THE IMPACT OF TRUST AND INTERACTIVITY ON INTENSIFYING CUSTOMER LOYALTY FOR CRM

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Abstract: Customer relationship management (CRM) is one of the most significant tools that a company can utilize in order to better acquire customers, keep them for a long term and always provide them with premium values. In addition, CRM is beneficial for labor saving purposes through efficiencies especially when consolidating with some Internet-enabled applications. Companies employ CRM in an attempt to increase their profitability and simultaneously enhance their customer interactions and loyalty. Nevertheless, in order to avoid a negative response to the relationship with the customers, companies must incorporate two important aspects of CRM to enhance customer loyalty and improve the effective usage level of CRM are trust and interactivity. In order for CRM to be productive and responsive it is important that issues such as trust and interactivity are appropriately analysed and addressed. Companies must increase their efforts to support a customer’s loyalty by creating and promoting various values including interactivity and so on. In this paper, we propose a conceptual framework to support Internet-CRM in order to optimize CRM system and strategies by increasing the levels of value proposition, brand credibility, interactivity and trust. We also provide a case study based on this proposed conceptual framework.

1 INTRODUCTION

CRM is an art of acquiring customers to have a long lasting relationship with them. Companies must take the initiative to actualize and implement CRM. CRM is a mixture of people, processes, and technology in order to understand and obtain customers for the company. CRM focuses on customer retention and build up the relationship. To get the advantage from implementation of CRM, companies must have an efficient CRM programs to get the loyalty of the customers (Chen and Popovich, 2003). In order to compete with the competitors and move alongside of the competition in today’s market, business need to have more than just a Website with professional expression; they need to absorb and involves users, thereby having a encyclopedic system and strategies to support their businesses (Chen and Sockel, 2004). CRM applications are able to provide a proper connection from front office to back office and touch points with the customers. An organization’s touch points are the Internet, E-mail, call centres, face to face marketing, fax, pagers and kiosks. CRM can be employed to consolidating these touch points to the benefit of the organization. While doing so, the company will work much appropriately in a invulnerable ecosystem(Chen and Popovich, 2003). Using CRM companies would be capable of idealize their interactions with customers and finding a 360 degree vision of customers (Chen and Popovich, 2003). Ultimately, CRM implies one-to-one or face to face marketing in the literature(Chen and Popovich, 2003). The whole study will be accomplished under the context of CRM, so, it is mandatory to know some important definitions and improvements in this area. Therefore, in this paper, we propose a conceptual framework to improve CRM system and strategies. The paper is organized as follows. Section 2 discusses the impact of the Internet on CRM, which is the main research subject of this paper. Section 3 will introduce the history of loyalty and loyalty problem as well as providing some important definition regarding that. Section 4, defines the impacts of CRM on customer loyalty programs. Section 5 describes our conceptual framework to increase loyalty, using components like interactivity, trust and value proposition and...
their relationship to enhance the loyalty. In section 6, we introduce our case study to validate our conceptual framework. Eventually, section 7, deals with research approach within which we can solve the problem.

2 IMPACT OF THE INTERNET ON CRM

CRM has been transformed during past couple of years from a customer service business unit approximately related to marketing to an electronic generator attempting to maximize the value of existing customer relationships (Clemons, 2006). CRM technology has been changed by the advent of the Internet. Various kinds of online transactions and ordering have made companies to strengthen their CRM strategies in a way to fulfill their clients. In addition companies need to create lasting bond with e-customers by proposing new approaches in a virtual environment. Moreover, the Internet has got a different E-loyalty program which should be cost-effective for the customers (Chen and Popovich, 2003). This paper aims at creating advantageousness, advisability, lifetime value, retention and satisfaction using Internet-CRM (Rygielski et al.), (Chen and Popovich, 2003). I-CRM can generate new opportunities for the buyers and the sellers to have a comfy relationship, find distribution channels and better clarify business strategies (Chen and Popovich, 2003). Organizations can take benefit from the Internet to acquire and keep clients all around the world and create usefulness and productivity (Lawson-Body and Limayem, 2004). The Internet can reveal a safe and virtual environment in which company can interact and exchange priceless ideas, face to face communication or computer mediated communication with their current or potential customers (Lawson-Body and Limayem, 2004). More customer-oriented approach to the organization, such as online ordering and purchasing, has already adjusted the level for an altering paradigm in customer service. A recent report describes how successful Web sites are in building continuous relationships with e-clients by offering services in traditionally impossible ways (Chen and Popovich, 2003). Internet-CRM which is regarded as E-CRM by some researchers, refers to the marketing activities, tools and techniques, delivered over the Internet with a particular goal to locate, build and enhance long-term customer relationships to intensify their individual potential (Lee-Kelley et al., 2003). We believe I-CRM evolves around the notions of brand credibility, interactivity, trust and loyalty. All these elements are specifically proposed to deal with the Internet based CRM.

