
The Impact of Customer Relationship Management on Customer Loyalty: An Applied Study on Gulf Bank Algeria, Constantine Branch

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Abstract:

This study aims to measure the impact of customer relationship management on customer loyalty at Gulf Bank Algeria, Constantine branch. The study measured customer relationship management through four dimensions: commitment to service delivery, customer trust in the bank, satisfaction with bank services, and quality of interaction with the customer.

The results showed a strong and positive correlation between customer relationship management and customer loyalty. Multiple regression analysis also showed that the commitment to service delivery dimension is the most influential on customer loyalty. The study recommends the need to enhance customer relationship management practices, especially in the area of commitment to providing high-quality services.

Keywords: customer relationship management; customer loyalty; banking services.

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1. Introduction:

Banks in the modern era face increasing challenges in light of the highly competitive environment and accelerated technological development, making retaining existing customers more important than attracting new customers. In this context, customer relationship management emerges as a vital strategy for building long-term relationships with customers and ensuring their loyalty to the banking institution.

The concept of customer relationship management is not limited to merely using technology, but includes a comprehensive philosophy that focuses on understanding customer needs and meeting them effectively. While customer loyalty is considered the desired outcome from investing in customer relationships, as it leads to improved financial performance and reduced costs of acquiring new customers.

1.1. Study Problem

Commercial banks in Algeria face multiple challenges in light of accelerated technological developments and increasing competition from local and foreign banks. Despite these banks' interest in implementing customer relationship management systems, the level of application of these systems and their impact on customer loyalty remains insufficiently clear.

Studies show that many banking institutions in developing countries face difficulties in effectively implementing customer relationship management systems, which affects their outcomes and customer loyalty (Nguyen & Mutum, 2012). Research also indicates that the success of implementing customer relationship management systems depends largely on the cultural and economic context of the country (Ryals & Knox, 2001).

Therefore, there is an urgent need to conduct applied studies in the Algerian environment to understand the nature of the relationship between customer relationship management systems and customer loyalty in the banking sector. Accordingly, we decided to pose the main research question as follows: What is the impact of customer relationship management on customer loyalty at Gulf Bank Algeria, Constantine branch?

This main question is divided into several sub-questions represented in:

- 1)What is the reality of implementing customer relationship management at Gulf Bank Algeria, Constantine branch?
- 2)What is the level of customer loyalty at Gulf Bank Algeria, Constantine branch?
- 3)What is the strength of the relationship between customer relationship management dimensions and customer loyalty?
- 4)Which of the customer relationship management dimensions has the greatest impact on customer loyalty?

1.2. Study Hypotheses: These consist of:

- Main Hypothesis :

There is a statistically significant relationship between customer relationship management and customer loyalty at Gulf Bank Algeria, Constantine branch.

- Sub-hypotheses :

- 1) H1: There is a statistically significant relationship between commitment to service delivery and customer loyalty.
- 2) H2: There is a statistically significant relationship between customer trust in the bank and customer loyalty.
- 3) H3: There is a statistically significant relationship between satisfaction with bank services and customer loyalty.
- 4) H4: There is a statistically significant relationship between quality of interaction with the customer and customer loyalty.

1.3. Study Importance

This study derives its importance from several aspects:

- Theoretical Importance: It contributes to enriching Algerian literature in the field of customer relationship management and customer loyalty in the banking sector, and provides an integrated theoretical framework linking these two vital concepts.
- Applied Importance: It provides managers in Algerian banks with practical guidance on the importance of investing in customer relationship management as a means to ensure customer loyalty and improve competitive performance.

1.4. Justifications for Topic Selection

- 1) Strategic Importance: Customer relationship management is considered one of the most important strategies in the modern banking sector.
- 2) Lack of Algerian Studies: The scarcity of studies that addressed this topic in the Algerian and Arab environment in general.
- 3) Technological Developments: The need to understand the impact of modern technology on banks' relationships with their customers.
- 4) Increasing Competition: The need to develop competitive advantage through improving relationships with customers.

