and service-oriented (Mohsan et al., 2011). As Baker (2003) indicates, all businesses have been affected to some degree of root and branch evolution which is happened in the global market place. Now, not only the organizations aim to satisfy the customers but they attempt to do this more efficiently and effectively that the other rivals in competitive market place to attain their goals (Kotler and Armstrong, 2011).

The most important goal that companies follow up is to maintain customer loyal to the firm so they more focus on customer centric approach in their organizational and marketing strategies (Jain and Singh, 2002). Bowen and Chen (2001) said that having satisfied customers is not sufficient, there has to be really satisfied customers. This is because customer satisfaction has to direct to customer loyalty. Sivadas and Baker-Prewitt (2000) said "there is a rising recognition that the last objective of customer satisfaction measurement should be customer loyalty".

Many organizations merely categorize customer satisfaction measurement as a type of "marketing intelligence" instead of using it as a management tool to build the customer into their quality improvement processes and increase profit. As a result, companies often know the cost of providing good service but they seldom know the cost of providing bad service (Linnell, 2006).

MATERIALS AND METHODS

Various models of CRM

Traditional CRM process: In this regards the traditional CRM process model and the potential disconnection between the process of CRM and relationship marketing. This section describes a traditional CRM process and highlights the potential disconnect between the CRM process and a relationship marketing approach. CRM systems are operated as integral tools of the IT to improve the customer relationship and satisfaction and also to support the business front office. In fact, CRM could be considered as an application of IT including an input which is a collection component, a data storehouse, and a system for delivery (Zikmund *et al.,* 2010). However, there perhaps some other components are involved analysis and management tools (Ngai, 2005).

Figure 1 explains the process model of CRM which is divided to 5 steps consist of:
➢ Customers' data collecting continuously
➢ Implementing the collected information to manage customers' contact
➢ Development of marketing and business strategy
➢ Marketing programs development
➢ Measuring of successfulness while refining and increasing customer data base (Roberts, 2003; Zablah *et al.,* 2004a).

In this model information collect, refine and enhance continuously and they would be applied appropriately by the organization. This collected information is stored to be used by the customer contact staff. After analyzing the information and crating the new information marketing programs would be developed and approved. This is a feedback control system which updated constantly, and new marketing programs would be developed based on new information. As is clear in the figure, this system is iterative and continuously (Zablah *et al.,* 2004b).

Figure 1. The CRM process model (Roberts, 2003).
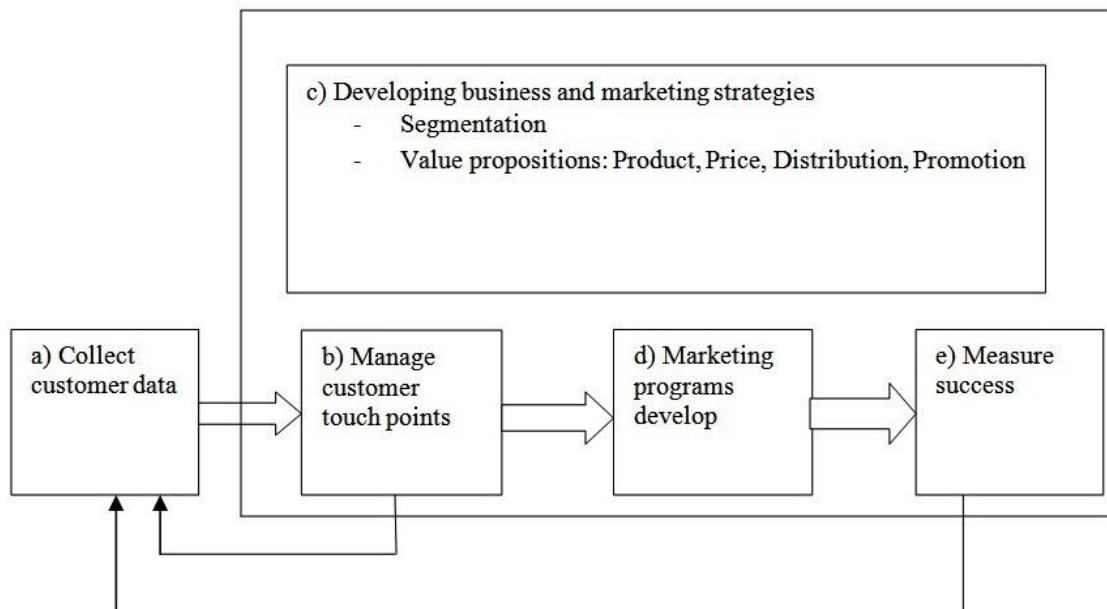
Operational model of CRM: There is another name available for operational CRM which is front office CRM. The front office refers to the areas which are in direct contact with customers in an organization that also known as touch points. The touch points divide to inbound customer contact and outbound customer contact, for example if a customer call to a hotline customer service means he/she has a inbound contact and some promotions such as in person sales call or email refer to the outbound contact points (Dyche, 2002). In fact the application of operational CRM is capturing the data from customers.

