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## Increasing the loyalty effects of eCRM across the service delivery cycle

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### Abstract

*eCRM increasingly supports all agents and customers in their mutual contacts. To generate returns on eCRM investments, providers use loyalty as a profit driver. However, little is known about the ‘service elements’ that can be used to improve customer loyalty. Especially for ICT (Information- and Communication Technology) service providers, loyalty is an important business metric. Moreover, the sector is characterised by specific service challenges (delivery and installation, billing, problem resolution). The main research question of this paper is: which service elements may help improve the loyalty of customers of ICT-providers, as part of a centralized eCRM approach? A survey (n=401) was conducted among Dutch consumers, evaluating 54 service elements. It was found that (1) some service elements which are regularly used (including loyalty points and customer communities) are not viewed by customers as loyalty-enhancing elements, (2) several SERVQUAL-related items are considered to be conditional in nature meeting minimal requirements and (3) the main service elements that help build loyalty are those that offer recognizable benefits to customers (i.e. proactively recommending a cheaper option, or taking problems completely out of a customer’s hands) rather than those that favor providers (i.e. rewards for bringing in other customers). We found that customer preferences vary according to their attitudes towards ICT and churn. The results indicate that consumers can be divided into four loyalty types (‘hoppers’, ‘careful scanners’, ‘comfort loyalists’ and ‘risk averse loyalists’), which can be identified using three questions. The use of these loyalty types can help make eCRM interactions and management more effective.*

**Keywords:** eCRM, CRM, loyalty, service cycle phases, service elements

## 1 Introduction

Over the last ten years, many companies and organizations have implemented CRM (Customer Relationship Management) systems. In most cases, these systems were designed to support call center and e-mail channels, and more recently Internet and Mobile channels. In contrast, some of the frontrunner companies like O2 UK have begun to include more traditional customer contact channels like in-store, field services and sales representatives (Lawson, 2006).

Although, originally, the term eCRM was viewed as a form of CRM that focused on eBusiness channels (Romana and Fjermestad, 2001) or CRM-applications that use ASP/SaaS (Application Service Provisioning/Software as a Service) approaches (Pan and Lee, 2003), recently a broader view seems to have emerged (Jukic, Jukic, Meamber and Nezlek, 2003). eCRM refers to a kind of CRM that is channel-independent in the sense that it uses one, company-wide set of data and one set of business rules to manage customer interaction via any channel at any time. In practice, web technologies are used in most cases for process management and to provide representatives with information and functionality. It is the pervasiveness of these technologies and the unifying effect of using a single company-wide logic that sets eCRM apart from more traditional CRM. Traditional CRM often includes local approaches to data management and business rules, for example call center-based CRM, eMarketing-based CRM or Sales Force Automation-based CRM. However, in the long run many of these local CRM initiatives move towards the more unified eCRM. And once a company decides to apply the 'centralized logic' used in eCRM to all interactions, some of the next questions are: What should those centralized interaction heuristics or business rules be? Which interaction heuristics are more or less effective for which purposes? Given that investments in eCRM systems tend to be high, these are highly relevant questions.

In this study, we decided to focus on loyalty as the central business driver in the 'centralized logic' to be used in eCRM, because loyalty can be an important profit factor for companies. Loyalty involves affective aspects, also called 'loyalty intention' (Reichheld and Teal 1996) or 'affective commitment' (Venetis 1997), as well as people's actual behavior: the ability to keep customers from 'switching to competitors' (Kotler 1999). Retention is one of the best ways for a firm to increase profit (Heskett, Sasser et al. 1997). Reichheld and Teal (1996) have calculated that a 5% increase in retention results in profit gains of 25%-90%, depending on the industry. On the basis of factual data of five different companies, a recent study has calculated that an improvement of 1% in retention, margin or acquisition costs increased the profits and value of a company with on average 5%, 1% and 0,1% respectively (Gupta and Lehmann 2003). In recent years it has become apparent that affective commitment, measured on the basis of people's intended loyalty, is an important predictor of factual retention figures customers (Reichheld and Teal 1996; Chen, Gillenson et al. 2002).

Although existing literature suggests which actions companies can take to increase customer loyalty, not all the proposed actions are equally effective. Thus far, there is little insight into which actions are the most effective. For example, although there are many loyalty programs that reward customers with points or presents, there are doubts as to whether these programs are very effective (Chen, Gillenson et al. 2002). Others suggest setting up communities where customers can help each other (Seybold and

Marshak 1998), but it is by no means certain that such an approach actually helps build loyalty.