3 THE ADVENT OF LOYALTY

The notion of enhancing the relationship of a company with its clients goes back to many years ago and has been examined those days in distribution marketing stage. Now, it is reflected as a bond builder. Nowadays, some organizations regard loyalty as a defensive marketing method and strategy (Sharp and Sharp, 1997). Defensive marketing strategies concentrate on empowering relationships of the company with its clients for a long term and probably create new connections and businesses with potential clients (Bridges and Freytag, 2009). However, it focuses on the current and potential customers and it is believed that it should happen in the early time of the sale (Sharp and Sharp, 1997).

3.1 Customer Loyalty

Today, the concept of customer loyalty is all-inclusive and it is an important research topic for the researchers and companies that need to be studies more in order to reach to the highest effectiveness. Loyalty is considered as an invaluable resource and credit in cutting edge markets of today. Moreover, customer loyalty is recognized as the probability of purchase, probability of product repurchase, purchase frequency, repeat purchase behavior and buying order (Kumar and Shah, 2004), (Anderson, 2003). At the centre of loyalty programs is the principle of bolstering whereby it is supposed that behaviors , which are rewarded will be repeated (Bridson et al., 2008). Loyalty is defined in terms of repeat buying behavior (Gommans, M . 2001). It costs a company more to attract and absorb a new customer as it does to implement a retention strategy. Reichheld and Sasser (2000) distinguished that client acquisition cost is 20 to 40 percent more than finding a new client in the physical marketplace, as mentioned in the study of the Internet clothing market. This conveyed to higher losses in the very first stages of the relationship, but after 24th to 30th month, the Internet clients probably need to spend twice as much as they used to do in the first six months (Lee-Kelley et al., 2003). A
gratified customer have a tendency of being more loyal to a brand or store over time than a customer whose buying is occurred by other causes such as time limitations and information about loss making (Gommans. M. 2001). The main goal of this loyalty and E-loyalty is to increase customers support and their level of faithfulness to the brands and the company and make the customers repeat their purchasing rates. (Cortíñas et al., 2008), (Anderson, 2003). Using infinite and broad loyalty or E-loyalty program, the company will be eligible of measuring, enhancing, controlling and managing customer profitability (Reinartz. W, 2005). The main aim of customer loyalty programs is to increase customers’ loyalty to the firm, by attempting to increase repeat purchase rates or total purchases (Cortíñas et al., 2008). The benefits of customer loyalty to a provider of either services or products include: Lower customer price sensitivity, reduced expenditure on attracting new customers; and improved organizational profitability (J., 2005). Loyalty has been measured by the probability of product repurchase (Anderson, 2003). Brand loyalty is the preferential, attitudinal and behavioral answer toward one or more brands in a product group expressed over a period of time by series of customers (Anderson, 2003).

3.2 E-Loyalty

First, we would like to have a clear definition of e-loyalty, which is going to be created in a better way, using our conceptual framework. Utilizing conceptual framework, companies can take benefit from loyalty as well as E-loyalty. An exclusive factor in E-loyalty is the impressive and eminent role of the first impression generated by a website as well as its ease of use easy exploration, loading the web pages smoothly with high speed, dependability and accuracy of the server, quick shopping and checkout procedures, and a personalized communication that the company wants to prepare (Gommans. M . 2001).