Actually, operational CRM at the primary level consists of contact software that acquires the information from customers, stores and retrieves them in a standalone pattern, as an example we can refer to the Microsoft outlook contact application (Zikmund et al., 2003). In other scale CRM consists of a large number of integrated and complex IT components such as data stores, data markets and analytical tools and software to capture data from inbound touch points and At the other end of the scale, CRM consists of a number of complex, integrated IT components including data warehouses, data marts,

analytical tools and applications used to capture and analyze customer information from a variety of inbound touch points, and make them integrated to outbound touch points (Turban et al., 2003). Figure 2 shows the framework of operational CRM.
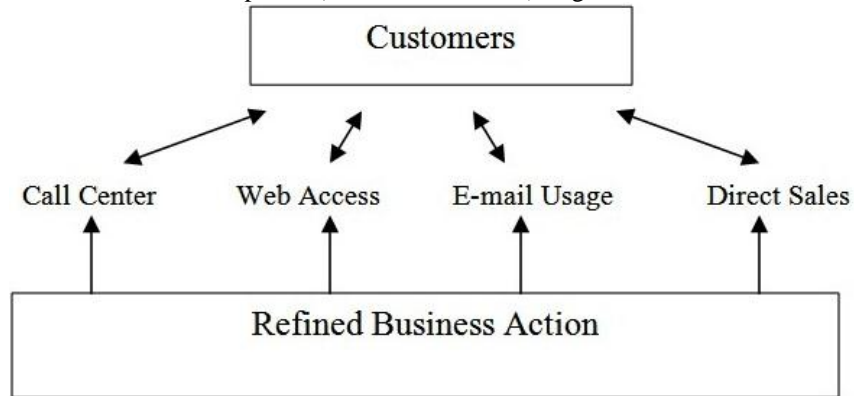

Figure 2. Operational model of CRM (Dyche, 2002).

Analytical model of CRM: As is clear, understanding to analyze the activities of customers those occurred in the front office called analytical CRM and is known as back office CRM. In this type of CRM, technology is required to process and compiles the captured data from customers to make the analyzing of the data more facilitate and refining the practices of customer facing by implementing new business processes to increase profitability and customer loyalty (Dyche', 2002).

As explained before, CRM act as a glue to stick back office to the front office that is very important point because if the customer loyalty suppose to be a door, the integration is the key (Dyche', 2002).

Furthermore, Adebanjo (2003) defined analytical CRM as a tool to build data storehouses, increasing relationship, and analyzing the captured data from customers. Analytical CRM is used to analyze customers' data for different purposes described as follow:

➢ Optimization of marketing effectiveness by designing and implementing appropriate target market.
➢ Designing and implementing effective strategies to customer acquisition and retention, cross-selling and up-selling.
➢ Analyzing customer inquiries and behavior to support the decision making for the services and products.
➢ Doing churn analysis to predict the probability of customer defection.

The framework of analytical CRM is illustrated as figure 3.

