

## Chapter 5.14

# Do Mobile CRM Services Appeal to Loyalty Program Customers?

**Veronica Liljander**

*Swedish School of Economics and Business Administration, Finland*

**Pia Polsa**

*Swedish School of Economics and Business Administration, Finland*

**Kim Forsberg**

*Intrum Justitia Finland, Finland*

### **ABSTRACT**

Not until very recently has mobile phone technology become sophisticated enough to allow more complex customized programs, which enable companies to offer new services to customers as part of customer relationship management (CRM) programs. In order to enhance customer relationships and to be adopted by customers, new mobile services need to be perceived as valuable additions to existing services. The purpose of this study was to investigate the appeal of new mobile CRM services to airline customers. An empirical study was conducted among loyalty program customers (frequent flyers) of an airline that was considering using MIDlet applications in order to add new mobile services to enhance customer

relationships. The results show that customers do not yet seem to be ready to fully embrace new mobile applications. Although the services appeared to slightly improve customers' image of the airline, the services did not seem to enhance their loyalty towards it. However, customers who already used sophisticated mobile services, such as the Mobile Internet, had a significantly more positive attitude towards the proposed services. Thus the success of mobile CRM seems closely linked with customers' readiness to use existing mobile services. Before engaging in costly new investments, companies need to take this factor into serious consideration.

## **INTRODUCTION**

During the last two decades the marketing community has witnessed a transfer from transaction-based marketing strategies to an emphasis on creating interactive relationships between the company and its customers (cf. Grönroos, 2000). With the overall aim of increasing customer retention and managing customer relationships for profit, CRM has become an essential part of many companies' marketing strategies. One of the newest tools to improve individual services to customers is mobile technology. Because of the rapid development in mobile technologies, it has recently become a noteworthy tool in CRM strategies, and therefore marketing strategies will need to be developed to suit this new channel (Akhgar, Siddiqi, Foster, Siddiqi, & Akhgar, 2002; Balasubramanian, Peterson, & Jarvenpaa, 2002; Helenius & Liljander, 2005). However, so far little is known about how companies intend to incorporate mobile technologies into CRM and about the effects it will have on customer retention (Crosby & Johnson, 2001; Okazaki, 2005). The mobile channel will be of particular interest to companies that already have a loyal customer base that has trusted the company with personal information. This is the case in customer loyalty programs, which have been shown to positively affect customer retention and customer share development (Verhoef, 2003). Loyalty programs already use online services for loyalty program details, such as customer services for members and information on accumulated benefits (Lam & Chan, 2003).

One new software solution for customized relationship programs is known as Mobile Information Device Profile (MIDP). Programs subscribing to this standard are called MIDlets and are coded in Java, which by the end of 2007 will be included in most mobile devices in Western Europe (Riivari, 2005). The easy-to-use universal nature of MIDlet applications offers both corporate programmers and individual end users a convenient way to create

their own mobile programs to serve company- and user-specific needs.

Given the scarcity of empirical research on mobile CRM and the availability of new applications, the purpose of our study is to investigate how mobile CRM services, developed for a MIDlet application, are perceived by the loyalty program customers of an airline. More specifically, we study the appeal of the proposed mobile services to customers, their intention to adopt the services, and whether the services would improve customers' perceived image of the airline and enhance customer loyalty. The goal of CRM is to build a competitive advantage that distinguishes the brand from competitors and creates stronger customer loyalty (Crosby & Johnson, 2001). Since few studies have combined CRM and mobile services research (notable exceptions being Lin & Wang, 2006; Mort & Drennan, 2005), the current study contributes to the extant mobile service literature by offering a CRM perspective on mobile commerce and by investigating customers' attitudes towards mobile CRM.

The paper is structured as follows. First, the concept of mobile CRM and its benefits to customers are discussed. Second, the empirical study is introduced and the results are presented in the form of descriptive statistics. The paper ends with a discussion of the results, limitations, suggestions for future research directions, and managerial implications.

## **MOBILE CRM**

Relationship marketing and CRM are frequently used interchangeably, but equally often CRM refers to a company's technology solutions for managing relationships, such as direct mail, loyalty cards, and e-commerce (Payne & Frow, 2005; Verhoef, 2003). A common conceptualization of CRM is still lacking: it has been described as a process, strategy, philosophy, capability, and technology (Zablah, Bellenger, & Johnston,

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