We limited our research by focusing on ICT (Information- and Communication Technology) service providers, a sector in where is churn, or the number of customers stopping their subscription per year, is an important business metric (Bel, Sanders et al. 2004). We look at subscription-based ICT-services, like DSL, cable, mobile telephony, digital TV and mobile TV. Important processes in this sector are 'delivery and installation', 'billing' and 'problem resolution', which are less common in, for example, sectors focused on Fast Moving Consumer Goods. Interactions during the delivery, installation, billing and problem resolution processes are expected to have a significant impact on people's intended loyalty (Anton 1996; Thompson 2005). To draw a distinction with traditional transaction processes, we refer to the above-mentioned processes as the service delivery cycle, rather than using product-oriented marketing concepts like sales or buying cycle.

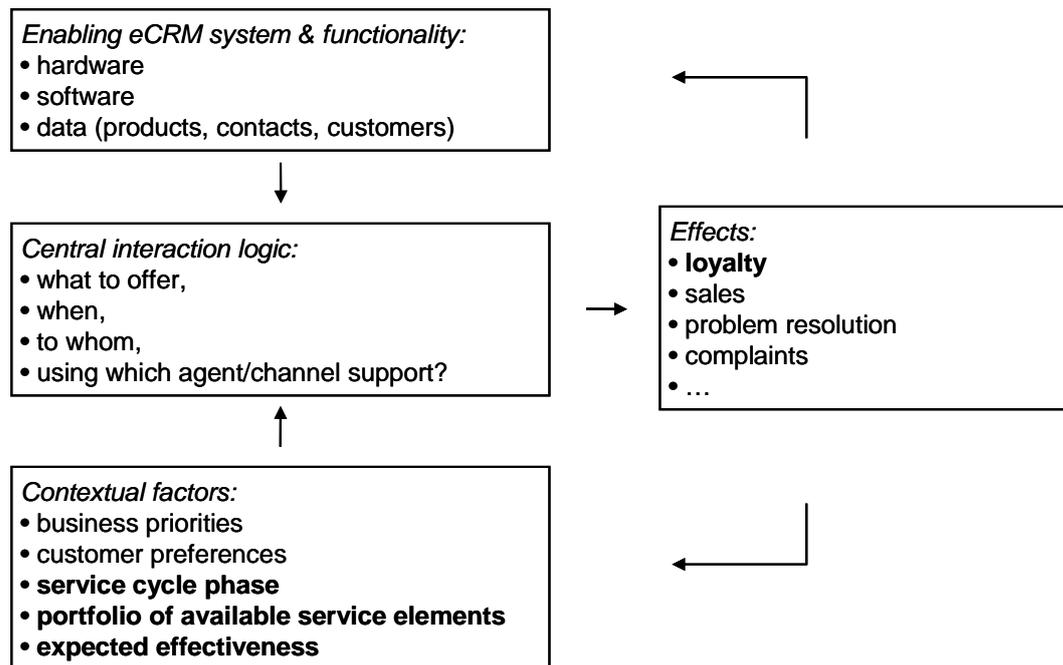
In this paper, we adopt a service design-oriented approach. After choosing loyalty as the eCRM goal of our focus, we identify from literature which service elements in the service delivery cycle may be suitable instruments for promoting loyalty. Next, we investigate the degree of loyalty effectiveness of these service elements for customers of ICT service providers. This answers our research question: *which service elements may help increase the loyalty of customers of ICT-providers, as part of a centralized eCRM approach?*

Before we can answer our research question, we need to discuss our core concepts in greater detail, which is why this paper is organized as follows. We begin by discussing existing literature, based on our core model. Next, we take a look at our research approach. In section 4, we discuss the results, and we close by discussing the implications of our findings and presenting our main conclusions.

## 2 Literature review

In this section, we first provide a conceptual framework for eCRM, service elements within a central interaction logic and loyalty effects. Next we discuss service delivery phases and service elements found in literature. And finally, we identify eight variables to help determine individual preferences regarding ICT adoption and churn behavior.

In Figure 1, we present the interdependencies between enabling eCRM systems and functionalities that enable central interaction logic on the one hand, and the dependency of the central logic on contextual factors on the other hand. In addition, we present the relationship between the central logic and possible effects like loyalty. Loyalty plays a dual role. On the one hand, the expected loyalty effects have an impact on the choice in favor of specific service elements to be used within the service cycle, while on the other hand, loyalty is also the dependent variable, as important business objective.