Figure 3: Analytical CRM model (Dyche, 2002).
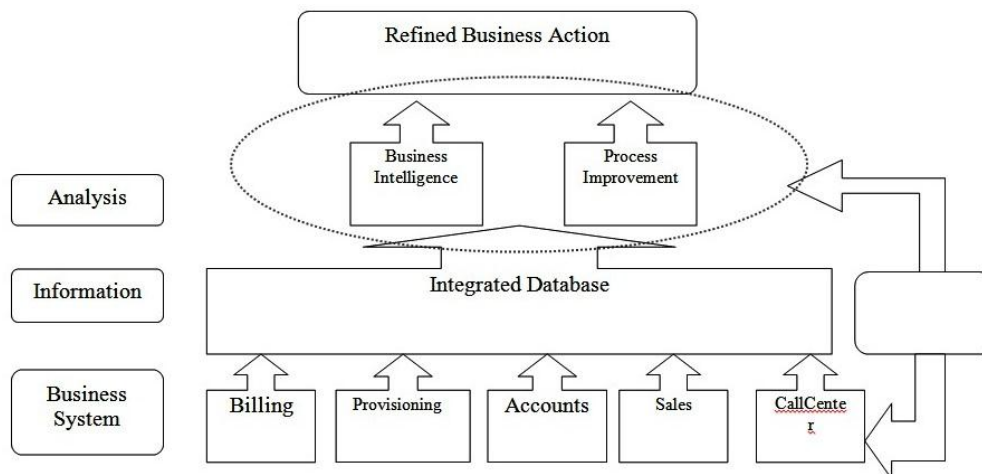
Collaborative model of CRM: The most common definition of collaborating CRM implies that collaborative CRM share different information from captured from customers by different departments such as sales, marketing, customer service, technical support services and so on. For example, the feedback from customers gathered by customer service could aid marketing department to know more about the potential services those are interest of customers. In fact, increasing customer loyalty and satisfaction is the main aim of the collaborating CRM by improvement of customer service quality.

On the other hand, the principal application of collaborative CRM is making online communities, development of business to business (B2B), and personalizes services (Rollins and Halinen, 2005; Adebanjo, 2003).

Collaborative CRM is divided to two broad aspects:

The first one is Interaction Management, which implies that, designing the appropriate interaction channel process within the firm in association with customer could increase the extent communication between both the parties. The interaction channel varies according to the variety of the customers, for example some of the customers prefer to have communication via telephone, or email result in comfort ability or less time consuming, however, some others prefer to contact via online web such as online chatting or web meeting to reduce the travelling cost and also saving time. There are some customers who prefer to have face to face meeting through the agent conduct services as they believe this method is more reliable. So this is very important for the organization to implement these methods into the CRM to meet the customer needs and enhance the interaction power for collecting the best information firm customers.

The second aspect is Channel Managementafter implementation the interaction channels. The latest technological aspects have to be applied to improve the channel communication that aid organization to contact with customers in best ways to understand customers' requirements more. Therefore, clearly arrangement of the channel duties is very important in an organization.

Previous Studies on the Relationship between Effectiveness of CRM, Customer Satisfaction and Customer Loyalty

Khaligh et al. (2012) investigated the impact of CRM in enhancement of customer loyalty and retention in telecom industry in Iran. The result 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. In fact, the mentioned factors are very important to increase customer loyalty and therefore to increase benefit of the firm (Khaligh et al. 2012).

According to the research have been done by Bhattacharya (2011), CRM, implemented in a firm or organization to reduce cost and increase company performance which means profitability result in customer loyalty. Indeed, in a successful CRM, data are collected from internal and external source of data sales department, customer service, marketing, after sales services, procurement, and so on to obtain a holistic view of each customer requirement in a real time system. This information could aid employees who are faced with customers in different area of the organization to make a fast and well informed decision from up and cross selling target market strategies to form the company in a competitive position in the market between rivals.

In fact, according to finding, this model believes to the customer perception to know more about their needs and treat each of the customers as they are only customer of the organization to solve the customer's problems. Then customer satisfaction and loyalty would be achieved through a successful CRM implementation. Therefore, organization should discover different requirements of the customer and adjust their policies according to the needs to increase the firm's profit.

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. In fact, the aim of CRM is to maintain the customer and increase customer loyalty and organization profit result in strategies and business function transformation. Customer satisfaction and pleasing are two main elements in a successful CRM implementation for retaining customer's loyalty to a firm.

Kim *et al.,* (2003) stress that each perspective of the CRM framework is evaluated by a set of related metrics. In this regards, a case study has applied by Kim *et al.,* (2003) to a company identified a K company that is 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 Kim *et al.,* (2003). Findings illustrates that, the factor which is very important to increasing customer satisfaction, customer loyalty and benefits of the firm is measurement of the performance as all the vagueness and implicit problems are exist in the top level strategic managements would be cleared, the single and explicit language would be provided in for accurate communication in the organization the speed of the change would be accelerated and facilitated.

