

The Effects of CRM Practices And Multiple Channels on Customer Behavioral And Attitudinal Loyalty in Financial Services

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Abstract

Rising world affluence and an aging global population have led to expansive growth in the financial services market in recent years. When coupled with advances in information technologies (IT) and the Internet, the demand for services opens global opportunities for financial service firms and consequently will heighten competition. To gain a competitive edge, many firms have turned to customer relationship management (CRM) to seek a greater understanding of their customers' needs and expectations, and better manage their customer care to gain customer loyalty. However, financial services firms entering global electronic marketplaces face a special challenge in building loyalty and trust. In the absence of face-to-face meetings, firms must devise other means or channels to interact and collaborate with their customers. The results of a survey conducted on financial services consumers in Taiwan suggest that CRM practices in loyalty programs and cross-selling, customer satisfaction and customization, and multiple channels have positive effects on behavioral and attitudinal loyalty. However, multiple channels has a moderating effect on the relationship between customer service and customization, and behavioral loyalty, and a partial effect on loyalty programs and crossing-selling with attitudinal loyalty.

Keywords Customer relationship management, e-commerce, financial services, customer loyalty

I. INTRODUCTION

Rising world affluence and an aging global population have led to expansive growth in the financial services market in recent years. Pricewaterhouse Coopers reports that a worldwide aging population with sizable inflows of retirement-related funds into capital markets, growing discretionary incomes and rising affluence in the US, EU, China and India, and escalating economic development in China and India are the primary drivers of this growth. In the US, the assets of the financial services industry surpassed US\$46.3 trillion in 2004 and are expected to

grow 7 percent by 2008. Worldwide markets are expected to grow as well. When coupled with advances in information technologies (IT) and the Internet, the demand for services opens immense global opportunities for financial service firms and consequently will heighten competition. Information technology (IT) has already proven itself as a key driver of existing markets and a facilitator to penetrating emerging electronic markets (e-markets).

Yet, continuous changes in the financial services environment destabilize the industry. Mergers and acquisitions, squeezed margins resulting from falling returns and rising costs, declines in experienced management, staff and sales force personnel, and new regulatory requirements have led to changes in competition and the way in which financial service firms compete [17]. Mounting global competitive pressures have also contributed to environmental changes. Given the dynamic nature of the industry, financial services firms are beginning to place greater emphasis on business practices that maintain a core of loyal and lucrative customers. Recently, many have turned to customer relationship management (CRM) to seek a deeper understanding of their customers' needs and expectations, and better manage their customer care. The knowledge they gain can provide a competitive advantage through the development of tailored products and services that not only match their customers' immediate needs but also satisfy their future evolving needs.

However, e-commerce and the Internet pose a special challenge to financial service firms. In the absence of personal face-to-face meetings, businesses engaged in global e-commerce must rely upon technology-based means to effectively interact with customers to gain their trust and loyalty. Add to this the convenience of the Internet for increasing consumer awareness and knowledge of alternative products and services, the challenge of maintaining a core base of loyal customers becomes even greater. Thus, identifying factors that lead to loyalty is crucial. *With e-commerce, how does a financial services firm build customer loyalty in geographically dispersed marketplaces and across distant relationships in lieu of*

personal face-to-face contact?

This study examines the relationship between two CRM practices, loyalty programs and cross-selling, and customer service and customization, and behavioral and attitudinal customer loyalty. In the financial services industry, customer loyalty has emerged as a key driver of profitability as loyal customers *purchase* more. Loyalty programs and cross-selling provide incentives for customers to remain with a business. In the case of loyalty programs, the business retains its customers by recognizing them for their patronage through means, such as points (e.g., frequent flier miles) and exclusive promotions. Cross-selling increases the value of a customer's purchase with an array of complementary product and service offerings as well as others that anticipate their future needs. The objective of both is to retain the customer through satisfaction. Customer service and customization reflect the quality of the interactions between the customer and business. While customer service plays a major role in connecting the customer to the firm, customization links the firm to the customers and leads to customized products and services that embody its understanding of their needs and expectations. However, two forms of loyalty exist, behavioral and attitudinal, and the emphases of the two CRM practices may shift with each form. Nevertheless, a financial services firm will benefit from the resources it commits to developing its CRM practices in greater customer loyalty.

