

## **Impact of CRM Practices on Customers' Behaviors**

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**ABSTRACT :** *In recent era customers have become more sophisticated and they are enjoying more alternative options of brands. Thus satisfying and retaining such customers is increasingly becoming more difficult for the organizations. Customer satisfaction can only be attained by continuously sensing the changing needs and preferences of customers, and by providing them with solutions that can better fulfill their need. Customer Relationship Management (CRM) is regarded as one among the best approaches in achieving goals of customer satisfaction and loyalty. However contemporary literature and publications on the subject of CRM may portray it as a strategy that can bring fruitful results in any context. There are contradicting views of researchers; in literature about the effectiveness of CRM practices and policies. Unfortunately, very little empirical data is there to prove the effectiveness of CRM practices in different industries. Therefore it becomes crucial for practitioners to clearly understand that how changes in the level of CRM practices and their effectiveness influence customer satisfaction and loyalty. Purpose of this research is to check how CRM affects customer behavior, in the industries where switching cost is very low, like hotels and restaurants. A well-structured self-administered questionnaire has been used for data collection. For the data analysis, and testing of hypothesis Structural Equation Modeling (SEM) has been employed. Data was collected from 400 customers of two major fast food chains in two different cities. Results indicate that CRM has only indirect impact on customer loyalty and word of mouth. No relationship was found between CRM and customer loyalty and between CRM and word of mouth. CRM have a positive impact on customer satisfaction and customer experience, which have impact on customer loyalty. Customer loyalty has a direct impact on word of mouth. It was found that customer experience also have a direct impact on customer satisfaction. Although, CRM don't have direct impact on Word of Mouth (WOM), it is a very influential contributor in convincing the satisfied and loyal customers to guarantee WOM.*

**KEY WORDS:** *Customer Relationship management, Customer satisfaction, Customer loyalty, Customer experience, Word of mouth, Fast food restaurants.*

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### **I. INTRODUCTION**

After air and water, food is the third most essential element for life. It has been critical contributor to health, a determinant of pleasure or stress and the greatest category for spending money, across the world (Rozin, et al 1999). Increasingly, today's complex food system, from production-to-consumption has made food more safe, delicious, healthy, varied, convenient and more readily available (John et al, 2010). According a report by La Trobe University (2009), food sector is one of the biggest sectors as compared to the traditional industries. Food industry is as big as to cater the activities form growing and cultivation of food to proceed and cooked food retailers like restaurants (Report by La Trobe University, 2009). Pakistan is the world's eighth largest country for food consumption, where people spend 42% of their income on food. Within the country, food is found to be the second biggest industry, contribute 16% of employment in production (Express Tribune, 2012). A number of researches conducted in different countries, including Pakistan have reported remarkable changes in food consumption patterns and that there is an increasing trend of fast food, and dining out in restaurants, (Bahaduran et al, 2012, Baig at el. 2012, Banwell et al 2010, Sa et al 2012). Not only adults are the customers of these restaurants but children also want to celebrate their memorable events out in restaurants (Shamoon et al, 2012). So the target market of these restaurants is young people and children from the age of 6 to 35.

Out of 170 million of population 104 million people are estimated to be below the age of 30. In the 58 years of time span, urban population has increased seven-fold. Per capita real income has also grown 1% more in 2011-12 than the previous year i.e. 2.3%, where consumers spend almost half of their expenditure on food and beverage. It is also reported that middle class is growing and is 25% of the total population. Food inflation in country has decreased to 11.1 % in the current year compare to 18.8% in previous year (Economic Survey of Pakistan, 2011-12). All these facts collectively have created a golden opportunity for all fast food restaurants to expand their business in Pakistan.