4 THE IMPACT OF CRM ON CUSTOMER LOYALTY

Using the Internet to endorse CRM admits firms to improve their customer loyalty followed by customer satisfaction in the IT sector. CRM has Seven significant factors which are customer exploring association with customers, recognizing customer anticipation, verification, companionship, interactive management, and personalization (Lawson-Body and Limayem, 2004). It is proved that the scope of CRM in terms of partnership, relationship with the clients and personalization have a direct effect on customer loyalty (Lawson-Body and Limayem, 2004). Moreover, the level of CRM existence on the Internet has a positive impact on loyalty as follows:

1-It is beneficial with a low cost to serve a loyal customer. 2-Price-sensitivity is one of the loyal customer’s characteristics. 3-Loyal customers long to be with the company all the time. 4-Word of mouth will be conveyed and admitted by loyal customers and they always tend to give concrete and certain advocacies about their popular product or service (Kumar and Shah, 2004). 5-Loyal customers tend to go for more pay outs, more purchases. Moreover, they are more accessible and consider as happy customers, and appear as useful agent for the organizations (Harris and Goode, 2004).

5 A CONCEPTUAL FRAMEWORK

Based on the literature, we propose the following model of E-loyalty with the underlying drivers consisting of, Value Propositions, Brand Building, Trust and Security, and, Customer and Loyalty.

![Figure 1: The conceptual framework.](image)

5.1 Interactivity

The interactivity illustrates a high level of validity and reliability (Liu, 2003). Despite the potential for interactivity, little attention has been paid to how interactivity might be more fully utilized (Cyr et al., 2009). (Cyr et al., 2009) Defined interactivity as the capability of a computer- enabled communication system that permits exchange of roles between the sender and receiver in real or delayed time so that
Communicators have more control over the structure, pace, and content of the communication. Although interactivity has numerous dimensions, a common theme is that the website successfully provides information to the user, is perceived as responsive, and allows a sense of connection often with other users. Interactivity alone on the Internet intensifies the relationship between personalization and customer loyalty (Lawson-Body and Limayem, 2004). In addition, it is regarded, as an important online marketing approach (Cyr et al., 2009). Interactivity is one of the items that can have an impact on loyalty. Based on some studies, there has been a lack of interactivity as a major problem in companies and no research has been done on interactivity and its relationship with loyalty and little interactivity is understood. Also, unclear results have been generated. Also, five important interactivity dimensions defined to satisfy communication needs: playfulness, choice, connectedness, information collection, and reciprocal communication (Cyr et al., 2009). Ultimately, this lack of interactivity can simply hinder the productive utilization of the Internet as a marketing communication channel (Srinivasan et al., 2002, Liu, 2003, Anderson, 2003), and (Faed, 2010). Interactivity has a positive relationship with trust and value proposition.

5.1.1 Choice

According to our conceptual framework is one of subsets of interactivity. It create motivation for the customers and some companies provide this, as a promotion or reward to their customers (Patall et al., 2008). Moreover, in another study by Dianne Cyr (2008), choice considered as an elements of interactivity (Cyr et al., 2009).

5.1.2 Connectedness

Connectedness is one of the newest marketing strategies and shows the closeness and friendship of a brand with customers. In addition, having connectedness, companies have the ability to think about different target audiences. Various ways of creating response to the customers is called connectedness. It can simply provide control over the customer and a good relationship (Cyr et al., 2009).

5.1.3 Information Collection

Information collection is another component of interactivity, which has a direct and positive effect on the whole procedure. While collecting information, we can customize it clearly in order for better communicate with our clients. What is more, due to interactive nature of the Internet, all information should be updated on daily bases (Fortin and Dholakia, 2005). (Yoo et al.)

