

A Study on Linkage Between Customer Relationship Management and Customer Satisfaction in Banking Sector

¹Dr. V.Krishnamoorthy, ²A.S.Aishwaryadevi, ³B.Bharathi

^{1,2,3}Dept. of Management Studies, Kongu Engineering College, Perundurai, Erode, India

Abstract

This paper aimed to investigate the antecedents of bank - retail customer relationship management. It further seeks to assess the influence of customer relationship management on customer satisfaction. Five dimensions of customer relationship were identified: Trust, competence, special treatment, conflict handling and convenience. Only trust, competence special treatment and convenience significantly affect customer satisfaction with bank. This study would help the bank officials to frame appropriate policy on customer relationship management.

Keywords

Trust, Competence, Special Treatment, Conflict Handling, Convenience

I. Introduction

The banking industry located all over the world experiencing a period of rapid change. As a result of turbulence, many banks are adopting several relationship marketing strategies in order to gain competitive advantage (proenca and de castro, 2005). Relationship marketing is concerned with establishing, maintaining and enhancing relationship with customers and other partners in an effort to sustain and improve an organisation's customer base and profitability (Gronroos, 1994). The relationship marketing literature is abundant (Berry, 1983; morgan and hunt, 1994) and particularly in the banking sector (Perrien et al, 1993; Ricard and perrien, 1999). Several studies revealed that organisations that successfully implemented CRM receiving CRM benefits. Consumers who develop a strong relationship with a firm and its offering display a stronger sense of loyalty and intention to stay in the mutually beneficial relationship (Reichheld and sasser, 1990; smith and Barclay, 1997; Bolton 1998: wulf et al, 2001; Kim et al, 2004). Furthermore was improved, customer retention and loyalty also reduces marketing expense (Reichheld 1993; Sheth and Parvatiyar, 1995; Christy et al, 1996) because it costs less to serve loyal customers (Reichheld ana Sasser 1990, Reichheld 1996).

Furthermore, several studies have documented that retention of customer is an important issue because losing a customer can be very costly (Ndubisi 2003a, 2003b). Customer retention is driven by customer satisfaction (Roland and Zahorik, 1993). With this background, the researcher intends to study the linkage between customer relationship management and customer satisfaction in banking sector.

II. Review of Literature

Several studies have been conducted with respect to benefits of customer relationship management. Relationship marketing concepts such as attracting, maintaining and enhancing relationships (Rayne and Ballantyne, 1991) to turning new customer into regular purchasers (Steve and Harris, 2003), to bringing marketing, customer service and quality together (Payne and Ballantyne, 1991), to developing mutual trust (Crosby and Stephens, 1987, Morgan and Hunt, 1994), and commitment

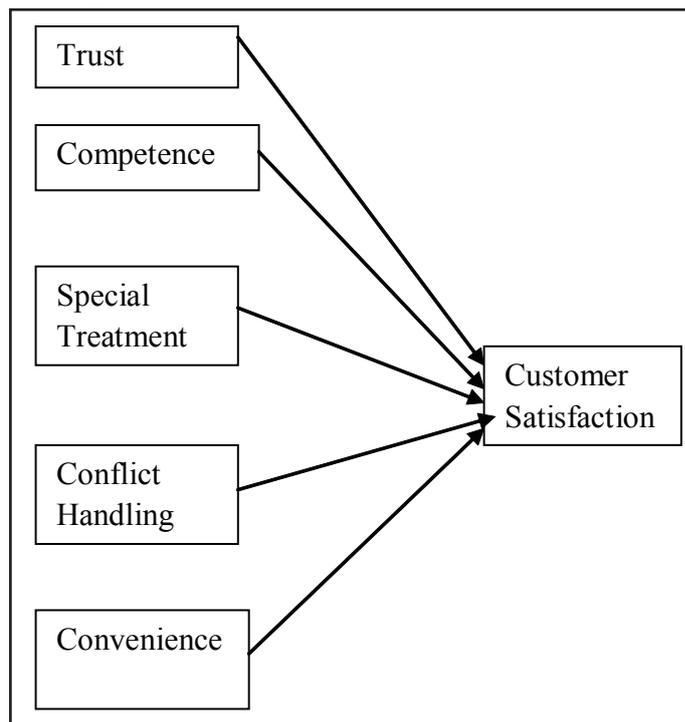
(Beaton and Beaton, 1995).