II. Background

To gain an advantage over its competitors, many financial services firms are investing in CRM. They seek to better understand their customers' investment habits and behaviors to develop products and services that meet their financial needs in ways that recognize their individuality and cannot be easily duplicated or imitated by competitors. Ultimately, these services along with the care customers receive will lead to customer loyalty.

A. Customer Relationship Management Practices

CRM embodies the modern marketing paradigm of relationship management (RM) and leverages IT to acquire customers, understand and satisfy their needs and expectations, and maintain their long-term relationships through retention programs, particularly those that build loyalty. RM focuses the business on identifying, maintaining and enhancing customer and stakeholder relationships through trust and the fulfillment of exchanges and promises [22]. It emphasizes initiating and nurturing individual long-term relationships over anonymous mass marketing approaches. With RM, the business adopts a one-to-one, customer-centric marketing philosophy and directs its resources towards supporting it (philosophy).

CRM also expands upon RM with its emphasis on information management [35], and draws upon IT to enhance its various capabilities (i.e., database, analysis, communication, etc.). It targets the right customer with the right product or service through the right channel at the

right time [49] and involves attracting (acquiring), developing and maintaining successful customer relationships over time [5], [11], and building customer loyalty [28] through efficient and effective two-way dialogues [37] that seek to understand and influence customer buying behaviors and improve customer acquisition, retention, loyalty and profitability [11], [28], [37], [49].

Although not entirely built on IT, CRM involves IT-enabled business processes that identify, develop, integrate and focus a business' competencies on forging valuable long-term relationships that deliver superior value to its customers [42]. It allows businesses to quickly identify their most valuable customers, and learn about (i.e., develop, maintain, interact) and consequently better respond to their needs and expectations (i.e., emotional content, output) through customized products and services [36]. Thus, CRM improves a business' ability to acquire and retain customers and build their loyalty, a competitive asset [12]. As the relationship flourishes, both the business and customer benefit.

CRM practices involve the actions a business takes to retain its current customers and attract potential customers through personal touches in fulfilling and satisfying their individual needs. These practices include customer segmentation, database marketing, customization and one-to-one marketing, proactive selling, cross selling, loyalty program, and customer referral [30], [36], [49]. In this study, CRM practices pertain to those concerned with customer service and customization, and loyalty programs and cross selling.

CRM Practices in Customer Services and Customization

Customer service represents the vital interface between the customer and a business, and allows customers to communicate with the business and obtain desired information in a timely manner [3]. By drawing customers closer to the business, it helps satisfy their psychological and physical needs and affects the customers' goodwill, willingness to interact and loyalty. As the features and quality that once differentiated products, services and brands become less discernible, customer service will emerge as a key driver to a business' success and contribute to a sustainable competitive advantage. Parasuraman et al. [34] identified ten dimensions of service quality: service delivery, reliability, responsiveness, competence, courtesy, credibility, security, access, communication and understanding the customer. For a business to succeed, it must address each of these dimensions.

The criticality of customer service cannot be underestimated in service industries where service failures and poor service recovery have been attributed for over half the cases of brand switching [16]. Customer service represents the social encounter the customer has with the business [21], and has been associated with quality perceptions and buying decisions [13]. Because the (customer) behaviors that emerge from the service encounter often determine the customer's interpretation of the business' intentions, customer service will affect his/her

satisfaction, perceptions of the product or service, and eventually loyalty [21]. Therefore, service quality can increase the customer's favorable behavioral intentions (to purchase) and decrease his/her unfavorable intentions (to switch, bad-mouth and complain) [51].