5.2 Trust

Trust plays a central role in augmenting both behavioral and attitudinal loyalty and a critical role in generating customer loyalty. which in turn influences marketing outcome related factors like market share maintenance and price elasticity (Gommans, M . 2001). Trust is also outlined as the confidence in the exchange partner’s authenticity and integrity (Anderson, 2003). Moreover, trust is defined as “the perceived credibility and generosity of a goal. One of the primary reasons for the significance of trust or confidence in an online business is the perceived level of risk accompanied with online buying (Anderson, 2003). In addition, trust can create strong relationship with the clients and some researchers defined it as a willingness to rely on an exchange partners in whom one has confidence. Moreover trust can be described as existing when one party has confidence in the exchange partner’s reliability and integrity (Sirdeshmukh et al., 2002). Trusting beliefs can be described as consumers’ perceptions of particular attributes of vendors, including the ability, integrity and benevolence of the vendors, when handling the consumers’ transactions (Lin and Lin, 2006). Based on conceptual framework, trust has a strong positive and mutual relationship with loyalty and they can intensify each other throughout the process.

5.3 Value Propositions

Value proposition is an ancillary service that other competitors can dedicate this service to the customers better than one company. Product customization and interactivity are two exceptional value propositions that assign to E-loyalty in online buyer attitude (Gommans. M . 2001). It expresses the relationship among the performance of the product, the satisfaction of the customer’s requirements, and the total cost to the customer over the customer relationship life cycle (Payne, 2005).

5.4 Brand Credibility

Brands can affect various stages of consumer choice processes, and hence, various components of
Brands potentially play many roles in affecting consumer choice attitude. A significant factor that underlies many of these roles is consumer uncertainty about product attributes and/or benefits (Erdem et al., 2002). Brand credibility or the credibility of a brand as a signal is known as the believability of the product position information contained in a brand, which entails consistently delivering what is promised (Erdem et al., 2002). Firms can use various individual marketing mix elements to signal product quality, such as charging higher prices, offering extended warranties or distributing via high-end channels. The role that the brand can play in customer retention, as well as in promoting certain behaviors by customers that lead to long-term benefits for the firm. Brands embody the long-term experience that a customer has with a service provider; in effect, the brand is a “summary statistic” characterizing the cumulative temporal relationship between two parties, the customer and the service provider. In this perspective, the brand comes to embody the credibility of the firm, which can only be built and solidified over time through repeated customer-firm interactions, but can quickly be lost if trust is violated by the firm; this makes brand credibility a firm-wide responsibility that must concern all functions at all times. Building the credibility of a brand is recognized by consumers to be a long-term and continuing investment by the firm; hence, they behave towards the firm as if it were posting a bond that is forfeited when its promises are not kept (Sweeney and Swait, 2008). Brand is an important relational tool in the firm’s customer relationship management and is an efficient market signal that the company employ to address market information asymmetries (Sweeney and Swait, 2008). Brand loyalty is an intricate commitment to re-purchase or support a preferred product or service steadily in the future, as a consequence creating continual identical brand or equivalent brand buying, in spite of positional impacts and marketing endeavors having the potential to make changing attitude (Lin and Lin, 2006). Brand credibility encompasses two significant elements: trustworthiness and expertise and price sensitivity (Sweeney and Swait, 2008), (Payne, 2005).

6 CASE STUDY

In this section, we discuss a business case based on the conceptual framework. We proposed that the approach be assessed by means of case study in which a transformation of CRM occurs in order to adapt to the mobile business world. Company ACME Ltd. is a mobile vendor in the Asia-pacific market. The aim of the case study is to increase the level of customer loyalty and promote ACME's CRM system and CRM strategies. While ACME offers varieties of mobile phones with different features, it is situated in the mobile-commerce industry that requires some application in the context of customer relationship management to increase the perceived loyalty of the customers. Due to the lack of customers’ trust and the deficiency of perceived interactivity, the company needs a CRM-consolidated system and strategies to monitor various marketing activities. The company has an enormous production; it should act in way, to boost all aspect of the process to have a desirable output. This system will help the company and customer mutually.