Consequently, demand for restaurant food is increasing<sup>1</sup>, but as consumers are getting more educated in terms of nutrition and quality, they compare prices menus quality and serves available. It is hard for restaurants chains, with the limited funds available, to compete through mass advertisement, public relations or through low-cost strategy. However, they can get sustainable growth through differentiation in their marketing strategies (Yang et al, 2011). All these aforementioned challenges highlight the Importance of CRM. CRM is basically a business philosophy, that emphasis that customer is everything to business. It focuses on retaining existing customers than to winning new ones (Gilaninia et al, 2011). It is the combination of information technology tools and customer service strategies. It organizes the information technology and marketing together in such a way to generate useful information. CRM enables business to identify most profitable customers and to maintain such relationship with them that can turn them into loyal customers. In order to increase customer satisfaction, businesses needed to articulate a system that could establish long lasting relationships with customers. Consequently, CRM was introduced in US in 1990s (Zamil, 2011). The success of CRM projects that were initiated in 1990s gave it a status of popular business tool, (Sudhakar&Ravindran, 2012). Eventually CRM has become a topic of interest for the academic researchers and practitioner as well. It has evolved into a basic component of the overall business strategy. And as, increasingly, businesses are incorporating CRM, customer expectations toward services and support activities are also increasing. CRM is regarded as one of the best approaches in achieving goals of customer satisfaction and loyalty (Gilaninia et al, 2011). However there are conflicting views in literature about the effectiveness of CRM practices (Saxena&Khandelwal, 2011). Critics are of the view that CRM is hard to implement in some industries, and its cost benefit value is very low (Zamil, 2011). In past two decades. Several researches have also reported some CRM projects as a failure (Nargesi et al).

A research on customers' attitude toward CRM practices in five star hotels proved positive attitude of customers toward these practices (Hashem, 2011). But little is known about the satisfaction level, and attitude of customers toward CRM practices in Restaurants of emerging markets. It is crucial for practitioners to clearly understand how changes in the level of CRM practices and their effectiveness influence customer satisfaction and loyalty, and its ultimate effect on Word of mouth. Purpose of this research is to evaluate the effectiveness of CRM practices in customer purchase behavior, and WOM, especially in the industries where switching cost is very low. For this purpose data is collected, from customers of two popular restaurants, (Macdonald's and KFC<sup>2</sup>).

## **II. LITERATURE REVIEW**

“Customer Relationship Management (CRM) means developing a comprehensive picture of customer needs, expectations and behaviors and managing those factors to affect business performance”. CRM is also defined as, “A system that focuses on managing the relationship between a company and its current and prospective customer base, as a key to success, (Gebert, 2003). CRM activates help in building long lasting relationships and these relationships give company joy of retained customers. Relationship marketing is a way to obtain trust and satisfaction, which in turn ensures sustainable success of an organization, (Lo, 2012).It is so also regarded as part of sales function, as sales department study buying habits and trends of customers and try to match service level. The purpose is to minimize number of sales, and to design a system to retain customers. The whole process is aided through computer programs, (Hoots, 2005). CRM has two basic types, Analytical CRM and Behavioral CRM. Analytical CRM collects and analyzes available customer information to increase firm's value. Behavioral CRM focuses upon psychological underpinning of service interaction and managerial structures and make use of experiments or surveys for effective CRM, (Kamakura et al, 2005).CRM capabilities of an organization influence its performance, (Wang, 2012).CRM practices lead an organization towards profits. It provide firm with greater knowledge of customer values, and firms change their strategies according to this knowledge. These changes results in better firm performance. A simple analysis of customer value is always critical in enhancing the firm's performance, (Ryals, 2005). For each relationship, scale of success is ultimately financial performance. So, for organizations implementing CRM, there must be a system in place to check performance of customer relationship management, (Lambert, 2009)..CRM practices have a good capacity for increasing customer base. It is a good tool for obtaining information, for formulating strategies regarding new products. Customers rate banks services superior, which practice CRM, than those who don't practice. It means that CRM practices entail some very positive and favorable results like increased customer base, information about the customer preferences and favorable rating and a lot more yet to explore, (Chaubey et al, 2010).However,Implementation of CRM can only be successful when, there is good integration between knowledge management abilities and information technology.The success of CRM system lies in the

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<sup>1</sup> Research conducted by Nelson, Pakistan for MPOC