Customer satisfaction has frequently been suggested to be leading determinant of loyalty. (Anderson and Fornell , 1994 ; Jackson, 1985, Bitner, 1990; Rust and zahorik, 1993). Customer Loyalty can lower costs and increase profitability, as the cost of acquiring a new customer is five times more than the cost of retaining an existing customer (Barsky, 1994; Reichheld and Sasser, 1990; Reichheld, 1961).

Numerous studies have examined the importance for a business of retaining its customers in great depth, and retention leads to increased market share and greater profits (Fornell, 1992; Buttle, 1996; Rust et al, 1996).

Studies have shown that strong relationships result in retention, positive referral, an increased propensity to repurchase and loyalty (Palmatier et al, 2006; Hennig-thurau et al, 2002; Reichheld, 2003; Mattila, 2006).

III. Proposed Research Model



IV. Objective of the Study

This study is approached with the following objectives:

1. To identify important factors in customer relationship management.
2. To examine the impact of customer relationship management dimensions on customer satisfaction.

V. Research Methodology

To collect the data for the research, questionnaire method was administered. The scope of the study is confined only to the commercial bank customers in Erode district. The researchers employed systematic sampling method for collecting data from

the respondents. This study has been conducted from June 2015 to January 2016. Before conducting survey, a pilot study has been conducted. The majority of the customers were male 61 percent and 40 percent of the customers had an annual income of Rs.50,000 to Rs.60,000 as monthly income. In terms of education, 32 percent of the customers had a undergraduate qualification, 19 percent of the respondents have opened account in more than one banks, 21 percent of the respondents occupation were business. The researcher has administered 250 questionnaires to respondents. Out of which 164 completed questionnaire were collected, with 24 incomplete questionnaires were eliminated, leaving 150 questionnaires for further analysis.

Table 1: Reliability of Data

S.No	CRM dimensions	No. of original statements	No. of Statement retained	Cronbach Alpha
1	Trust	6	5	0.714
2	Competence	5	4	0.716
3	Special Treatment	5	5	0.798
4	Conflict Handling	6	6	0.719
5	Convenience	5	5	0.747

Before applying factor analysis, the reliability of the CRM dimensions was checked with the help of cronbach alpha to assess the internal consistency. The generally used agreed upon lower limit for cronbach's alpha is 0.70 eventhough it may decrease to 0.60 in research (Hair et al, 2005). The cronbach alpha for Trust (0.714), Competence (0.716), Special Treatment (0.798), Conflict

Handling (0.719) and Convenience (0.747).

VI. Proposed Hypothesis

This study is approached with the following hypothesis.

- Ho1: Trust will have no significance impact on customer satisfaction.
- Ho2: Competence will have no significant impact on customer satisfaction.
- Ho3: Special Treatment will have no significant impact on customer satisfaction.
- Ho4: Conflict Handling will have no impact on customer satisfaction.
- Ho5: Convenience will have no impact on customer satisfaction.

VII. Data Analysis

In order to identify important dimensions of customer relationship management factor analysis techniques were administered. Factors with eigen values of more than one were extracted. These customer relationship management dimensions were rotated using varimax method. The Kaiser – Meyer – Olkin(KMO) value was 0.674 exceeding the recommended value of 0.5. The factor analysis results in five important dimensions. The first underlying dimension of the factor is 'trust' which consists of five items with an eigen value of 15.621. The second dimension is made up of items that relate to 'competence' which consists of four variables. The third dimension includes items relating to the 'special treatment' which consists of five variables with an eigen value of 6.564. The fourth dimension consists of items that relate to 'conflict handling'. The final and fifth dimension consists of items that relate to 'convenience'.