6.1.1 ACME Company

The ACME, Ltd, a mobile phone company serving the Asia-Pacific area market. Acme Mobile was established in Singapore in 2002, fundamentally distributing mobile games to retailers and sellers in the region. Today, with offices in Bangkok, Manila, and Singapore, Acme Mobile distributes almost any kind of mobile entertainment subject. It has a big amount of investment on mobile industry and has various partners in this area such as Samsung, LG and Nokia. Moreover, they take benefit from different electronic commerce markets such as B2B and B2C. In addition, they have a salient customization service in which people can give order to the company. According to the model, customers have different choices which are different types of mobile phones with variety of options. Also, customers are able to order different plans for broadband. Since ACME is a mobile phone and Internet provider, it aims at initiating with interactivity toward customers. Interactivity in our model has three levels. First, we consider choice of the customers as an important aspect. Customers have different choices, for example, they can choose various plans (e.g. 30 dollar cap, pre-paid, etc.) if they intend to buy a mobile phone. Moreover, for their availability and usefulness, customers need to be prepared with different promotions. Second issue is the connectedness, which will be accessible via SMS, e-mail, fax; telephone and mobile services. This way, ACME can easily update customers with
various news and/or problems raised. The last issue is related to information collection.

6.1.2 Information Collection

The company has a variety of sources to accumulate raw data about the customers and the sort of data could be private or public and turn them all into valid and credible information. In terms of having a choice, connectedness and information collection, both customers and ACME can take a real benefit of each other and have a better perceived interactivity. Moreover, the ACME alone can acquire proper brand credibility in order to increase the sale and promote the trust of the clients. In this paper, we tend to set a motion in this process and build up the loyalty and help company to come up with such a CRM system to reinforce the validity, reputation of the company and make the people repeat their purchase. As a result, interactivity and trust increase the probability that customers will find something that they wish to buy with a good loyalty.

6.2 Brand Credibility

The company cannot sell efficiently LG products and the brand alone has a low credibility. Great brand is a brand that clients trust and believe in. When consumers cannot trust a brand they do not buy it. One of the important reasons why people go for a brand repeatedly is the credibility the brand has among the consumers. Moreover, brand credibility is defined as the believability of the product information contained in a brand, which requires that consumers perceive that the brand have the ability and willingness to bear without interruption what has been guaranteed. As an example, brand credibility can bring about price sensitivity, as it occurred to the clients in this company. The data-set will be examined by confirmatory factor analysis.

6.3 Interactivity

SMS, E-mail, face to face, fax, IM, different selections, varieties of data. We will use t-Test, ANOVA to ascertain the relationship between each sub-component with interactivity. To have a concrete interactivity, the company should have three factors which are choice, connectedness, information collection (Chen and Sockel, 2004, Lee, 2005). Moreover, interactivity alone should have other criteria such as user control and responsiveness which we overlook them in this study(Cyr et al., 2009, Lee, 2005). In addition, the feedback from well-interactivity would be efficiency, effectiveness, enjoyment and trust within which companies can receive lots of clients (Cyr et al., 2009). Lack of interactivity is a problem for a majority of web-sites as the companies cannot map their customers out(Srinivasan et al., 2002), (Srinivasan et al., 2002). In this study, we concentrate on three significant aspect of interactivity which will be discussed below:

6.3.1 Choice

Most of the times clients have a variety of choices regarding product or service but in some cases in can be limited to specified ones like changes in company’s discounts in one brand.

6.3.2 Connectedness

According to the previous studies companies should find proper ways for connecting with the clients and increase their level of interactivities with each other. Using SMS, email, IM, fax in the first level and advertising, word of mouth, branding and producing customer experience in the second phase can enrich this interactivity and are interconnected and provide a good amount of interactivity within company.

6.3.3 Information Collection

The Company needs a good information collection while it needs to have a decision-making. So, it has to be clear, actual and concise. Moreover, the source of the data should be credible enough. Interview and questionnaire, needs assessment and both need comprehensive information.