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effective management and implementation of gained customer knowledge. so, CRM and knowledge management are related to each other, and if knowledge management is process oriented, it will support CRM system. There is consensus upon the fact that CRM cannot be implemented effectively without committed involvement of senior management. It was also found that CRM is not a solution to problems; it is basically a strategy that, if implemented effectively, gives practicing firm a number of competitive advantages, (Kotorov, 2003). A positive and strong relationship exists between CRM and market performance, customer commitment, satisfaction and confidence. However research fails to find any relationship between CRM and customer loyalty, (). A clear and positive relationship exists between CRM and customer satisfaction, (Yao & Khong, 2011). CRM application leads organization towards greater knowledge of customers, and this customer knowledge and integration has a mediating role between CRM practices and customer satisfaction. Effective CRM practices have a positive impact on customer satisfaction, (Mithas et al, 2005). Five dimensions of Customer satisfaction effectiveness has been identified, namely, organizational commitment, customer experience, process approach, reliability and technology-orientation. Three dimensions, organizational commitment, customer experience and reliability have direct and Zali & Heydarian, 2012 positive relationship with customer satisfaction, while only reliability has positive relationship with customer loyalty. It was also found that customer loyalty and customer satisfaction are related to cross-buying, (Padmavathy, 2012). CRM practices also have an impact on sales growth. Four dimensions of CRM practices have been identified, that are, and "focusing on key customers, incorporating CRM based technology, managing knowledge and Organizing around CRM". Focusing on technological component is not the crux of the CRM. Managers must have to integrate all four dimensions into CRM system, that will enhance the customer satisfaction and retention, which ultimately increases sales. (Yim et al, 2004).

Customer relationship practices have a direct and positive relationship with customers' loyalty. Better the CRM practices more will be the loyalty. Customer loyalty forms the basis for retained and profitable customers, (Khandekar & Deshmukh, 2012). Loyalty is the most desirable outcome for any firm, as it ensures continuous inflows of customers and ultimately of profits. Since popularity of CRM practices is growing rapidly, different researches have been conducted to check the impact of CRM on loyalty. Similarly empathy, perceived conflict handling; trust, perceived value, and commitment are all the outcomes of CRM, which in turn are the predictors of customer loyalty. The analysis of the data showed that all the predictors have positive correlation to customer loyalty. (Jumaev, et al. 2012). It means that if firms and specially the service sector firms are to increase customer loyalty, they must have to strive to practice good CRM practices. And this phenomenon is predicted to be even stronger in restaurant industry, which is increasing facing more intense competition than the banking sector and where switching is more easy. For hotel industry, service quality and the service features are more influential in predicting customer satisfaction. Customer needs must be fully understood and customers must be provided with courteous services. The hotels should also strive for providing personalized services to customer, (Abbasi et al, 2010). CRM practices have a strong and direct impact on customer satisfaction, and the customer satisfaction has in turn a direct impact on customer loyalty. Although customer loyalty is affected by many other factors, depending on the industry and type of product, customer satisfaction has the most direct impact on loyalty, (Rezvani et al 2011). If a business is to enhance its performance, it must have to realize importance of considering customer value, customer satisfaction and customer loyalty. When the products have little difference in terms of features and quality and variety, then customer satisfaction and customer loyalty will play a vital role in increasing the rating of firm. Increased customer satisfaction has a very strong and positive impact on customer loyalty, (Tsai, et al, 2010).

Customer value, customer satisfaction and switching barriers have positive impact on repurchase intentions and attitudinal loyalty. Satisfied customers are more inclined towards repurchase and they also recommend the product to other potential customers. (Qian et al, 2011). Experience has a direct impact on future purchase behavior. Positive experience is directly related to repeat purchase behavior, and negative experience is directly related to switching. So, it is crucial for the service sector to make the customer experience more satisfying. (Alshurideh et al, 2012). Service quality, whether technical or functional, has a direct and positive impact on customer satisfaction, and customer satisfaction in turn has a positive impact on behavioral intentions, i.e. retention, word of mouth. Similarly, service quality also has a direct and positive relation with behavioral intention, (Choy et al, 2012). Today for most of the organizations, one of the most important challenge and goal is customer retention. A research in hotel industry, practicing CRM has revealed that, most of the hotels in sample were practicing CRM, but those who were graded higher had more complicated system in place. Moreover,

very few hotels had a regular system of investigating customer complaints and tracking them. Most of the hotels were capturing considerable customer data, but very few were analyzing data to minimize guest failures, and thus repeating the same mistake. None was extensively mining data to identify most profitable customers. However, most of the hotels practicing effective CRM are successful in retaining customers. It

