Chapter 6

Does Technology Acceptance Change the Way from CRM to Customer Loyalty?

An Empirical Study on the Banking Industry

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ABSTRACT

This study explores the moderating effect of technology acceptance on the relationship between customer relationship management (CRM) in terms of distribution and tailor-made functions and customer loyalty in the banking industry. The author uses LISREL two-group path analysis to find the variances between high and low technology acceptance. Data collected from the customers of nine retail banks show that commitments have a mediating effect on the relationship between the tailor-made function of CRM and customer loyalty, while technology acceptance has significant effects on both relationships between the two functions of CRM and continuance commitment.

INTRODUCTION

Since the mid-1980s, marketing has no longer merely concentrated on the design of individual interactions but has also considered or even focused on the design of the entire customer relationship (Dwyer, Schurr, & Oh, 1987). Unlike traditional transaction marketing, which considers the individual transactions in isolation and where the emphasis on winning customers and selling, relationship marketing concentrates on the long-term maintenance of the customer relationship, i.e., customer retention (Schulze, 2000).

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Banking industry is one of the typical businesses with a considerable customer base. And the relationships are a lot more than just buyers and sellers. It can be a life-long relationship. Although CRM is a recent concept, its tenets have been around this industry for some time. Banking industry is also one of the earliest adopters of CRM.

Today, many financial services organizations are rushing to become more customer focused. A key component of many initiatives is the implementation of Customer Relationship Management (CRM). CRM involves information technology and software to help manage customer information and knowledge in order to better know customers and provide more appropriate products or services. One of the results of CRM is the promotion of customer loyalty (Evans & Laskin, 1994). The benefits of customer loyalty to a provider of either services or products are numerous (Gefen, 2002; Reinartz & Kumar, 2003). A lot of research has shown the positive relationships between customer loyalty and financial success (Dalton, 2003; Sasieta, 2005; Michael, 2007).

However, the association between increased implementations of CRM systems and improved economic performance is still considered to be a question mark (Raman & Pashupati, 2004). They have been even facing serious difficulties (Raman & Pashupati, 2004). Since CRM involves IT to a significant degree, the CRM technology must play a critical role in the context of leveraging CRM-related activities and thus contributes to improved organizational performance in the market (Reinartz et al., 2004).

Functional, customer-facing and companywide are three levels of CRM (Reinartz et al., 2004). Most of the previous studies are focused on the functional implementation and little research has focused on the CRM process on the customer-facing level. Technology acceptance may affect the customers' attitudes towards the highly information-intensive CRM. Richard (2007) found that the CRM technology does have a role to play in sustaining and maintaining B2B relationships. However, the limited number of CRM specific empirical studies still needs to be further expanded and explored (Goodhue et al., 2002) or needs to be tested with larger samples (Richard, 2007).

Following Richard's findings of CRM and B2B relationship, this study is to further, with larger sample from banking customers, explores the effects of technology acceptance on the B2C relationships between CRM and relationship performance (customer loyalty in this study). We address two questions:

(1) How does the adoption of CRM link to business-to-customer relationships?
(2) To what extent does customer's technology acceptance affect the linkage between CRM and the above B2C relationships?

We begin with an overview of our conceptual model that takes into account of the key constructs and customer's technology acceptance in analyzing the linkage between CRM and B2C relationships. Hypotheses generated from this model are then tested on a sample of local retail banks. We subsequently present the empirical results from the testing. Discussion of the findings and implications on practice will be presented before the paper concludes.

CONCEPTUAL MODEL AND RESEARCH HYPOTHESES

Overview of the Model

Figure 1 presents a conceptual model of Customer Relationship Management effect in the banking services business: CRM functions, affective and continuance commitments are modeled as direct or indirect antecedents to customer loyalty and technology acceptance is modeled as moderator of the model's relationships. Banking services were chosen because they normally collect lots of information on individual customers or deal-

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