Table 2: Important Dimensions of Customer Relationship in Banking Sector

S.No.	CRM Dimensions	No. of variables included	Eigen value	Percentage variance explained	Cumulative percentage of variance explained
1	Trust	5	15.621	17.024	17.024
2	Competence	4	10.081	7.207	24.231
3	Special Treatment	5	6.564	7.037	31.268
4	Conflict Handling	6	5.902	6.778	30.046
5	Convenience	4	3.862	6.111	44.151
KMO measures of sampling adequacy		0.674	Bartlett's test sphericity chi square value		769.006

Table 2: Influence of CRM dimensions on customer satisfaction To identify the customer relationship management dimensions, that make the greatest contributions to customer satisfaction, multiple regression analysis were conducted with customer satisfaction as the dependent variable and the five dimensions of customer relationship management (Trust, Competence, Special treatment, Conflict handling, Convenience) as the independent variables. Table 2 shows the results of regression analysis with customer satisfaction as the independent variable, the adjusted R- square was indicated that the five customer relationship management

dimensions explained 42 percent of the variation in satisfaction. Of the five customer relationship management dimensions, four dimensions showed a significant effect on customer satisfaction in order of importance these were:

- Special Treatment ($\beta=0.243$)
- Trust ($\beta=0.243$)
- Convenience ($\beta=0.253$)
- Competence ($\beta=0.196$)

Table 3: Multiple Regression Analysis with satisfaction as dependent variable:

S.No	Independent Variable	Unstandardised Coefficient	Standard Error	Standardised Coefficient	t	Significance
1	Constant	0.995	0.254	-	3.912	0.000
2	Trust	0.149	0.050	0.243	2.977	0.003
3	Competence	0.140	0.053	0.196	2.632	0.009
4	Special Treatment	0.162	0.048	0.243	3.331	0.001
5	Conflict Handling	0.089	0.039	0.159	2.302	0.069
6	Convenience	0.148	0.046	0.235	3.224	0.002

Notes: Adjusted R- square: 0.420

F Statistic= 21.119

Significance= 0.000

Table 4: Testing of Hypothesis:

S. No	Hypothesis	Beta	Results
1	Ho1: Trust will have no impact on customer satisfaction	0.243	Rejected
2	Ho2: Competence will have no impact on customer satisfaction	0.196	Rejected
3	Ho3: Special Treatment will have no impact on customer satisfaction	0.243	Rejected
4	Ho4: Conflict Handling have no impact on customer satisfaction	0.159	Accepted
5	Ho5: Convenience will have no impact on customer satisfaction	0.235	Rejected

VIII. Conclusion

The first objective of this study is to identify important dimensions of customer relationship management in banking sector. This study identified five important dimension of customer relationship management in banking sector. These are: Trust, competence, special treatment, conflict handling and convenience. This study also found that there is a significant impact on trust, competence, special treatment and convenience on customer satisfaction.

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Dr. V. Krishnamoorthy received his B.Com. degree in 1994, the M.Com. degree from Madurai Kamaraj University, Madurai in 1996, the MBA degree from Madurai Kamaraj University, Madurai in 1998, the M.Phil. degree from Madurai Kamaraj University, Madurai in 2007, and the Ph.D. degree in Service Quality from SCSVMV University, Kanchipuram, in 2005. He was a teaching assistant, professor with Department of Management Studies, Kongu Engineering College, Tamilnadu respectively. His research interests include Finance and Service Quality.



Miss. B. Bharathi received her B.E., degree in Computer Science Engineering, Surya Engineering College, Erode, in 2014. Her research interests include Performance appraisal and Marketing Strategy. She is the Joint Secretary of Self Development Cell.



Miss. A.S. Aishwaryadevi received her B.Tech., degree in Information Technology, Kongu Engineering College, Erode, in 2015. Her research interests include Work-life balance and Marketing Strategy. She is the Secretary of Self Development Cell.