means that CRM practices also have a direct relation with the customer retention, (Lo et al, 2012).“Sharing of information from one person to another person or groups has risen in past decades, through human communication such as face-to-face contact, telephone, correspondence (letters, e-mail, text messaging) or social media”, (Gombesk et al, 2011).Increasingly customers heavily rely on word of mouth, for purchase of virtually everything. Power of word of mouth becomes more critical with the fact that negative word of mouth tend to spread more rapidly than positive WOM, (Aslam et al, 2011). In this age of micro media, where there is wide use of internet and mobiles, word of mouth has gained the popularity of determining success factor marketing. The changing life styles have impacted consumer behavior and purchasing patterns. Power of WOM is increasing rapidly, as it was reported to have 61.3% influence on purchase decision which reached to 76% in 2007. It means marketers cannot avoid the power of WOM now. In this competitive age, CRM if practiced effectively, can have the power to generate positive word of mouth, while, if not managed properly, it can also have adverse effects and can result in negative word of mouth, (Kokokusha co., Ltd, 2007). It also has great impact on customer decision making. So, organizations must have to keep a track of word of mouth spread by its existing customers, as they will ensure new loyal customers. Satisfied and delighted customers are a source of positive word of mouth, (Heriyati&Siek, 2011).

One prominent aspect of CRM is to deal each customer differently, based on the idea that each customer has different needs. Moreover, CRM involves identifying the most profitable customers and maintaining good relationship with them. But if overly used and misused, it can pose a threat for the firm. Different treatment with different customers may harm customers’ trust and they may perceive it as discrimination. So, in implementing CRM, firms must have to address this issue in order to avoid dissatisfaction, (Nguyen &Mutum, 2012). Customers that possess relational satisfaction are more likely to be involved in the activities of positive word of mouth. Customers that identify themselves with the organization are also retained customers, (Akm, et al, 2011). Service quality has a direct and positive impact on customer satisfaction. Satisfied customers are less, price sensitive and are more likely to tell other people about their favorite experience. Customer satisfaction also affects customer loyalty. Further service quality also has a direct impact on customer loyalty. So the service quality is related to repeat purchases, and positive word of mouth, (Chotivanich, 2012). It is generally believed that effectiveness of CRM should be measured in terms of customer’s behaviors. Some researchers have checked the effectiveness of CRM in terms of firm profitably, but profitability in a particular period of time may be the result of combination of some factors. Although researches have been conducted to check impact of CRM practices on customer satisfaction and loyalty, customer satisfaction and customer loyalty are intangible reactions or perceptions of customers. But for companies applying CRM, tangible actions of customers are more important. So CRM applying firms must give importance to customer retention and word of mouth, and repurchase that are the tangible outcomes of CRM, (Wang et al, 2004).

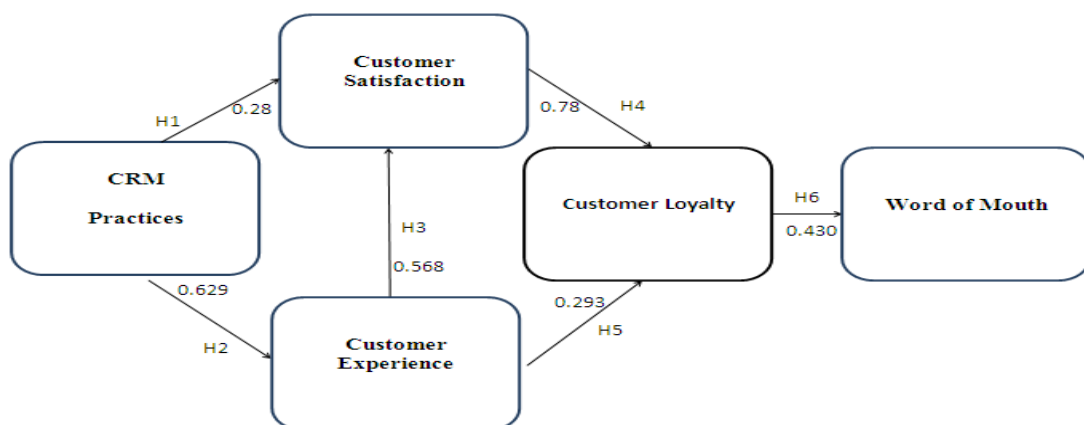


Figure 1: Conceptual Model Customer Relationship Management

### III. HYPOTHESIS

- H1: CRM practices have a significant positive relationship with customer satisfaction
- H2: CRM practices have a significant positive relationship with customer experience
- H3: Ccustomer experience has a significant positive relationship customer satisfaction
- H4: CRM satisfaction has a significant positive relationship customer loyalty
- H5: Customer experience has a significant positive relationship with customer loyalty

*H6*: Customer loyalty has a significant positive relationship with word of mouth

*H7*: CRM practices have a significant positive relationship with word of mouth

*H8*: CRM practices have a significant positive relationship with customer loyalty

*H9*: Customer experience has a significant positive relationship with word of mouth

*H10*: Customer satisfaction have a significant positive relationship with word of mouth

### **3.1. Research Methodology**

The study is intended to investigate how customer relationship management practices affect different behaviors of customers. These behaviors include customer satisfaction, customer behaviors, customer loyalty and word of mouth.