Customization provides the business with a distinct competitive advantage through products and services that more precisely fit the individual customer's needs, preferences and expectations, and competitors find difficult to duplicate, imitate or substitute [35]. In contrast to mass-marketed items, customization adds value that cannot be easily obtained elsewhere. Thus, the objective of customization is to provide customers with superior value that meets their individual needs [50]. Pine et al. [40] describe customization as a product of a learning relationship between the business and its customers. It involves eliciting customers for their ideas, converting this information into organizational knowledge and integrating this knowledge into the production process [41]. Hence, dialogs that foster collaboration and further cultivate the relationship underlie the basic success of customization.

Another benefit of customization is lock-in. If the customization adds a strong sense of value to the customer, customer lock-in ensues [10], [39]. Achieving this hinges on accurately knowing what the customer wants. The knowledge the business gains from its customers can lead to products and services that create greater satisfaction and garner loyalty [38] as well as other operating benefits, such as reduced costs and sustained profitability.

CRM Practices in Loyalty Programs and Cross Selling.

A major goal of CRM is to capitalize on future opportunities presented by a core group of long-term customers. Two approaches for retaining these customers have been loyalty programs and cross selling. Loyalty programs play an important role in retaining customers and linking the business to future opportunities. The objective of a loyalty program is to build a positive attitude toward a brand and provide the customer with an incentive to patronize the product, service or brand. A successful program will decrease its members' purchase of non-program brands, and increase their allocation, repeat-purchase rates, usage frequency, propensity toward exclusivity and switching to program brands [46].

Prior studies have found that the development of loyalty programs frequently leads to increases in repeat-purchases and profitability [45], decreases to price sensitivity [44], and raises barriers of entry to markets by making it difficult for new entrants to court customers away from existing businesses [46]. Furthermore, loyal customers tend not to consider alternatives or shop for lower prices [21]. The market research studies of Hughes [24], and Reichheld and Sasser [45] strongly suggest that loyalty programs can increase business revenue and total customer market share. For example, Reichheld and Sasser note that a 5 percent increase in the customer retention may result in a 25 to 95 percent net present value increase in profits as observed over 14 industries. Moreover, the retention costs have been reported at five times less than acquisition costs of new

customers [29].

Cross selling refers to the strategy of pushing new products to current customers based on their prior purchases of a single brand. Butera [7] defines cross selling as the practice of promoting additional products and services to existing customers in addition to ones they already have. It is designed to widen the customer's reliance on the business and decrease the likelihood of the customer switching to a competitor. In contrast to loyalty programs which focus on providing incentives to lock-in customers, cross selling seeks to identify new products to customers based on their previous purchases and buying habits. It is often seen as an indicator of the breadth of a relationship [6].

Successful cross selling requires an information infrastructure for collecting, storing, analyzing and sharing customer information throughout the organization [26], [48], and IT-based analytical tools that identify opportunities [15]. With a wealth of information, the business can mine its data to increase the accuracy of its marketing efforts by identifying the greatest prospects for marketing efforts [20].

B. Multiple Service Channels

IT and the Internet have opened new ways in which businesses communicate and interact with their customers. With traditional businesses, customer interactions were carried over human interface-based channels, including face-to-face meetings, the telephone, faxed messages and direct mail. However, advances in IT and web technologies have expanded the channels to include e-mail, interactive kiosks and television (iTV), mobile commerce (m-commerce) and the Internet. Although more businesses are adopting the Internet as a standard tool for sales and services, its success must be supplemented by other interactions [47]. Howard and Worboys [23] suggest that customers create service portfolios of preferred channels and clearly use them, depending on context and occasion. Thus, the support of multiple channels benefits the business.

Muller-Lankenau et al. [33] cite a Doubleclick Inc. report that indicates multiple channel customers tend to be more loyal, spend significantly more money and are two to three times more profitable than single channel customers. A study conducted by Howard and Worboys' [23] suggests self-service channels that leave the customer feeling valued and empowered will achieve greater satisfaction, thereby generating positive word-of-mouth and increasing the likelihood of future customer interactions. The integration of all channels plays an important role to ensure the customer remains in contact with the business. By managing its channels, a business benefits from reduced time-to-market through effective marketing involvement in product development, and shorter cycle times for creating, tracking, approving and distributing promotional material [19].