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

➢ Project focused
➢ Internally oriented metrics, employees' adoption
➢ Externally oriented metrics, customer satisfaction and loyalty

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

a). verified customer influence in terms of loyalty and satisfaction and

b). measureable revenue development and the rest of the criteria are including:

c). enhanced information and perception

d). measurable cost drop

e). enhanced employee efficiency

f). practice by employees

g). compliance to particulars

Wang and Lo (2004) found that CRM model is based on two perspectives. The first one, measures the factors related to customer behavior such as: repurchasing, cross and up selling and customer acquisition rate, and the second one measures the relationship quality, such as customer satisfaction and customer loyalty (Wang and Lo, 2004). Data were collected from 400 randomly selected customers of two security china's company. According to the emphasizing customer equity-base view, findings explores that emotional and functional behavior of customers has positive impact on customer satisfaction and customer satisfaction has positive effect on customer behavior based CRM. Finally, the result of this study shows that customer behavior based 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 structured well, and the system should be enough capacity for data producing to accurate analysis. According to the findings of the research, any changes of the quality of the services or productions or any other segments in a firm over time could be used as an indicator to find the level of customer loyalty through a well-structured CRM strategy. Also finding shows that, if the indicators of interaction, infrastructure, and atmosphere would be linked to the object and process quality it helps to 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 used to evaluate the hypothesis, associated with customer perception customers' perception, market loyalty and market position which all provide market activities. The hypotheses were evaluated using a path analysis, which associates relationship marketing activities and performance with economic performance.

This model proposed based on performance of marketing and economic. The measures proposed as follows Izquierdo et al. (2005):

➢ The position of Market
➢ Customer Loyalty
➢ Customer insight
➢ Economic and market performance

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

As Feinberg and Kadam (2002) indicated, transferring to online business rather than traditional way of business is necessary nowadays. So in this way, implementing the internet provide an opportunity for business to use it as a tool for customer relationship management.

However, there are a lot of evidences shows CRM affects customer satisfaction, profits and customer loyalty but there should be more research about the significant influence of CRM on customer satisfaction and loyalty. So in this regards, the relationship between CRM and customer satisfaction and loyalty is attempted to uncover. According to the finding of the research there are 42 different e-CRM features that retailers differ from.

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 affecting the customer satisfaction and loyalty, some are more effective and some are less (Feinberg and Kadam , 2002).

Critical elements of CRM: Base on the above review, four critical elements of CRM are identified which are interaction management, relationship development, customer service and employees' behavior.

Interaction management

According to the Brown and Gulycz (2002), if an organization willing to make a stable relationship with its customers, there are different ways to have an interaction with them including interaction along touch points and distribution channels. As some scholars indicate that, the main purpose is to find out how and when the customers would like to interact with the organization (Prahalad and Ramaswamy, 2001). The interaction activities should be well customized and organized through the available tough points. The touch points provided in relation to the customers' profiles developed by data gathered from the former records of the customers. In fact, as Peppers and Rogers (1997) indicated, the touch points must use for distribution of different products and services and make a communication with the customers. According to the works of Lindgreen etal. (2006), Navarro et al. (2004), and Peppers et al. (1999), interaction management is implemented by a few methods such as:

a) Getting customers' feedback.
b) Provide variety of entertainment and promotion to the customers.
c) Increase the interaction with customers by attractive ways such as using social network like Facebook.
d) Record the customer purchasing trend to evaluate their bonuses and vouchers entitlement.

Relationship development

According to the Ford (1980), the study of relationship development primarily involves research into structures and processing the dyadic relationship between customer and supplier. Hakansson and Snehota (1995) argue that the relationship development process concerns an interaction where connections have been developed between two parties and relationship structure includes 3 layers including activity link, resources and actor bonds those could be used to characterize the nature of relationship between customers and organization.

The most important activity to achieve the organization's objectives and relationship development known as monitoring of the relationship management process such as service or complaint management (Brown and Gulycz 2002; Woodcock et al., 2003) this relationship process are including procedures, mechanisms, schedules, and activities in which the products and services have been delivered to customers (Christopher et al., 1991). The key performance indicators such as rate of retention, life time value of the customers, and customer satisfaction should be set by the organization (Brown and Gulycz, 2002).