1.5. Study Methodology

- Study Approach: The study adopted a descriptive analytical approach to describe and analyze the relationship between the two study variables. A questionnaire was used as the main tool for data collection, which included 24 statements distributed across two main axes.
- Study Population: Customers of Gulf Bank Algeria, Constantine branch.
- Study Sample: 83 customers selected using the available sampling method.
- Study Tool: A questionnaire based on the five-point Likert scale.
- Analysis Methods: Descriptive statistics, Pearson correlation coefficient, simple and multiple regression analysis.

1.6. Study Structure

The study is divided into:

- Theoretical Framework: Covers the theoretical literature for the study variables.
- Applied Framework: Includes data analysis and hypothesis testing.
- Results and Discussions.

1.7. Study Variables Model

The model consists of:

- Independent Variable: Customer relationship management, which includes four dimensions:
 - 1) Commitment to service delivery (statements 1, 2, 3)
 - 2) Customer trust in the bank (statements 4, 5, 6)
 - 3) Satisfaction with bank services (statements 7, 8, 9)
 - 4) Quality of interaction with the customer (statements 10, 11, 12)
- Dependent Variable: Customer loyalty (statements 13-24).

2. LITERATURE REVIEW

2.1. Customer Relationship Management

Customer Relationship Management (CRM) is defined as "the implementation of an integrated sequence of techniques to create, develop, nurture, and maintain long-term relationships with individual customers" (Peppers & Rogers, 2011). This concept has evolved to include a comprehensive strategy aimed at understanding customers' needs and expectations and fulfilling them in a way that achieves mutual benefit (Kumar & Reinartz, 2018).

CRM is based on solid theoretical foundations, including Relationship Marketing Theory developed by Berry (1983) and Commitment-Trust Theory by Morgan & Hunt (1994). These theories focus on the importance of building sustainable relationships based on trust and mutual commitment (Palmatier et al., 2006).

The concept of relationship marketing was first introduced by Berry (1983), who defined it as "attracting, maintaining, and in multi-service organizations enhancing customer relationships" (Berry, 1983). This foundational work established the theoretical basis for understanding how organizations can develop and maintain long-term relationships with their customers rather than focusing solely on individual transactions.

The Commitment-Trust Theory, developed by Morgan and Hunt (1994), further advanced the theoretical understanding of relationship marketing by identifying commitment and trust as key mediating variables in successful relationship marketing. According to this theory, "successful relationship marketing requires relationship commitment and trust" (Morgan & Hunt, 1994). The authors argue that trust strengthens consumer commitment to a brand, which in turn fosters purchase loyalty and long-term relationship maintenance.

In the banking context, CRM includes four main dimensions according to Ndubisi's model (Ndubisi, 2007):

- 1) **Trust:** Considered the foundation of the banking relationship, encompassing customers' trust in the bank's integrity and its ability to fulfill promises.
- 2) **Commitment:** Manifested in the bank's readiness to exert extra efforts to serve customers and meet their evolving needs.
- 3) **Communication:** Involves providing information timely, clearly, and understandably.
- 4) **Satisfaction with Bank Services:** Includes the bank's ability to resolve problems and complaints in an effective and satisfactory manner.

2.2. Customer Loyalty

Customer loyalty is defined as a deep commitment by the customer to repurchase or preferentially engage with a particular product or service in the future (Oliver, 1999). The concept of loyalty goes beyond mere purchase repetition to include psychological and emotional attachment to the institution (Dick & Basu, 1994).

In the banking context, customer loyalty is an important indicator of the bank's success in building long-term relationships with its customers. Loyal customers not only continue to engage with the bank but also become ambassadors by recommending its services to others (Reichheld & Sasser, 1990).

The literature indicates three main dimensions of customer loyalty:

- 1) **Cognitive Loyalty:** Considered the first stage in the development of loyalty, based on the knowledge and information the customer has about the bank and its services (Oliver, 1997). This dimension includes the customer's belief that the bank provides the best services compared to competitors (Back & Parks, 2003).