C. Customer Loyalty

Oliver [43] defines loyalty as a deeply held commitment

to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same-brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviors. Although frequent usage and satisfaction with a product or service are frequently associated with loyalty, they by themselves insufficiently serve as precursors to loyalty. The study of Alexander et al. [2] indicates that satisfaction's effect on loyalty is more apparent in customers who are inexperienced with a brand than those who are (experienced) due to an evolutionary process that drives loyalty. The customer's attitude toward a service or product (brand) including attitudinal preference and commitment has a greater impact on forming loyalty [25]. Goodwin and Gremler [21] cite quality in a relationship as a necessary element in defining loyalty. Furthermore, Cronin et al. [9] associate service quality, perceived value and customer satisfaction with loyalty.

Day [11] suggests that two dimensions comprise loyalty: behavior and attitude. The behavioral dimension is characterized by consequential actions (i.e., as a result of loyalty), such as repeat purchases, share of wallet (i.e., value a customer places on a brand) and word of mouth. However, the customer does not necessarily hold a favorable attitude towards the brand [14], and repeat purchases may be due to convenience, habit or high switching costs [18].

In contrast, the attitudinal dimension includes formative behaviors as commitment, a desire to maintain a valued relationship [31]; trust, a willingness to rely on an exchange partner in whom one has confidence and embodies integrity and reliability in the relationship [31], [32] and a strong emotional attachment that reflects a customer's bond with a brand. Jacoby and Chestnut [25] describe attitudinal loyalty as a consumer's predisposition towards a brand as function of psychological processes. Attitudinal loyalty results from the development of attitude and leads to positive behaviors, including word of mouth (WOM) advertising and price insensitivity (i.e., not sensitive to price).

III. RESEARCH MODEL

Figure 1 illustrates the study's research model. It proposes that a financial service firm's CRM practices have positive effects on both behavioral and attitudinal loyalty. Multiple channel moderates the relationships between CRM practices and customer loyalty, such that as multiple channels increases the effect CRM practices have on customer loyalty. The following hypotheses have been developed to test the relationships.

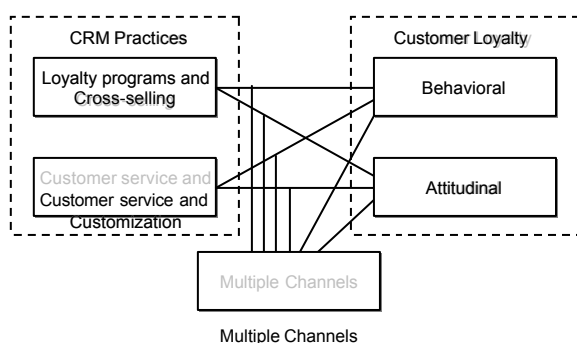


Figure 1. Research model

CRM practices focus on retaining customers through product and service offerings that more precisely match their needs and expectations. Customer service and customization represent the interactions between the customer and financial services firm. Customer service provides a crucial means for customers to interact with the firm and develop their perceptions of it and its intentions, satisfaction with the products and services, and trust. While customer service *listens*, customization *responds* to specific needs. Customization embodies the firm's understanding of the customer's needs and expectations, and provides the opportunity for the firm to lock-in customers. Both allow the firm and customer to exchange (share) information and collaborate. As the relationship develops, the customer engages in repeat purchases and behavioral loyalty ensues.

Loyalty programs and cross-selling have similar effects on behavioral loyalty. Loyalty programs provide incentives to the customers to maintain their relationships and evoke a sense of value (in the relationship) since they are recognized (i.e., extended preferential treatment, exclusive offers, etc.) and rewarded (i.e., redeemable points, perks, etc.) for participating in the relationship. They lock-in the customers by increasing their switching costs. Similarly, cross-selling enhances or increases the breadth of the relationship through added-value product and service offerings that increase the value of the customer's patronage and further fulfills his/her current and future needs. For financial services firms, this may involve selling different types of accounts to suite the customer's changing lifetime needs. As in the case of customer service and customization, the objective of the loyalty programs and cross-selling is to leverage the relationship to lock the customer into repeated purchases.