### **3.2. Population:**

Population for this study is customers of Fast Food Restaurant. Target population is Fast Food customers of six different outlets of two well reputed fast food chains in two major cities i.e. Lahore and Islamabad.

### **3.3. Study Design:**

It is a cross sectional analytical study. Data have been collected from sample of 370, at a defined date and time. It is providing an overview about the perceptions and behaviors of respondents about CRM practices. Associations between different variables have been checked through hypothesis, which has made it an analytical study.

### **3.4. Data Collection Technique:**

Data were gathered through a field survey. A well-structured questionnaire was developed to collect the data. The questionnaire best suited to the current research, as the study involved a big sample size and a big geographic area. Moreover as the research includes people who were out for dining out, we could not disturb them, and questionnaire is the only data collection instrument that generally does not make people apprehensive. Questions were grouped into different constructs. This questionnaire included five construct, containing a total of 29 items. There were three parts of it, first to obtain personal information, second to estimate number of visits and third to measure the constructs. Five point Likert scale (1 for strongly disagree and 5 for strongly agree), was used, as it is the most useful method for measuring opinions attitudes and behavioral tendencies. These responses can easily be quantified, and thus get equipped for any mathematical analysis. Data was evaluated through the help of SPSS and statistica. After conducting CFA, in SPSS, SEM was conducted on data through Statistica.

### **3.5. Sampling Technique:**

As it was not possible to prepare population frame, individual customers have been approached to fill out the questionnaire on convenience based. Two major cities, Lahore and Islamabad were selected to gather data, as customer traffic to fast food restaurants in these cities is good enough to obtain specified sample response. Questionnaire has been distributed among customers who were present there for dining. Out of 370 questionnaires 350 were received back, 316 were actually useable, creating a response rate of 85%. A response rate is considered to be minimum acceptable response rate, depending on nature of the survey. Surveys inquiring upon views preferences and beliefs require a higher response rate. The present study has generated a response rate of 85%, and that is a good rate. The reason is that management of the restaurants allowed to distribute and collect back questionnaire while respondents were dining. Otherwise it might not be possible to get such a good response rate.

### **3.6. Sample Size:**

As exact population size was not possible to determine, subject to variable ratio has been used to decide the appropriate sample size. According to theory of subject-to-variable ratio, 7 to 20 cases per variable create an appropriate sample size, in case exact population size cannot be determined. There are total 29 items in the scale used for this research. And a total of 316 cases have been taken for research that makes a ratio of 10:1. According to literature, for SEM, a subject to variable ratio of 10:1 is a good ratio (Hair, 2007).

### **3.7. Statistical Techniques:**

For data analysis, and testing of hypothesis SEM (structural equation modeling) has been used that is a very powerful statistical technique for multivariate analysis. Normally behavioral and social sciences researches include complex multivariate data sets, and SEM suits best to such complex casual modeling. It includes a number of standard multivariate analysis methods like regression, factor analysis and analysis of variance. Gerbing and Anderson, 1988 states that SEM helps in analyzing the relationships between multiple dependent and independent variables simultaneously. Also in SEM latent variables are free from random error, as it is

estimated and removed here. For data analysis Statistica7 has been employed, that is a comprehensive analytic, research, and business intelligence tool.

**IV. ANALYSIS AND DISCUSSION**

**4.1. Reliability of Scale:**

As the scale used for data collection is a Lickert scale, so, in order to check its reliability, high quality reliability test is required. Normally, an index of reliability, alpha is used, for this purpose. It is a measure of internal consistency. Reliability estimates and ranges from 0 to 1. Higher the score of the index higher the reliability of the instrument designed. Alpha below 0.59 is not reliable. If alpha have a value of 0.6 it is not very much reliable, however a value of 0.7 or above is considered to be sufficiently reliable. The present research has used five constructs and the questionnaire is having a five point Likert scale, so alpha has been used to check the internal consistency reliability. The measurement scale for this study is showing a very good value of alpha, that is 0.898. This means that the developed scaled is 89.8% reliable in measuring the constructs.