**Figure 1:** Generic model presenting the relationship between eCRM functionality, central interaction logic, context, and effects.

We focus on the services cycle phases, the portfolio of available service elements and the expected effects of interactions, as well as on loyalty as a dependent variable. First of all, we explain the service delivery cycle in greater detail. Next, we describe 54 service elements and their background, the framework of the service delivery cycle. Finally, we describe eight background variables for churn-related and ICT-related attitudes that play a role in determining the expected loyalty effects, by focusing on consumer's 'loyalty type', which is known to be a potential influencing factor in relation to service interaction preferences.

**Service delivery cycle.** Intended loyalty can be influenced in various phases of the service delivery cycle. There are different conceptualizations of that cycle, ranging from three (Chen, Gillenson et al. 2002) to sixteen phases (Simons and Bouwman, 2004) covering the entire customer life cycle. In an attempt to keep a balance between providing too little or too much detail, we decided to use the following categories to cluster options companies have to influence intended loyalty: 'pricing, ordering and billing', 'delivery and installation', 'general usage', 'questions and requests', 'problem resolution', plus a 'generic service elements' category that contains marketing-related issues influences like 'offers a broad portfolio', 'has a good reputation', 'offers call-me-now' or 'offers online video contact'.

**Service elements.** Companies can use a wide range of service elements to try and increase intended loyalty. We collected elements from the literature on the sales and customer life cycle literature mentioned earlier, as well as from more general marketing,

sales and purchase literature (Bowersox and Bixby-Cooper 1992; Stern, El-Ansary et al. 1996; Harink 1997; Kotler 1999; Grönroos 2000; Hennig-Thurau and Hansen 2000; Lynn 2000; Bel, Sanders et al. 2004). There are elements linked to the classical 4 P's: Price ('tell me if there is a cheaper option'), Product ('interesting offers'), Place ('preferred channel'), Promotion ('proactively inform me of an offer that is especially interesting for me'). Also, there are elements that are linked to the three service P's: Process ('can I choose how I will be billed'), People ('knowledgeable employees') and Physical and virtual 'serviscape' ('I can determine the exact time of delivery' and 'via the Internet I can see the agent I am talking to'). In all, we compiled a list of 54 marketing mix elements that have a potential effect on people's intended loyalty (see appendix).

***Expected effectiveness depending on consumer loyalty type.*** A third aspect to take into account is the fact that individual people vary in their loyalty preferences and in the way they respond to different elements in the service formulas they encounter (Peelen 2006). With regard ICT purchases, we identified eight variables that may be used as indicators for classifying customers into loyalty types that may be expected to respond differently to service elements in terms of their loyalty effects. The variables include: (1) the inclination to stay with ICT providers for a long (3+ years) or short time (Peelen 2006), (2) keeping one's eyes open to other offers, even when satisfied with the current provider (Parasuraman and Colby 2001), (3) attitude towards the (dis)advantages of switching providers (Harvey 1998), (4) interest in ICT products, being 'high interest' products (Harink 1997; Kotler 1999), (5) craving a new ICT product immediately or postponing purchase for a while (indicating technofiles) (Parasuraman and Colby 2001), (6) a tendency to check competing offers before extending a subscription (Verhagen, Vries et al. 2001), (7) preferred mode of orientation, more instrumental and text-based or based more on friends and relatives (Peelen 2006), (8) what is considered the main motivator for switching providers: price, product, service or other (Lynn 2000)? We expect that some of these indicators are more important than others, and that the main indicators can be used to classify consumers into loyalty types that are relevant to ICT-services.

To summarize the literature review, we identified 54 service elements within six service delivery phases that are relevant to ICT providers: 'pricing, ordering and billing', 'delivery and installation', 'general usage', 'questions and requests', 'problem resolution' and 'generic service elements'. In addition, we identified eight variables that can be used to determine individual differences in people's attitudes towards ICT and churn, to divide consumers into loyalty types and to investigate to what extent this division changes the expected effectiveness of service elements in promoting loyalty. In the next section, we explain how the loyalty contributions of the service elements were investigated with the aid of a questionnaire. In section 4, we identify consumer loyalty types and describe how they influence the expected loyalty effects of service elements.