H1: CRM practices are positively related to behavioral loyalty

H1a: CRM practices in customer service and customization are positively related to behavioral loyalty

H1b: CRM practices in loyalty program and cross selling are positively related to behavioral loyalty

While repeat purchases characterize behavioral loyalty, a customer's emotional attachment to the firm forms with attitudinal loyalty. For global financial service firms, attitudinal loyalty is more critical since such customers are less inclined to switch despite the convenience of the Internet. To achieve attitudinal loyalty, customer service must focus on fulfilling the customer's psychological needs, including the quality the firm projects in its relationship as well as on its service and product offerings. Quality is seen as the perceived value a customer expects to receive (e.g., *Will the benefits of a service place the customer in a more advantageous position?*). The quality of the dialogs will appear in the customized products and

services and set an expected level of performance and value that will eventually extend over the entire brand. Thus, customer service and customization play important roles in forming a customer's attitudinal loyalty.

Loyalty programs and cross-selling are not only meant to retain customers, but add value to the relationship, such that the value appeals to their (customers') emotions. Loyalty programs that bestow an elitist status on high revenue customers appeal to their emotions and consequently shape their attitudes towards the firm. When coupled with loyalty programs, cross-selling that involves exclusivity has an emotional appeal and builds greater trust. If the cross sold products and services are also perceived as having the same quality, trust will extend over the brand. Rather than being satisfied with individual products and services, the customer becomes emotionally attached to the firm.

H2: CRM practices are positively related to attitudinal loyalty

H2a: CRM practices in customer service and customization are positively related to attitudinal loyalty

H2b: CRM practices in loyalty program and cross selling are positively related to attitudinal loyalty

Communication (interaction) with a customer is an essential element to creating customer loyalty. Because the purpose of a communication depends on the task and the need for information, a customer will choose or prefer a channel fitting of the task. For example, promotional announcements may be better suited for email or faxed messages while problems with a service are better handled interactively over the phone or through instant text messaging. For financial services firms, multiple channels play importantly in matching the medium (of communication) to the information or task, particularly when urgency or speed may be required, to support repeated purchases or frequent service (i.e., behavioral loyalty). Interactions over multiple channels also contribute to forming customer satisfaction and creating value that leads to emotional attachment (i.e., attitudinal loyalty). Thus, for financial services firms competing in a global marketplace, multiple channels keep customers connected to the firm and increase retention through lock-in and higher switching costs.

H3: Multiple channels is positively related to customer loyalty

H3a: Multiple channels is positively related to behavioral loyalty

H3b: Multiple channels is positively related to attitudinal loyalty

Communication between a financial services firm and its customers is crucial to customer loyalty in a global e-commerce environment. IT and the Internet have made shopping online and switching convenient, thereby casting greater challenges on gaining a customer's loyalty. The actions and activities involved with CRM practices focus

on creating loyalty. Yet, they alone cannot achieve it without interactions between the firm and customer. Interactions are vital to the success of customer service and customization. Similarly, loyalty programs and cross-selling involve communicating to the customers the benefits of maintaining their relationships with the firm. Depending on the context and occasion, customers will select a means for interacting, such that the number of choices will bear on their satisfaction and retention. The investments and resources a firm dedicates to supporting multiple channels will moderate (enhance) the effects of its CRM practices on a customer's behavioral loyalty.

H4: Multiple channels moderate the relationship between CRM practices and behavioral loyalty

H4a: Multiple channels moderate the relationship between customer service and customization, and behavioral loyalty

H4b: Multiple channels moderate the relationship between loyalty programs and cross-selling, and behavioral loyalty

The perceived quality or dedication customers see in their interactions with the firm will have an impact on their attitudinal loyalty. Multiple channels that effectively and efficiently support a customer's different needs or inquiries will project a favorable image of the firm. For customer service and customization, interactions will determine whether the product or service embodies a rich understanding of a customer in fulfilling an emotional or psychological need (e.g., does the product help project a certain social image). Multiple channels and interactions will also play into the extent to which loyalty programs and cross-selling appeal to customer emotions. In the US, major airline companies have dedicated channels to serve their elite frequent fliers. As a result, these fliers are less swayed by price and routing convenience. Thus, multiple channels will moderate the relationship between CRM practices and attitudinal loyalty.

