Chapter 8
Policymaking to Enhance Customer Loyalty by E-CRM

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ABSTRACT

This chapter is about using the methodology of system dynamics for the analysis of the effect of electronic customer relationship management (e-CRM) on customer loyalty in the banking industry. For this purpose, after reviewing the existing theoretical literature, a research model including factors describing e-CRM in the bank based on the system dynamics approach is determined. Afterward, according to views of two major decision makers of one of the branches of the Iranian Tejarat Bank, causal loop diagrams and dynamic models of the system are defined that make it possible to describe trends of the past, present, and future of the e-CRM and customer loyalty in the bank. After verifying the validity of the model with the test of model structure, the test of model behavior, and test of policy implications, policies are described and explained.

INTRODUCTION

Target in about 60% of the projects in the world is CRM. 50% of companies which could gain more than one million dollars of sales claimed that have implemented CRM, and CRM programs in only 55% of these companies contributed to establishing relationships with clients. While, 81% of the companies with less than 100 million dollars in sales and executed ready-made CRM programs confirmed the usefulness of these programs; 75% of these companies mentioned that CRM was helpful for them to build customer relationship (Soliman, 2011).

Previously, banks have been using branch-centric operations. Since 1980, with the introduction of a relational business and its multiple applications, the banking industry has been affected. The emergence of distribution channels and payment systems involving ATMs instead of cashiers, call centers instead of bank branches, electronic banking, and credit cards replacing traditional financial transactions sparked the emergence of banks in emerging e-markets.

Banks are financial and service institutions that are in direct relationships with customers to provide their required products and services. Therefore, in today's competitive market, in order to adopt strategies different from competitors' strategies, it is inevitable to collect customers' behavioral information, even from loyal customers because change of customer's behavior in banks due to financial nature of banks' functions is more sensitive and requires accurate and timely planning by the network administrators. In other words, CRM contributes to using technology and obtaining an insight into the needs and behaviors of customers and the value of customers as well.

For being effective, an organization has to decide about the required customer information and the process that should be performed with that information. For example, tracking of customers' life stages to provide appropriate banking products such as loans is an important process in many financial institutions. In addition, the organization has to search different details of processes on information such as adoption, storage, and use. For instance, the organization might apply different ways including mail campaigns, websites, brick-and-mortar stores, call centers, mobile sales force staff and marketing and advertising efforts to interact with the customer (Onut et al., 2002).

Having more detailed information from a customer enables the organization to anticipate the products that a particular customer is likely to need, this key information helps the organization to compete comprehensively in the area of marketing. A comprehensive e-CRM system creates a repository of customer information, through which the organization shows an effective response to any potential point of contact, and numerous calls are reduced. Additionally, data storage, data extraction, and

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