**4.2. Descriptive statistics:**

**Table 1: Percentages of Demographic Variables**

<i>Gender</i>						
Male			Female			
61.7			38.3			
<i>Marital Status</i>						
Married			Single			
36.1			63.9			
<i>Education</i>						
Under metric	Metric	Intermediate	Graduation	Masters	MPhil	PhD
1.9	5.4	14.9	39.9	35.8	1.3	.3
<i>Residential Area</i>						
Rural			Urban			
12.7			87.3			

Descriptive statistics showed that majority of these fast food restaurant customers is male, that is 61.1%. Females are only 38.3% of total customers. Similarly 63.9% of total customers are unmarried and remaining are married. Majority of the customers have, or are currently persuading either graduation or masters degree, i.e. 39.9% and 35.8% respectively. However 14.9% of customers have an intermediate degree. Further it was also found that most of the customers of these restaurants are residents of urban areas. Only 12.7% customers came there, belonged to rural areas and remaining 87.3 were the residents of cities. So, the main market of these restaurants is residents of those cities, and most of them single, came with friends for enjoyment. Majority of the customers are male, but females are also a good part of customer’s pool.

**4.3. Confirmatory Factor Analysis:**

Initially there were 9 questions in the scale for *Customer Relationship Management*. Through CFA, 3 questions were identified those were confirmed in factor analysis but as per there very low values, were not much important in measuring the construct of CRM. So, 6 items were finalized to measure the construct of CRM. Out of these 6 itmes, 3 items, namely, Variety of items in Manu, Quality of food, and Reason of priority, with the values of 0.804, 0.754 and 0.715 respectively are most important items. In the construct of *Customer Satisfaction*, six items were included, which all were confirmed by CFA. 3415 however items namely Quality of food, satisfaction with the overall services, level of customer comfort and meeting customer expectations,( 0.822, 0.787, 0.729, 0.715 respectively) are the most important contributors of customer satisfaction. Next, in measuring *Customer Loyalty*, all seven items were confirmed by CFI. First priority (0.866), View about next visit (0.730), and Reason of priority, (0.755), are most strongly affecting the customer loyalty. Similarly in measuring WOM, items namely, frequently tell friends about excellent services and I recommend this restaurant to my friends and family, having values of 0.918 and 0.725 are more important than others. Initially there were five items in this construct but one item due to having very low value was excluded from the scale.

**4.4. Parameter Estimates:**

Structural equation modeling is a multivariate statistical technique that helps to understand interactions between different variables simultaneously. As it checks the all relationships simultaneously it is considered to be the best in testing mediation mechanism. Goodness of fit between various variables and model is tested through a number of fit indices. There is a general believe that a single measure of goodness should not be used

to make decisions about the goodness of fit. Present study has used GFI (Goodness of Fit Index), AGFI (Adjusted Goodness of Fit Index), Root Mean Square Error Aproximation. RMSEA and chi-square/ d.f. Values of GFI and AGFI should be closer to 9. Higher values indicate a good fit. Value of RMSEA less than 0.08 is good. The value of  $\chi^2/d.f$  should be less than 3. Lesser the value, better the fit.  $p \leq 0.001$  indicates a good value. The table below shows values of GFI, AGFI, RMSEA and  $\chi^2$  of all five constructs. All the constructs are showing very strong values for all four parameters of model fit. Thus it means that model is a good fit.

**Table 2: Goodness of Fit Values**

<b>Customer Relationship Management</b>	
GFI	0.972
AGFI	0.934
RMSEA	0.081
Chi-square/d.f=27.9682/9=3.1075	
<b>Customer Satisfaction</b>	
GFI	0.972
AGFI	0.935
RMSEA	0.080
Chi-square/d.f=27.7166/9=3.06	
<b>Customer Loyalty</b>	
GFI	0.965
AGFI	0.929
RMSEA	0.077
Chi-square/d.f=43.7177/14=3.12	
<b>Word of Mouth</b>	
GFI	0.997
AGFI	0.987
RMSEA	0.000
Chi-square/d.f= 1.62029/2=0.81	
<b>Customer Experience</b>	
GFI	0.988
AGFI	0.963
RMSEA	0.055
Chi-square/d.f= 9.48724/5=1.89	