H5: Multiple channels moderate the relationship between CRM practices and attitudinal loyalty

H5a: Multiple channels moderate the relationship between customer service and customization, and attitudinal loyalty

H5b: Multiple channels moderate the relationship between loyalty programs and cross-selling, and attitudinal loyalty

A financial services firm's CRM practices play an important role in establishing customer relationships, incorporating customer needs and expectations into quality and value-added products and services, keeping customers satisfied and appealing to their psychological needs. CRM keeps the firm in tuned with its customers through efficient and effective IT-enabled tools and methods.

IV. METHODOLOGY

A survey was conducted of financial services consumers in Taiwan. Of the 272 questionnaires distributed, 253 were returned completed (and usable) for a response rate of 93 percent. Participants were asked to think about their most recent experience with a financial services provider (i.e., bank, investment, mortgage, loan or insurance company, brokerage firm, etc.) when responding. The questionnaire contained 26 items related to loyal programs and cross-selling, customer service and customization, multiple channels, and behavioral and attitudinal loyalty. Participants recorded their responses on five-point Likert-type scales (1 = strongly disagree, 5 = strongly agree).

Measures (items) were drawn from prior studies. Prior to its release, six experts reviewed the questionnaire for clarity and accuracy in capturing the intended responses. After making adjustments, the questionnaire was pre-tested on a group of 50 persons, which resulted in further refinements.

A review of the demographics shows 55.3 percent of the respondents were female, 37.2 percent were between the age of 26 and 35, and 67.2 percent have a college education (a surrogate for affluence).

V. ANALYSIS AND DISCUSSION

Tables 1 through 3 summarize the results of the regression models (Models I through VI) used to test the relationships. Model I (Table 1) tested the relationship of customer service and customization, and loyalty programs and cross-selling on behavioral customer loyalty. The results suggest that both have positive relationships with behavioral loyalty and support H1. The standardized coefficients indicate the weight each independent variable has on behavioral loyalty. Although the model is significant ($F = 16.77, p < .001$), the low R-square (.168) suggests other factors not captured in the model account for a greater portion of the variation.

The results of Model II (Table 1) also suggest that customer service and customization, and loyalty programs and cross-selling have positive relationships with attitudinal customer loyalty, and support H2. As in the case of Model I, the low R-square (.238) indicates other variables not captured in the model account for a greater portion of the variation. However, of the two models, the two CRM practices may be better directed toward building attitudinal loyalty.

Models I and II tested the relationship between multiple channels and customer loyalty. The positive results support H3 and suggest that multiple channels have positive effects on both behavioral and attitudinal loyalty. Support for H1 through H3 allows further testing for the moderating effect of multiple channels.

Models III and IV (Table 2) tested the moderating effects of multiple channels on the relationship between CRM practices and behavioral loyalty. A moderating effect suggests that changes to the CRM practices will have a similar effect on customer loyalty as influenced by changes in multiple channels. The models include an interaction variable to represent the moderator (i.e.,

customer service and customization x multiple channels, loyalty programs and cross-selling x multiple channels) [4]. The positive results of the moderator ($t = 2.46, p < .05$), customer service and customization ($t = 2.96, p < .01$), and multiple channels ($t = 4.13, p < .001$) variables lend support to the moderating effect (H4a supported). However, the non-significance of the moderator ($t = 1.51, p = .132$) in Model IV does not provide support for H4b. Thus, multiple channels does not moderate the relationship between loyalty programs and cross-selling, and behavioral loyalty.

Models V and VI (Table 3) do not yield positive results to strongly support the moderating effects of multiple channels on CRM practices and attitudinal loyalty. In Model V, the moderator is not significant ($t = 1.23, p = .218$), and therefore multiple channels has no effect on the relationship between customer service and customization, and attitudinal loyalty (H5a not supported). The results of Model VI partially supports the moderating effect (moderator $t = 1.91, p = .057$) on loyalty programs and cross-selling, and attitudinal loyalty (H5b partially supported) and further study is recommended. As in the case of Models I and II, the low R-squares for Models III (.161), IV (.162), V (.225) and VI (.216) suggest other factors not captured in the models account for a large portion of the variation.