### **3 Methodology**

We developed a questionnaire consisting of two parts. The first part contained eight questions designed to determine people's attitudes towards churn and ICT, as discussed in the theory section. The second part of the questionnaire examined the expected effectiveness of the 54 potential eCRM service interaction elements within the service

delivery cycle on intended loyalty. For each of the 54 statements, the participants were asked to choose between: 'has no impact on loyalty', 'is a basic necessity/minimum requirement to maintain some degree of loyalty' and 'increases my loyalty'. The answers were used to gauge the impact of service elements across the service cycle phases.

We pre-tested the questionnaire among a small group to test whether the questions were sufficiently clear, relevant and easy to answer. Next, an e-mail request was sent to Dutch consumers of 18 years and older, asking them to complete a web-based questionnaire. The participants were part of a respondent pool that had stated to be willing to participate in market research twice a year at the most, and they received a small financial compensation for their participation. The response rate was 29% (N = 401). We are aware of the fact that self-selection mechanisms play a role. The respondents may be more motivated to volunteer their opinions than the average Dutch population. Another bias we observed in our respondent group was related to age: the groups of 26-45 and 46-65 years were over-represented (37% instead of 29% and 51% instead of 27%, respectively), while the 65+ group was under-represented (4% instead of 14%). When we tested for significant age-related differences in our results, we found no such differences. This means that age is unlikely to play a significant role.

## **4 Results**

In this section, we present the results of our questionnaire. First of all, we show to what extent service elements across the service delivery cycle attribute to loyalty. Next, we identify four loyalty types on the basis of respondent attitudes towards churn and ICT. The results illustrate to what extent respondents' attitudes change the way the various service elements attribute to loyalty.

**Table 1:** Top six service elements that have no effect on loyalty , are minimal requirements or build loyalty

<i>Top six Service elements that have no effect on loyalty</i>	<i>% respondents</i>
1. Offering a community to interact with other customers	77%
2. Option to get better service at additional charge	62%
3. Loyalty points	62%
4. Video telephony with agents via the Internet	60%
5. Rewards for bringing in new customers	55%
6. Receiving small presents	53%
<i>Top six Service elements that are minimal requirements</i>	<i>% respondents</i>
1. Employees provide the information I need	78%
2. Knowledgeable employees	75%
3. Being taken seriously	74%
4. Helpful employees	72%
5. Employees take the time to listen to me	69%
6. Fast responses and solutions	69%
<i>Top six Service elements that build loyalty</i>	<i>% respondents</i>
1. Proactive recommendation when there is a cheaper option	55%
2. Option to try a product for free	50%
3. Interesting offers	49%
4. Taking a problem completely out of my hands and solving it	45%
5. Proactive recommendation of offers that are interesting to me	43%
6. Choosing exact time of delivery	41%

#### 4.1 Loyalty effects of service elements across the service delivery cycle

The respondents to a large extent agree as to which the main service elements are that have no loyalty effects, are minimal requirements or build loyalty (see Table 1).

The main findings from Table 1 can be assigned to three categories. First of all, there are several service elements that are regularly deployed by companies in an attempt to increase loyalty (for example: offering communities with other customers, options to upgrade service at additional charge, or saving loyalty points) that contribute little to consumer loyalty. They can be found in the top six service elements which consumers claim have no effect on their loyalty. Secondly, the top six items that are considered minimal requirements are all service quality-related (for example ‘can provide the information that I need’, ‘knowledgeable employees’, ‘take me seriously’, ‘service minded’). These elements resemble those which can be found in SERVQUAL literature (Parasuraman, Berry et al. 1985; Parasuraman, Berry et al. 1993). Thirdly, the main service elements that build loyalty are: ‘tell me if there is a cheaper option’, ‘option to try a product for free’, ‘interesting offers (and proactively suggested when interesting to

me)', 'taking a problem completely out of my hands and solving it' and 'choosing the exact time of delivery'.

When adopting a service delivery cycle-oriented perspective, a relevant question is what the most and least relevant elements are in terms of influencing people's loyalty in each phase. In Table 2, we present the *highest* scoring service elements for each phase and loyalty category (no loyalty effect, minimal requirement or builds loyalty).