**Table 3: Path Analysis**

Structural Relation	Parameter Estimates	Standard Error	T-Statistic	Prob.Level
(CRM)-57->(CS)	0.208	0.063	3.326	0.001
(CRM)-58->(CE)	0.629	0.052	12.004	0.000
(CE)-61->(CS)	0.568	0.087	6.512	0.000
(CS)-62->(CL)	0.782	0.145	5.392	0.000
(CE)-64->(CL)	0.293	0.126	2.329	0.020
(CL)-66->(WOM)	0.430	0.207	2.081	0.037

Path 1:  $CRM * CS * CL * WOM = 0.28 * 0.78 * 0.430 = \mathbf{0.093912}$

Path 2:  $CRM * CE * CS * CL * WOM = 0.629 * 0.568 * 0.78 * 0.430 = \mathbf{0.1198}$

Path 3:  $CRM * CE * CL * WOM = 0.629 * 0.293 * 0.430 = \mathbf{0.07924}$

Thus most strong path to affect word of mouth is Path 2 i.e. CRM practices, customer experience, customer loyalty and word of mouth.

## V. RESULTS

Results of the study are based on cross sectional data. This type of study is best where hypothesis generation and attestation is involved. It helps in finding out association between different variables; however it is not suitable when objective is to find the cause of a problem. So to get better understanding of the mechanism, and for broad generalization and validation of the study, a longitudinal research must be conducted. Before conducting the actual research, the instrument was pilot tested on a sample of 32 customers. The reliability results show a cronbatch alpha of .898, which shows a very strong value. For standard questionnaire alpha's value above 0.7 is considered to be good. However for newly developed questionnaire a value above 0.5 is also acceptable. It was found that CRM has a direct relationship with customer satisfaction and customer expectation. Customer expectation is found to have associations with customer satisfaction and customer loyalty. However customer expectation has no direct relationship with word of mouth. It means that good customer experience doesn't make customers talk positively about the organization instantly. The continuous experience lead them to develop positive perceptions about the organization and they feel satisfied while using that product. Customers do not bother one time good experience, they use the product over time and after a number of positive exposures, they get satisfied and loyal to the organization. Another relationship that initially seemed rational and logical, but that was not found to be present later in this model is between customer satisfaction and word of mouth. It was found that out of four variables, three variables, i.e. CRM, Customer satisfaction and customer experience don't have any direct relationship with word of mouth. Final model revealed a direct relationship between customer loyalty and word of mouth. This model reveals that CRM practices don't directly lead customers toward word of mouth, it just affect customer satisfaction and enhance the value of customer experience. Customer experience also has effect on satisfaction and both construct have the direct relationship with customer loyalty. Customer loyalty in turn affects word of mouth.

## VI. CONCLUSION

Findings of this research provide insights into the mechanism that impact the customer behavior. Research has investigated the impact of CRM practices on different customer attitudes and behaviors. The empirical results of the study proved that CRM does not have any direct impact on customer loyalty. These results are consistent with the results of previous researches, (Zali&Heydarian, 2012). Similarly no direct relation was found between CRM and word of mouth. Research has failed to find any relationship of Customer satisfaction and customer experience with CRM. However CRM does have a direct and positive relationship with customer satisfaction and customer experience. Customer experience also has a positive relationship with customer satisfaction. Customer satisfaction and experience affects the customer loyalty and loyalty in turn results in word of mouth. As majority customers of these restaurants are the urban citizens, dining out frequently has become a part of their life style. It is not a luxurious thing anymore. So the CRM practices neither make these customers loyal nor get them to speak for these restaurants. However these practices provide them a good and memorable experience and get them satisfied. This satisfaction and good experience, in turn, positively impact the customer loyalty. Customer loyalty however has an impact on WOM.