According to the works of Hanley (2008), Lindgreen et al. (2006), Navarro et al. (2004), relationship development is implemented by a few methods such as:

a) Inform customers about promotions, discounts and other facilities of the organizations.
b) Encourage customers to purchase more by showing appreaciation.
c) To convince customers that their feedback are taken seriously.

Quality of services

According to Gee et al (2008) in an attempt to understand the factors that induce customer satisfaction, the concept of service quality is increasingly common in the literature. Studies show that service quality has a positive effect on satisfaction that consumer satisfaction has a significant effect on customer loyalty, and then the profitability of firms. According to the works of Hanley (2008), the quality of services could be implemented by a few methods such as:

a) Meeting customer expectation of good service level and having many varieties of products.
b) Provide good quality products with reasonable price.
c) To handle the customer complains about the products and services tactfully.

Behavior of the employees against customers

An employee that confirms the employee's organization behavior is therefore likely to strengthen the connection between the consumer and the firm. A reverse pattern of effects is to be expected when the employee disconfirms the organization personality through its' employees' behavior. In these cases, a consumer may think that the organization actually does not deliver the symbolic benefits that s/he had expected for and may evaluate the organization in a more negative choice as a result. In sum, under circumstances such as the ones described an employee will probably exert a strong

impact on organization reputation and attitudes (Coulter, 2002). According to the works of Hanley (2008) and Coulter (2002), the behavior of the employees could be implemented by a few methods such as:

a) Increase the speed of employees' response to the customer.
b) Ensure employees are friendly and respectful to customer.
c) Employees to show care and concern to the customers.

CONCLUSION

This paper concentrates to the literature on the impact of customer relationship management on customer satisfaction and customer loyalty. Base on the above literature review on various CRM models and previous studies, several critical elements that link closely with customer satisfaction and loyalty are behavior of employee, quality of customer services, relationship development and interaction management. Therefore a conceptual framework is developed as illustrate in figure 4.

Figure 4. Conceptual Framework
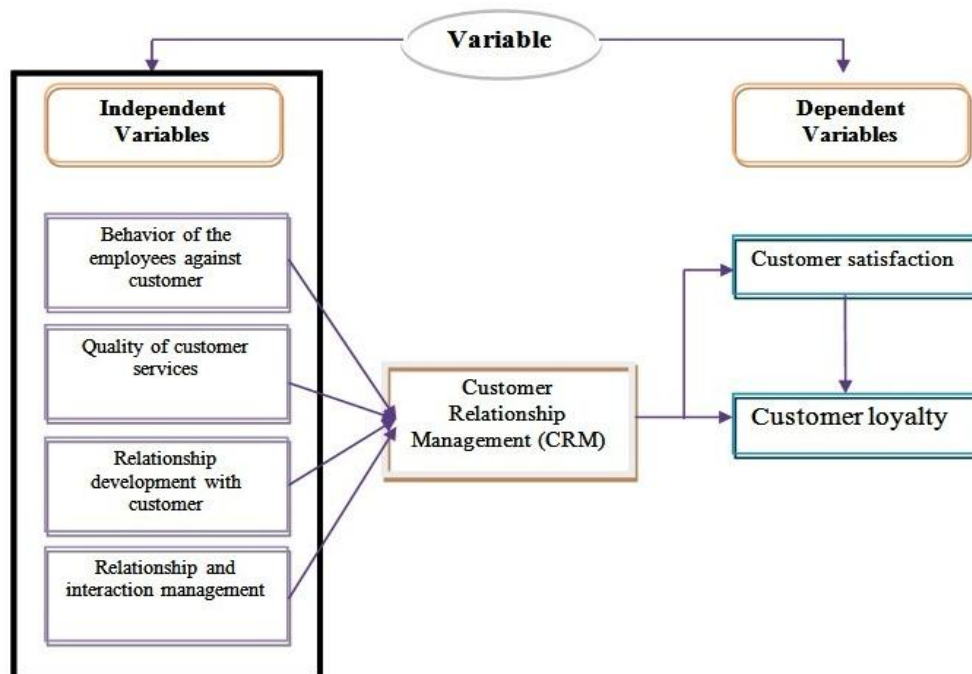
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