**Table 2:** Loyalty effects of service elements across the service delivery cycle

<i>Service Delivery Phases</i>	<i>No loyalty effect</i>	<i>Minimal requirement</i>	<i>Builds loyalty</i>
Ordering, pricing and billing	One bill for multiple products (30%)	Clear price (structure) (61%)	Option to try product for free (50%)
Delivery and installation	Video to explain installation (41%)	Option to download a manual after losing the old one (57%)	Choose exact time of delivery (41%)
General usage	Offering community with other customers (79%)	Keep me informed on what happens (behind the screens) to ensure quality (53%)	Tell me if there is a cheaper option (55%)
Questions and requests	I know who handles my request (16%)	Employees provide the information I need (78%)	Employees know my name and contact history (36%)
Problem resolution	Present to make up for problems (52%)	Take me seriously (74%)	Taking a problem completely out of my hands and solving it (45%)
Generic service elements	Option to get better service at additional charge (64%)	Provider has a good reputation (58%)	Reminder before end of contract (38%)

Based on our model (Figure 1), eCRM should support various service elements in different phases of the service delivery cycle. Table 2 shows the main service elements across the service delivery cycle based on whether they build loyalty (column 4), are seen as the most important 'minimal requirements' (column 3) or are indicated as having no loyalty effect (column 2). In general, the percentages are highest in column 3. This fits the overall scoring pattern: service elements are more likely to be viewed as minimal requirements than as having no loyalty effect or building loyalty.

Next, we present the specific findings depending on loyalty type, in addition to the more general findings discussed above.

#### **4.2 Four loyalty types, based on attitudes towards churn and ICT**

In this section, we discuss our findings in relation to loyalty types. First of all, we list the main attitude-related findings and explain how respondents can be classified into four loyalty types based on these attitudes. Next, we show to what extent this changes the way service elements attribute to loyalty depending on loyalty types.

There are two attitude-related statements on which most respondent agree. Of the respondents, 71% think that ICT products are interesting, and 91% wait before purchasing a new ICT product.

The answers to the other six statements show more variation. Of the total respondent group, 54% always keep their eyes open to other offers, even when they are satisfied with their current provider. When a contract period ends (for example concerning DSL or cell phones), 64% checks other offers extensively, while the remaining 36% hardly looks around. Almost a third (29%) of the respondents feel that switching is worth the effort, while 40% think it is a hassle and 30% think it is risky because you never know what service you will get from the new provider. Only 5% tends to switch providers each year, while 60% tend to stay with the same provider for more than three years. The main reasons respondents give for switching providers is 'lower price' (43%) or 'dissatisfied with service' (37%). It is interesting to see that the latter number is much lower than the 70%-80% found in questionnaires conducted immediately after people left providers (Anton 1996; Thompson 2005). As a final switching motive, 13% of respondents in our questionnaire indicated switching providers to obtain a new product or to experience something different. In most cases, the sources consulted before switching are texts which are collected via the Internet or on paper (75%). Family and friends are the main source for 25% of respondents.

The next step in our analysis is classifying respondents into loyalty types. Respondents have been grouped on the basis of variables with the highest level of discriminatory power. For example, the first two variables discussed above have hardly any discriminatory power and were set aside during the classification analysis. Groups smaller than 20 respondents were discarded and the remaining groups were analyzed for their scores on the various variables. Since the variables were nominal, we used cross-tabulations and Chi-square tests to check for significant relationships between them<sup>1</sup>. Based on our analysis, we found three variables on the basis of which respondents could be classified into four loyalty types (see the top three variables in Table 3). The other variables are displayed in the next rows for descriptive value.

As a first distinction, groups 1 ('hopper') and 2 ('careful scanner') are different from groups 3 ('comfort loyalist') and 4 ('risk averse loyalist') in the sense that they tend to switch between providers more easily and that they keep their eyes open to other offers even when they are still under contract.

The main difference between the hoppers and the careful scanners (groups 1 and 2) is their attitude towards churn: hoppers feel that switching is worth the effort, while careful scanners feel it is a hassle or a risk (which is also why hoppers tend to switch most often). The main distinction between comfort loyalists and risk averse loyalists (groups 3 and 4) is their attitude towards churn. The comfort loyalists feel that switching providers is a hassle, while risk averse loyalists are mainly concerned with the risk of ending up with a poorer service quality.

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<sup>1</sup> Details are available from the authors on request.