6.4 Value Proposition

B2C, B2B distribution, new delivery channels, free calls, different services, giving discount and sending precious gifts to the potential customers. For analyzing value proposition, To begin with, we should go toward ample definition. This is followed by an open-ended questionnaire with at least 100 customers. As discussed before, value proposition is kind of service or product that a competitor can provide better.

6.5 Loyalty

Most of the times, the users come back to re-purchase their popular products after ACME conducted a promotion in the recently-held conference. In addition, trustworthiness practices
behalf of the company are conceptualized and personalized differently for different clients and the clients can experience new featured services. In addition, as discussed previously, loyalty is proving that we always patronize a particular company.

6.6 Trust

Customers trust the company due to their vast amount of services but sometimes because of the risk involved in a product or service customers cannot go any further, so they shift to another seller. Company must respect commitments; control its language in its communications and in which it needs to convey its messages to the clients and above all the company should let the customers talk. Not only can our criteria turn into interactivity but they can change into trust, as well (Lee, 2005).

7 RESEARCH APPROACH

A qualitative study among customers provides further insights into the benefits of customers when participating in loyalty programs. To discover whether the value-proposition may result in a better customer experience, a company should address a value assessment to measure the relative significance that clients locate on the different aspects of a product. Logical tools like conjoint analysis may be utilized to recognize clients that supervise generally known preferences regarding product aspects. Such tools may also clarify substantial market parts with service requirements that are not absolutely provided to by the aspects of current implications (Payne, 2005). We will develop a questionnaire and survey as the major data collection method. The questions in this questionnaire, comprises of 100 questions and will follow the scales, developed in prior studies. In general, our aim is to a self-administered questionnaire survey of complains and customer feedback from our mobile commerce industry partners. Moreover, we need to apply 7 Likert-Type scales for measuring personal values. According to our Likert-scale, 1: not very important, and for 7: very important. Other scales for measuring store attributes and other notions were anchored for 1: strongly disagree, and for 7: strongly agree. The questions involves in the questionnaire should be confirmed in a pilot test. A pilot study is to be conducted among students and for that reason, it may need some revisions in the structure of the questionnaire might be created. According to the outcomes of the pilot study, all components in our conceptual framework will be clarified and chosen (Luck and Lancaster, 2003). Moreover, Confirmatory factor analysis will be conducted to evaluate the measurement for our conceptual framework, basically for trust, level of interactivity and perceived loyalty within the company. Then, the demographic elements and the advanced key plans of the samples of customers and non-customers of company will be compared, with chi-squared for explicit data followed by Student $t$-tests for the continuous data. After that, SPSS 17 will be adopted for discovering descriptive statistics and factor structures, and structural equation model will be also considered for confirmatory factor analyses to clarify the credibility of the scales. In the next stage, all kinds of feedback about CRM and perceived loyalty will be gathered and will be utilized as the main population for our study. In the next phase, we will take an accidental sample of the population. For having a satisfactory assessment we will use a five-point Likert-type scale was applied ranging from 1 = completely satisfied to 5 = dissatisfied. Process of loyalty program in our study then, will be measured by some items, on item for each of the components of the process. The clients will be asked to express their degree of satisfaction or dissatisfaction on the same five-point Likert-type scale from “totally satisfied” to “dissatisfied”. About interactivity, it could be measured by some variables like, Face to face, Telephone, fax, E-Mail in order to calculate the level of interaction, communication and number of contacts that the company have with the customers whether new or potential. Several measures of interactivity have been utilized in experimental researches (Liu, 2003).

8 CONCLUSIONS

The Internet is dragging us closer to the electronic marketing’s concept of a complete market, many goods and services will be sharply perceived valuable by the assistance of the Internet. This work is being carried out to propose our conceptual framework for the success of CRM. This framework consists of key elements including value proposition, trust, interactivity, brand credibility as antecedents of loyalty under the context of CRM. We provided a detailed case study to qualitatively demonstrate the effectiveness of our conceptual framework. Future work needs to be carried out to quantitatively validate the conceptual framework.
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