In summary, the results of the study suggest that multiple channels moderates (enhances) the relationships between customer service and customization, and behavioral loyalty, and to a lesser extent (i.e., marginally) between loyalty programs and cross-selling, and attitudinal loyalty.

A. Discussion

In the financial services market, firms have turned to CRM to improve customer experiences, build new relationships, connect to customers in emerging market segments, and connect customers to their products and services. Although firms have deployed CRM for various purposes, its greatest potential lies in understanding and anticipating customers' needs and expectations, and innovatively converting this knowledge into products and services that eventually capture their loyalty. Thus, it is important that the way in which a firm approaches its CRM practices and customer care, and presents itself will have an impact on the longevity of its customer relationships and loyalty. For firms to achieve behavioral and attitudinal loyalty, they must first make certain their customers are satisfied since a loyal customer is a satisfied customer. This becomes a greater challenge for firms conducting business in global electronic marketplaces and building long distant relationships. As Pricewaterhouse Coopers recommends, firms must use technology to match products to their target customers' needs, and generate information for finding, cross-selling and retaining their customers. Moreover, firms that invest in improving their customer care practices and direct their resources toward enhancing the customer experience increase their chances of retaining their customers.

Interactions play a vital role in supporting customer

service and customization. In a global electronic marketplace, the absence of face-to-face meetings requires a firm to seek other means to engage in effective and efficient two-way dialogs with its customers and understand and influence their behaviors. Hence, it behooves a financial services firm to deploy multiple channels of communication that are best aligned to satisfying its customers' communication needs. The results of this study suggest that customer repeat purchases and share of wallet, consequential actions characterizing behavioral loyalty, may be due (in part) to the convenience of interacting with the firm's customer service and collaborating in customization. For customer service, channels supportive of efficient and effective communication will yield greater levels of customer satisfaction, trust and behavioral loyalty, such that the better the customer care experience, the more likely the customer will patronize the business. Similarly, successful customization requires effective interactions, not only through directed dialogs but over a broad range of communications to detect behaviors, such as buying habits, preferences and involvement. Thus, interactions supported through multiple channels tend to enhance the effects of customization on behavioral loyalty.

Multiple channels partially influence the effects loyalty programs and cross-selling has on attitudinal loyalty. Since their inception, loyalty programs have been successful in courting and retaining customers. However, the ubiquitousness of loyalty programs and the selective sophistication of customers have dampened their effect [8]. To reinvigorate their effectiveness, loyalty programs must instill a sense of value-added and leverage their benefits to draw customers toward further commitment with unique, emotional and compelling rewards. Effective interactions between the firm and customers must convey these benefits to create an affective response. Multiple channels appear to enhance the effects loyalty programs by helping customers form positive attitudes toward the firm.

Cross-selling also benefits from multiple channels. Interactions that promote cross-selling will help form attitudinal loyalty. The motivation for cross-selling is three-fold: most customers prefer having a single point of contact for their financial services (Adamson, 2006), the more products a customer holds, the less likely he/she will leave and the more likely he/she will hold higher balances in his/her accounts [27], and while the odds of selling to a new customer are 15 percent, the odds to an existing customer are 50 percent [1]. Therefore, the key to interactions is not only for understanding and satisfying the customer's current needs, but using them to remain vigilant and communicate a sense of responsiveness that appeal to his/her emotional attachment.

In all models, the selected CRM practices in this study accounted for a small portion of the variations. Future studies might examine the effects of other practices, such as database marketing, customer referral, proactive selling and customer segmentation, and the extent to which culture or societal differences affect responses.