**Table 3:** Characteristics of loyalty types

<i>Attitude variables</i>	<i>Hopper (N=73)</i>	<i>Careful scanner (N=88)</i>	<i>Comfort loyalist (N=100)</i>	<i>Risk averse loyalist (N=38)</i>
How long with provider	1 to 2 years	2 to 3 years	> 3 years	> 3 years
Scan for competing offers	100%	100%	0%	0%
Attitude towards churn	Worth it	Hassle or risk	Hassle	Risk
Interested in ICT products	96%	80%	57%	66%
Want new ICT products fast	21%	8%	3%	3%
Intense scan at end of contract	99%	64%	23%	40%
Information source purchases	Web, text 93%	Web, text 71%	Web, text 67%	Web, text 67%
Reasons for churn:				
- lower price	61%	40%	31%	41%
- new/other product	20%	6%	8%	11%
- dissatisfied with service	19%	54%	61%	49%

As a final step in our analysis, we identified four service elements with which different loyalty types indicated different loyalty effects based on Chi-square tests (see Table 4): ‘option to download a manual after losing the old one’, ‘provider has interesting offers’ (this one was also in the general Top six of service elements which build loyalty, see Table 1), ‘provider keeps me informed of latest developments’ and ‘options for additional services at an additional charge’ (the latter was in the general top six of ‘no loyalty effect’ elements). For the other service elements, differences across loyalty types were not significant. This may be due to limited numbers of respondents per group: only 299 respondents remained after clustering them into loyalty types and discarding the smaller ( $n < 20$ ) groups.

To summarize, hoppers most often see these service elements as loyalty-enhancing. This confirms the scores on the attitude variables, which indicate hoppers to be the most offer-aware and incentive-sensitive of the four loyalty types. By contrast, comfort loyalists are the least sensitive to these marketing mix elements in terms of their intended loyal. This also confirms the attitude variable scores: comfort loyalists are the least sensitive to price or special offers, least likely to shop around, dislikes hassle and the most sensitive of all groups to poor service as a reason for switching providers. Finally, ‘careful scanners’ and ‘risk-averse loyalists’ are slightly less distinctive types. Nevertheless, there are several differences. Careful scanners are more sensitive to interesting offers as attributing to loyalty, which confirms the relatively high attitude variable scores of intensively scanning offers at the end of subscription periods for this type. Next, this type of customer appears to view information service elements (‘manual download’ and ‘information on latest developments’) most strongly as a minimal requirement, but not as building loyalty. In that sense, this type is more demanding than risk averse loyalists, who respond more strongly to service elements than comfort

loyalists do, and are also more price sensitive and orientation-prone if we look at the attitude variables (in that sense they resemble careful scanners more closely), but risk aversion appears to be so strong that this reduces switching intentions. This appears to be in line with the value placed on the service element ‘option to download a manual after losing the old one.’

**Table 4:** Loyalty effects of four service elements depending on customer loyalty-type

<i>N</i> =299	<i>Hopper</i> ( <i>N</i> =73)	<i>Careful scanner</i> ( <i>N</i> =88)	<i>Comfort loyalist</i> ( <i>N</i> =100)	<i>Risk averse loyalist</i> ( <i>N</i> =38)
<i>P</i> <0.05	Option to download a manual after losing the old one:			
No loyalty effect	6%	10%	11%	8%
Minimal requirement	53%	66%	47%	40%
Builds loyalty	41%	24%	42%	53%
Total:	100%	100%	100%	100%
<i>p</i> <0.05	Interesting offers:			
No loyalty effect	19%	20%	37%	37%
Minimal requirement	21%	26%	26%	18%
Builds loyalty	60%	53%	37%	45%
Total:	100%	100%	100%	100%
<i>p</i> <0.01	Keeps me informed on latest developments:			
No loyalty effect	6%	11%	24%	29%
Minimal requirement	51%	58%	43%	32%
Builds loyalty	44%	31%	33%	40%
Total:	100%	100%	100%	100%
<i>p</i> <0.025	Option to get better service at additional charge:			
No loyalty effect	58%	63%	67%	66%
Minimal requirement	14%	23%	25%	16%
Builds loyalty	29%	15%	8%	18%
Total:	100%	100%	100%	100%

## 5 Discussion

In this section, we discuss limitations as well as the theoretical and management-related implications of this study. The study has a number of limitations. Firstly, we examined the Dutch consumer market and focused on loyalty with regard to ICT products and providers, which means that it is uncertain to what extent our results can be applied to other countries and sectors. Secondly, our respondent population is biased. Because the respondents were part of a pool of volunteers, their motivation may have been higher and their answers more pronounced than those of the average Dutch population. Moreover, the 65+ age group was significantly under-represented, while 45-65 year olds were significantly over-represented. Although this appears not to have influenced our

main findings, the results must be interpreted with care. Thirdly, the loyalty types that we identified are the result of explorative research and not based on theory testing, or making use of more advanced tools like cluster analysis. Although four marketing mix elements did show significantly different loyalty-related impacts, depending on loyalty types, and although these findings confirmed the distinctions made in the typology, a more rigorous validation of the loyalty types for the domain of ICT subscriptions has to be recommended. A final limitation is that results may be limited in terms of their predictive validity. For example, in this study only 37% of respondents indicated that service dissatisfaction is their main reason for switching providers. These results clearly contradict the 70%-80% range found in other surveys (Anton 1996; Thompson 2005), which were conducted after people had switched providers.