2) **Affective Loyalty:** Develops through repeated positive experiences with the bank (Russell, 1980). This dimension reflects the positive emotions and emotional attachment the customer feels toward the bank and its employees (Thomson et al., 2005).

3) **Behavioral Loyalty:** Represents the highest stage of loyalty, manifested in actual customer behaviors (Ajzen, 1991). This dimension includes continuation of dealings with the bank, increased transaction volumes, and recommending the bank to others (Yi & Jeon, 2003).

In conclusion, particularly in the banking sector, customer loyalty gains special importance due to the nature of banking services and the necessity to build long-term trust. Customer loyalty leads to multiple benefits, including reducing marketing costs, increasing customer retention rates, and improving profitability (Gupta et al., 2004).

2.3. Relationship Between Customer Relationship Management and Customer Loyalty

Studies indicate a strong positive relationship between the CRM system and customer loyalty in the banking sector (Verhoef, 2003). CRM contributes to building trust between the bank and customers, which enhances satisfaction and leads to loyalty (Reinartz et al., 2004). It also enables banks to provide customized services that meet customers' needs, increasing relationship value and reinforcing loyalty (Payne & Frow, 2005).

The different dimensions of CRM affect customer loyalty to varying degrees, with quality of interaction with the customer and trust playing a pivotal role in building long-term relationships (Mithas et al., 2005). Additionally, commitment in service delivery and satisfaction with provided services contribute to strengthening customer loyalty (Richards & Jones, 2008).

3. METHODS AND PROCEDURES

3.1. Definition of Gulf Bank Algeria

Gulf Bank Algeria is an Algerian commercial bank established in 2004. It is a branch of Burgan Bank Group and a member of the KIPCO Group (Kuwait Projects Company). The bank's capital amounts to 20 billion Algerian dinars, aiming to contribute to the economic and financial development of Algeria.

The bank provides a variety of conventional and Islamic banking services to its individual and corporate clients. Gulf Bank Algeria owns a network comprising 63 branches distributed across 39 Algerian provinces. The bank is distinguished by offering online banking services and mobile applications, which enhance the customer experience (Gulf Bank Algeria, 2025).

3.2. Study Data Analysis:

Table (1) shows the descriptive statistics for the study variables, where all the dimensions of customer relationship management recorded high means ranging from 4.11 to 4.24, indicating a good level of application of customer relationship management practices at Gulf Bank.

Table N°1: Descriptive Statistics of Study Variables

Variable/Dimension	Arithmetic Mean	Standard Deviation	General Direction
Commitment to Service Delivery	4.11	0.82	Agree
Customer Trust in the Bank	4.07	0.85	Agree
Satisfaction with Bank Services	4.12	0.82	Agree
Quality of Interaction with Customer	4.16	0.82	Agree
Customer Relationship Management (Total)	4.12	0.83	Agree
Customer Loyalty	4.13	0.83	Agree

Source: elaborated by the author.

It is noted from the table that the dimension "Quality of Interaction with the Customer" recorded the highest mean (4.16), followed by "Satisfaction with Bank Services" (4.12), indicating strengths in the bank's performance. The variable Customer Loyalty also recorded a high mean (4.13), reflecting a good level of loyalty among the bank's customers.

3.3. Correlation Analysis

Table (2) illustrates the correlation coefficients between the independent variables and the dependent variable. The results show the presence of a positive and strong correlation between all dimensions of customer relationship management and customer loyalty.

Table N°2: Correlation Coefficients Between Study Variables

Independent Variable	Correlation Coefficient (r)	Coefficient of Determination (R ²)	Significance Level	Correlation Strength
Commitment to Service Delivery	0.734	0.539	0.000***	Strong
Customer Trust in the Bank	0.611	0.373	0.000***	Strong
Satisfaction with Bank Services	0.496	0.246	0.000***	Medium
Quality of Interaction with Customer	0.493	0.243	0.000***	Medium
Customer Relationship Management (Total)	0.706	0.498	0.000***	Strong

Source: elaborated by the author.