Advances in IT and the maturity of e-commerce have benefited financial services and placed them into a global marketplace. Enlisting technology to reach customers worldwide has become a necessary condition to firms. Yet, the same technology that enables firms to solicit customers also enables customers to be more selective and exert their buying power. Thus, firms must carefully focus their CRM applications on activities that underlie the development of both behavioral and attitudinal loyalty, including customer service and customization, and loyalty programs and cross-selling. Of the two, attitudinal loyalty is lasting and more beneficial, but takes more commitment and time to bring to fruition. However, behavioral loyalty will be more applicable to pursuing new or inexperienced customers.

It is important for financial services firms completing in the Internet-enabled global marketplace to recognize the CRM practices that they will benefit from, particularly gaining the long-term loyalty of their customers. In an e-commerce environment where business is conducted remotely and electronically, the methods practiced in face-to-face settings have given way to less personalized, technology-based ones. Thus, knowing how to connect to customers by recognizing the CRM practices with the greatest returns is vital to a firm's longevity.

VI. CONCLUSION

CRM has opened several opportunities for financial service firms competing in global electronic marketplaces. Most importantly, it allows firms to keep track of their customers, establish learning relationships, open channels of communication and engage in meaningful dialogs with their customers. Because e-commerce removes the face-to-face interactions, the challenge for firms is on *electronically* building customer loyalty. The two CRM practices examined in this study, customer service and customization, and loyal programs and cross-selling, are important, although not sufficient for developing behavioral and attitudinal loyalty. The analysis indicates other factors not captured in the survey may have a more significant impact in determining behavioral and attitudinal loyalty. For financial services firms that are engaged in e-commerce and have adopted CRM, emphasizing these practices will help achieve long-term customer loyalty.

Table 1. Direct effects on behavior and attitudinal loyalty

		Model I			Model II		
		<i>Dependent Variable</i>					
		Behavior Loyalty			Attitudinal Loyalty		
		Std. coefficient	t-value	VIF	Std. coefficient	t-value	VIF
<i>Predictors</i>	Customer service and customization	.130	2.00*	1.267	.208	3.34***	1.267
	Loyalty programs and cross-selling	.191	2.88**	1.316	.156	2.45*	1.316
	Multiple channels	.207	3.19**	1.266	.266	4.28***	1.266
	R-square	.168			.238		
	F	16.77***			25.97***		
	n	253			253		
*Significant at $p < .05$, **Significant at $p < .01$, ***Significant at $p < .001$							

Table 2. Moderating effects on behavioral loyalty

		Model III			Model IV		
		<i>Dependent Variable</i>					
		Behavioral Loyalty					
		Std. coefficient	t-value	VIF	Std. coefficient	t-value	VIF
<i>Predictors</i>	Customer service and customization	.184	2.96**	1.151			
	Loyalty programs and cross-selling				.241	3.78***	1.208
	Multiple channels	.257	4.13***	1.153	.234	3.69***	1.197
	Customer service and customization x multiple channels (<i>interaction</i>)	.143	2.46*	1.003	.088	1.51 (<i>n/s</i>)	1.010
	Loyalty programs and cross-selling x multiple channels (<i>interaction</i>)						
	R-square	.161			.162		
	F	15.91***			16.09***		
	n	253			253		
*Significant at $p < .05$, **Significant at $p < .01$, ***Significant at $p < .001$							

Table 3. Moderating effects on attitudinal loyalty

		Model V			Model VI		
		<i>Dependent Variable</i>					
		Attitudinal Loyalty					
		Std. coefficient	t-value	VIF	Std. coefficient	t-value	VIF
<i>Predictors</i>	Customer service and customization	.253	4.23***	1.151			
	Loyalty programs and cross-selling				.232	3.76***	1.208
	Multiple channels	.309	5.16***	1.153	.311	5.06***	1.197
	Customer service and customization x multiple channels (<i>interaction</i>)	.069	1.23 (<i>n/s</i>)	1.003			
	Loyalty programs and cross-selling x multiple channels (<i>interaction</i>)				.108	1.91 (<i>n/s</i>)	1.011
	R-square	.225			.216		
	F	24.05***			22.82***		
	n	253			253		
*Significant at $p < .05$, **Significant at $p < .01$, ***Significant at $p < .001$							

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