### **5.1 Implications for theory**

The contribution of this research lies in a number of areas. Firstly, our findings concerning the impact service elements have on loyalty confirm and extend existing theory. For example, earlier research that indicates that programs for saving loyalty points have a limited impact on loyalty (Chen, Gillenson et al. 2002). This is confirmed by our finding that loyalty points are in the top six of 'no loyalty impact' service elements. Earlier research indicates that loyalty to a large extent depends on the quality of service (Heskett, Sasser et al. 1997; Venetis 1997). Our research slightly nuances this by the indicating that only one of the top six service elements which build loyalty is service-related. However, all of the top six service elements that are considered minimal requirements are service quality items (cf. the SERVQUAL measurement instrument [parasuraman]). This confirms the results of earlier research that service is often a 'dissatisfier': consumers feel that it is very important, but not much more than part of the minimal requirements (Harvey 1998; Hill and Alexander 2000). The consumers in our research indicate that only service elements that are in their best interest (e.g. 'when there is a problem they completely take it out of my hands and solve it') make them more loyal. One final finding which stands out is that service elements that may seem nice, but that are mainly in the provider's interest (like 'reward me for bringing a new customer') are recognized as such. It is only 'altruistic' service elements that are mainly in the customer's interest (for example 'tell me if there is a cheaper option') that are recognized as such and rewarded with loyalty.

### **5.2 Implications for eCRM management**

The results of this research have four different implications for eCRM management. Firstly, we investigated which service elements have an impact on loyalty and which do not throughout the service cycle phases (see Table 2). For example, during the purchase phase, the service element that is most strongly classified as being a minimal requirement is 'clear price (structure)' and the main service element that is viewed as building loyalty is 'try a product for free'. In the usage phase, the main minimal requirement is 'keep me informed on what happens (behind the screens) to ensure quality etc' and the main service element building loyalty is 'tell me if there is a cheaper option'. With regards to problems that occur, the main minimal requirement is 'take me seriously' and the main service element building loyalty is 'when there is a problem they completely take it out of my hands and solve it'.

Secondly, we tested which variables are useful for classifying consumers into loyalty groups and which are not. We found three variables that can be used to classify consumers into loyalty types: 'inclination to stay with a provider for a long time', 'keep my eyes open for other offers, even when satisfied with current provider' and 'attitude towards (dis)advantages of churning.' The benefit of this finding is that ICT-providers can easily classify customers into loyalty types based on these three questions. Additionally, in terms of explanatory power, the benefit of the typology from this research is that it is not based on a combination of situational or organizational factors (as, for example, typologies that label 'captives' (Harvey 1998) as 'dissatisfied with the performance of a firm, but unable to leave due to exit barriers'), but on the attitudes of individuals towards ICT, ICT-providers and switching. It is to be expected that these attitudes are less context-sensitive and hence provide a conceptually more robust basis for a consumer loyalty typology.

Thirdly, a point of discussion is the predictive power of the loyalty types from this research. On the one hand, it is true that there are strong commonalities across loyalty types regarding which marketing mix elements are the main service elements in terms of building loyalty. On the other hand, the preferences and priorities of the loyalty types are to some extent different. The implication for companies appears to be that product and service formulas can share common grounds for different customer types (which is good news when serving all types with one brand), with some variation in approach per type (in individual sales and service encounters, this variation can easily be created). Nevertheless, our respondent base is generic. Each company will have to test and adapt our findings in relation to their specific customer base.