The results show that the dimension "Commitment to Service Delivery" achieved the strongest correlation with customer loyalty ($r = 0.734$), followed by "Customer Trust in the Bank" ($r = 0.611$). These results emphasize the importance of commitment and trust as key determinants of customer loyalty in the banking sector.

3.4. Simple Regression Analysis

To test the hypotheses, simple regression analysis was conducted between each independent variable and the dependent variable. Table (3) shows the results of this analysis.

Table N°3: Results of Simple Regression Analysis

Independent Variable	Regression Coefficient (β)	Constant (α)	t-statistic	Significance Level	R ²
Commitment to Service Delivery	0.577	1.785	9.791	0.000***	0.539
Customer Trust in the Bank	0.520	2.013	6.983	0.000***	0.373
Satisfaction with Bank Services	0.472	2.156	5.179	0.000***	0.246
Quality of Interaction with Customer	0.348	2.699	5.131	0.000***	0.243
Customer Relationship Management (Total)	0.694	1.265	9.021	0.000***	0.498

Source: elaborated by the author.

3.5. Multiple Regression Analysis

To determine the relative impact of each dimension of Customer Relationship Management on Customer Loyalty, multiple regression analysis was conducted. Table (4) illustrates the detailed results.

Table N°4: Results of Multiple Regression Analysis

Independent Variable	Correlation Coefficient (r)	Coefficient of Determination (R ²)	Significance Level	Correlation Strength
Commitment to Service Delivery	0.734	0.539	0.000***	Strong
Customer Trust in the Bank	0.611	0.373	0.000***	Strong
Satisfaction with Bank Services	0.496	0.246	0.000***	Medium
Quality of Interaction with Customer	0.493	0.243	0.000***	Medium
Customer Relationship Management (Total)	0.706	0.498	0.000***	Strong

Source: elaborated by the author.

Accordingly, we can arrive at the multiple regression equation in the following form:

$$\text{Customer Loyalty} = 1.400 + 0.440 \times \text{Commitment to Service Delivery} + 0.162 \times \text{Customer Trust in the Bank} + 0.035 \times \text{Satisfaction with Bank Services} + 0.032 \times \text{Quality of Interaction with Customer.}$$

3.6. Summary of Models

Table (5) compares the different regression models used in the study.

Table 5. Comparison of Statistical Models

Model	R ²	Adjusted R ²	F-statistic	F Significance Level	Explanation Percentage
Simple Regression (Customer Relationship Management)	0.498	0.492	-	-	49.8%
Multiple Regression (Four Dimensions)	0.567	0.545	1.311	0.273	56.7%

Source: elaborated by the author.

3.7. Testing Study Hypotheses

- Main Hypothesis:

The main hypothesis was accepted, as the results showed a strong statistically significant relationship between Customer Relationship Management and Customer Loyalty ($r = 0.706$, $p < 0.001$).

- Sub-hypotheses:

- H1 (Accepted): There is a statistically significant relationship between Commitment to Service Delivery and Customer Loyalty ($r = 0.734$, $p < 0.001$).
- H2 (Accepted): There is a statistically significant relationship between Customer Trust in the Bank and Customer Loyalty ($r = 0.611$, $p < 0.001$).
- H3 (Accepted): There is a statistically significant relationship between Satisfaction with Bank Services and Customer Loyalty ($r = 0.496$, $p < 0.001$).
- H4 (Accepted): There is a statistically significant relationship between Quality of Interaction with the Customer and Customer Loyalty ($r = 0.493$, $p < 0.001$).

3.8. Interpretation of Statistical Results

1) *First: Pearson Correlation Coefficient*

Pearson's correlation coefficient was used to measure the strength and direction of the linear relationship between the variables. The results showed a positive and strong correlation ($r = 0.706$) between Customer Relationship Management and Customer Loyalty, indicating that the better the CRM practices, the higher the level of customer loyalty.