## VII. IMPLICATIONS

Results indicate that in the context of Pakistan, it is hard to make customers loyal. However certain steps can be taken to improve the satisfaction and loyalty of customers. Increasingly, dining out is becoming the part of the life style of urban population. People have number of option open to try for. So, they talk less about the good experience of a restaurant, and try more. However, bad experiences have long lasting impact. That is why research has failed to find any relationship between CRM practices and word of mouth. So, CRM practices are less likely to generate any PWOM, if they are not delivering a good experience and not satisfy customers. So, it becomes crucial for the managers of these restaurants to design such practices and policies to create exceptionally good experience and get customers satisfy. The customer satisfaction and good experience will lead customer to loyalty and they will choose the same restaurant every time they plan to dine out. The restaurant managements must have to reexamine their relation building activities. They should focus on behavioral aspect of CRM rather than analytical aspect. They should understand the psychological underpinning of service interaction and response quickly. There are some other factors that affect customer satisfaction, that include variety of menu and cleanliness. These restaurants should conduct regular customer survey and response to the suggestion, in order to get a loyal customer base.

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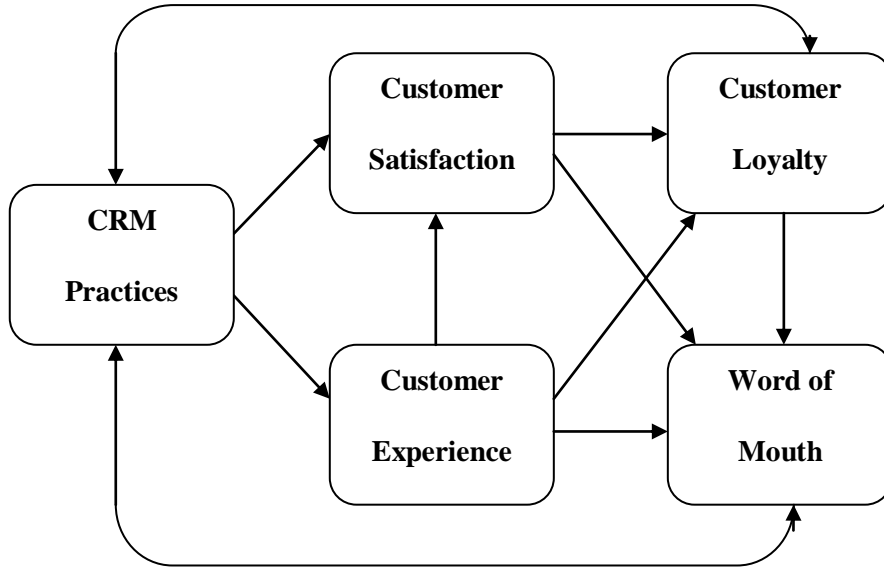


Figure 2: Proposed Model of Customer Relationship Management

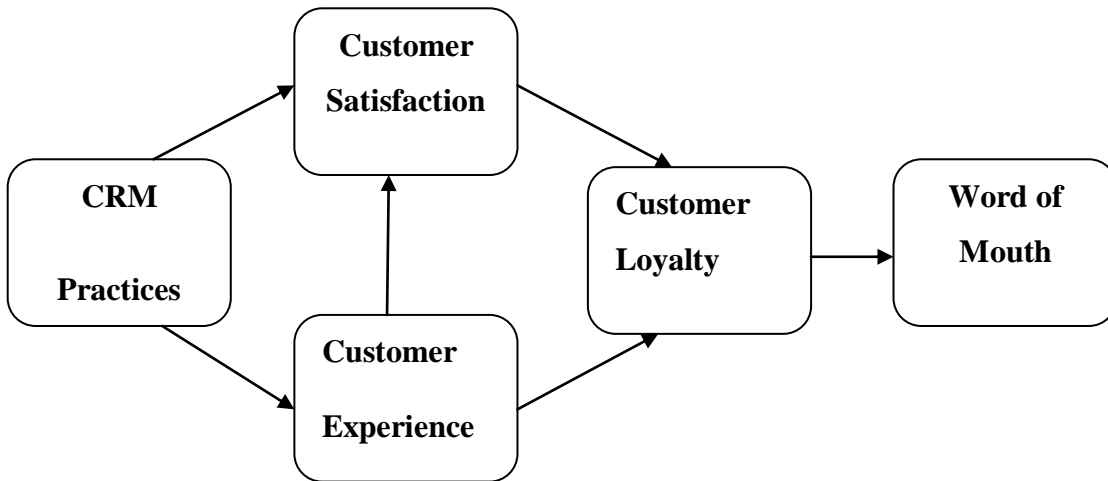


Figure 3: Fitted Model of Customer Relationship Management