Finally, there are two loyalty types that appear most resistant to efforts to increase their loyalty intention. Firstly, hoppers appear to be so calculative, demanding and switch-prone that this raises the question how loyal they can be made. On the other hand, the fact that ICT is such a 'high interest' item for them may also make them true 'apostles' (Reichheld and Teal 1996; Hill and Alexander 2000) for a firm once they are convinced of its value. However, this would require further research. Secondly, comfort loyalists seem the least sensitive to the efforts by providers to increase their loyalty. Instead, they appear to stay with a provider as long as they are not chased away by poor service. Having said that, there may be opportunities for providers by making very visible how 'low hassle' they are in comparison to others. Thus, a provider could load its brand and marketing with service elements that they know this group values most and hopefully attract potential customers that look for a reliable long-term provider.

## **6 Conclusion**

Our main research question has been : *which service elements may help improve the loyalty of customers of ICT-providers, as part of a centralized eCRM approach?* The answer in terms of service elements is threefold. Firstly, many of the service elements that are regularly used generally speaking have a limited impact on consumer loyalty (for example: offering communities with other customers, options to upgrade service at additional charge, or saving loyalty points). Secondly, the top six service elements that are considered minimal requirements are all service quality-related (for example: can provide the information that I need, knowledgeable employees, take me seriously, service minded etc). Thirdly, the main service elements that build loyalty are those

which consumers recognize as being more in their direct interest than that of the provider: tell me if there is a cheaper option, option to try a product for free, nice offers (and proactively suggested when interesting to me), taking a problem completely out of my hands and solving it, and: choosing the exact time of delivery.

Another result that has numerous practical consequences is that ICT consumers can be divided into four loyalty types, based on their attitudes towards ICT providers, ICT offers, and switching. We have shown that these attitudes determine which service elements are effective in increasing loyalty intention. And on a practical note, the findings suggest that three brief questions during an interaction may be enough to categorize a (prospective) customer according to loyalty type.

Based on this research, eCRM managers can (1) use the generic loyalty preferences we found across the service cycle to improve the impact their eCRM business rules have on consumer loyalty, (2) use differences in the preferences of loyalty types we found to differentiate the service elements they offer, (3) build a generic portfolio of service elements on the basis of the 80%-90% commonalities found across consumer types (which is especially practical when servicing all types with one brand) and create a 10%-20% variation per customer type in the service elements offered. In terms of service design, this means that an individual service encounter is designed using multiple elements, which are invoked by the central eCRM system. The service designs are based on the generic loyalty effects plus loyalty effects which vary per consumer type.

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## Appendix eCRM service elements

Ordering, pricing and billing	
1.	Clear price (structure)
2.	Easy overviews for price comparison
3.	Option to try a product for free
4.	Easily check order status
5.	One bill for multiple products
6.	Choice in way of billing: mail, Web, email
Delivery and installation	
7.	Choosing exact time of delivery
8.	Option to download a manual after losing the old one
9.	Option to let service employee do the installation
10.	Video to explain installation
General usage	
11.	Receiving small presents
12.	Interesting offers
13.	Loyalty points
14.	Appreciation for being their customer
15.	Let me know why they are the right choice for me
16.	Keep me informed on what happens (behind the screens) to ensure quality
17.	Proactive recommendation of offers which are interesting to me
18.	Tell me if there is a cheaper option
19.	Offering community with other customers
20.	Rewards for bringing on new customers
21.	Keep me informed on recent developments
Questions and requests	
22.	Available 24/7
23.	Not sent back and forth with my questions or problems
24.	Fast responses and solutions
25.	Friendly employees
26.	Take their time to listen to me
27.	Employees know my name and contact history
28.	Known who handles my request
29.	Known throughput time in case of a complaint
30.	Deliver on promises
31.	Employees provide information that I need
32.	Helpful employees
33.	Knowledgeable employees
34.	Ample explanation when needed

## Increasing the loyalty effects of eCRM across the service delivery cycle

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35.	Web site has extensive Frequently Asked Questions (FAQ)
36.	Offer me alternatives to choose from
37.	Ask me what is the best option for me
38.	Option to change my data, like address, via Internet
Problem resolution	
39.	Empathic response
40.	Taken seriously
41.	Taking a problem completely out of my hands and solving it
42.	Explaining how and why of the problem
43.	Apologies
44.	Know directly how to handle a problem
45.	Present to make up for problems
46.	After resolution, check my satisfaction
47.	In case of problematic product, direct replacement.
48.	Admitting mistakes
Generic service elements	
49.	Offers a broad range of products
50.	Provider has a good reputation
51.	Video telephony with agents via the Internet
52.	Option to call me back at my convenience
53.	Reminder before end of contract
54.	Option to get better service at additional charge