2) *Simple Regression Analysis*

The analysis showed that Customer Relationship Management explains 49.8% of the variance in Customer Loyalty ($R^2 = 0.498$). The regression equation indicates that every one-unit increase in Customer Relationship Management leads to an increase of 0.694 units in Customer Loyalty. The t-statistic (9.021) and significance level ($p < 0.001$) confirm the strength of this relationship.

3) *Multiple Regression Analysis*

When entering the four dimensions simultaneously into the model, the explanatory power increased to 56.7% ($R^2 = 0.567$). The important result here is that only the dimension "Commitment to Service Delivery" remained statistically significant in the multiple regression model ($\beta = 0.440$, $p < 0.001$), indicating that it is the main determinant of customer loyalty when controlling for other dimensions.

4) *Statistical Criteria Used*

- t-test: To test the significance of individual regression coefficients.
- F-test: To test the overall significance of the model.
- Coefficient of Determination (R^2): To measure the proportion of variance explained in the dependent variable.
- Adjusted R^2 : To correct the bias in R^2 when multiple variables are present.

4. RESULTS, DISCUSSION AND CONCLUSION

4.1. *Main Results*

- 1) High Level of Customer Relationship Management: The results showed that Gulf Bank applies CRM practices at a good level ($\mu = 4.12$), with particular distinction in Quality of Interaction with the Customer ($\mu = 4.16$).
- 2) High Customer Loyalty: Customer loyalty recorded a high level ($\mu = 4.13$), indicating the bank's success in building positive relationships with its customers.
- 3) Strong and Positive Relationship: The results confirm the existence of a strong correlation between CRM and customer loyalty, where CRM explains nearly half of the variance in loyalty.
- 4) Commitment as a Decisive Factor: The dimension of Commitment to Service Delivery is considered the most influential factor on customer loyalty, confirming the importance of fulfilling promises and providing high-quality services.

4.2. *DISCUSSION AND CONCLUSION*

This study confirms the strategic importance of CRM systems in the Algerian banking sector and their strong positive impact on customer loyalty. The results provide clear evidence that investing in these systems is

not merely a technological choice but a strategic necessity to ensure survival and growth in an increasingly complex competitive banking environment.

Focusing on empowering customers and directing services toward their needs, alongside developing effective systems for complaint resolution and customer knowledge management, represents a clear roadmap for Algerian banks seeking to build a loyal and profitable customer base.

The study also highlights the importance of continuing research in this field to understand ongoing developments in customer behavior and expectations, especially amid the accelerating digital transformation witnessed globally and particularly in the Arab banking sector.

If you require translation of any tables or more data sections, please provide the original numeric content as applicable.

Based on the study results, the following recommendations can be offered to Gulf Bank Algeria:

- 1) Enhance Quality of Interaction with Customers: By training staff on effective communication skills and providing innovative services that meet customer needs.
- 2) Improve Customer Satisfaction with Banking Services: Through developing electronic banking services, simplifying procedures, and reducing waiting times.
- 3) Enhance Customer Trust in the Bank: By increasing transparency in transactions and providing accurate and clear information about banking products and services.
- 4) Develop an Integrated CRM Strategy: That encompasses all dimensions and focuses on improving customer experience and strengthening loyalty.
- 5) Invest in Banking Technology: To improve service quality, facilitate customer interaction, and provide a distinguished banking experience.

5. FUTURE RESEARCH DIRECTIONS

The following future studies are proposed to expand the scope of research in the field of CRM and customer loyalty in the Algerian banking sector:

- A comparative study between public and private banks in Algeria regarding the effectiveness of CRM systems and their impact on customer loyalty.
- A study on the impact of Financial Technology (Fintech) on CRM and customer loyalty in Algerian banks.
- A longitudinal study tracking the development of the relationship between CRM and customer loyalty over time in Algerian banks.
- A study on the impact of cultural and demographic factors on the relationship between CRM and customer loyalty in the Algerian banking sector.
- A study on the role of social media in enhancing CRM and its effect on customer loyalty in Algerian banks.

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