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IMPACT OF CRM ON CUSTOMER SATISFACTION IN THE BANKING SECTOR

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ABSTRACT

The aim of this study is to the present scenario, each organization is struggling to succeed in every possible manner. Providing customized products and services to the loyal customers is one of the methods to achieve success. Business organizations can achieve Customer Loyalty by treating different customers in different manners. It is possible to secure the expectations and needs and meeting them is one of the ways of enabling consumer satisfaction. However, the fact that there are many business organizations that offer products and services of the same quality and at the same price interval makes it difficult for the business to secure customer satisfaction. Therefore, it is quite important for the business organizations to be in regular touch with the customers for attaining customer satisfaction and maintaining long term relationship with them. Due to intense competition in Indian Banking Sector, the banks are not only interested in attracting new customers but also in retaining the existing ones. Many banks are facing the problem of customer churning (customer defection), which is like adding water to the leaking bucket. Therefore, it is not enough for banks to be skillful in attracting new customers rather they must retain the existing customers.

KEYWORDS: CRM, Banking Sector, Customer Loyalty, customer satisfaction

INTRODUCTION

Marketing is one of the most important functions that a business organization has to perform. Over the years, the function of marketing has undergone a radical change and is continuously going through the process of development. It has drastically changed from Selling to Marketing, from Marketing to Marketing Management and from Marketing Management to Relationship Marketing. The term Relationship Marketing was introduced by (Berry, 1983) by emphasizing the importance of relationship building strategies in the business sector. Relationship Marketing is a process of creating, maintaining, and enhancing strong relationship with the customers. The main goal of Relationship Marketing

is developing good relationship between the customer and the business organization in order to convert indifferent customers into loyal customers.

Over a period of time, Relationship Marketing has been further transformed to Customer Relationship Management (CRM). Gradually, Customer Relationship Management is gaining importance in the field of marketing. Apart from other strategies, CRM is using Information Technology (IT) as an important tool in implementing relationship marketing strategies.

CUSTOMER RELATIONSHIP MANAGEMENT (HEREAFTER REFERRED AS CRM)

CRM came into existence in 1990s in marketing as a business practice focusing

on customers. It replaced relationship marketing with a view to accomplish the objective of Relationship Marketing with the help of information technology. CRM is a process of managing comprehensive information about individual customers so that they can be touched upon in order to maximize their loyalty.

CRM is used as a comprehensive business strategy for collecting detailed knowledge about customers through various touch points. The successful development of customer knowledge enables an organization to provide personalized services to the customers who will in return lead to improved relationship, increased customer value, enhanced customer loyalty and higher level of customer retention. Since, customer knowledge is required for managing good and delightful relationship with individual customer; the focus of CRM should be on understanding customers as an individual, not as a part of group. The collected information about the customers is used to anticipate the expectations and needs of each and every customer in order to achieve higher level of customer satisfaction and loyalty.

CRM enables business organizations to acquire new customers and retain the existing customers and also helps them in understanding as well as managing the various expectations and needs of existing and potential customers.

Under the strategic process of CRM, the most profitable customers are selected so that a business organization can serve them in an efficient manner. The key elements for the implementation of CRM include providing good quality of services to the profitable customers, offering them

personalized Service and measuring their satisfaction level.

CRM is a combination of processes and strategies for building an extended and profitable relationship with specific customers, and to support CRM strategies, the available technologies must be combined with the involvement of human element for maintaining long term relationship with customers. Therefore, CRM is the blend of business processes, strategies, and technologies, which ensures that front-office applications improve customer satisfaction, which further results in increased customer loyalty and thereby affects the company bottom line.

Evolution of CRM

The development of relationship with customers traces its historical roots back to the pre-industrial era when there used to be direct exchange between the producers of agricultural products and their customers. CRM has been evolved from marketing with the goal of satisfying customers by providing better products and services.

CRM is a business philosophy which believes that customer is everything to business; therefore, its main focus is on building good relationship with the customers and retaining them for a longer period. The development of successful CRM is about competing in the relationship dimension as a differentiator not as an alternative. The business can succeed with CRM by being SMART (define a customer centric strategy, use appropriate Metrics, Aligned to objectives, Redesign work process, and use appropriate Technology). According to, CRM helps an organization for establishing the relationship with the

customers in three phases. These phases are

- i Acquire: CRM helps an organization in acquiring new customers through excellent management of customer knowledge and direct marketing
- ii Enhance: CRM strategies combined with customer service tools and information technology offer personalized services to the customers
- iii Retain: CRM software and databases enable an organization to identify its loyal customers and reward them for retention.

(Makkar and Makkar, 2014) discussed about the different levels of CRM at which the data can be used. These levels are as follows:

- i Operational CRM: It takes care of individual transactions with the help of CRM software to track inward and outward interaction with the customers. It is beneficial for the use of operational staff, for the purpose of automation of sales strength, customer service and support.
- ii Analytical CRM: It is about using the analyzed customer information, captured over a period of time through data mining, so that right person can be targeted at right time through right channel. The purpose of analytical CRM is customer retention, segmentation and targeting.
- iii Collaborative CRM: It enables an organization to share customer related information among different units like sales, marketing and technical. It is beneficial for the business organizations in converting the available knowledge about customers

into customer insight and increase relationship with profitable customer.

Benefits of CRM

CRM is very beneficial for all business organizations. On one side, it helps them in providing products and services according to the expectations and needs of the customers which results in increased customer satisfaction and customer loyalty, on the other side, it helps in reducing operational costs which results to rise in the revenues.

CRM plays a very crucial role particularly in service sector, as the customers do not confront with any tangible product in this sector. Therefore, the interface between the service provider and customer becomes important at the time of service delivery.

With the adoption of CRM practices, business organization becomes closer to their customer who is helpful in developing better understanding among themselves and also in delivering greater value to the customers. These valued customers can be easily motivated in converting loyal customers. Thus, increase in customer value will lead to an increase in the value of firms.

Therefore, CRM is very helpful in ensuring the acquisition of the right customer with the right demand so that more value can be provided to the customers which will have a positive impact on customer satisfaction level and customer loyalty.

CRM in Banking Sector

CRM has become essential in banking sector, because the focus of this sector has been shifted from transactional banking to relationship banking. In recent years banking sector has experienced significant

developments on account of technological advancements and privatization. After privatization of banking sector, the competition among the banks has intensified, as a result, acquiring customers, serving them and maintaining relations with them to attain the maximum satisfaction has become the greatest challenge for the banks.

Managing relationship with customers has become a vital issue in banking sector. On one side, with the advent of technological advancements, banks are facing significant changes such as: distribution changes, reduction in transaction costs, increased speed of service delivery whereas, on the other side customers' expectation are becoming unpredictable and constantly changing. Now, they have become more demanding, empowered, knowledgeable, sophisticated, and aware of available alternatives. In this situation, banks can attain customer satisfaction only by providing personalized as well as differentiated services to the customers; therefore, banks are needed to understand the level of satisfaction from customer with the customers.

In banking sector, a greater focus on CRM is the only way for its protected market share and boosted growth. So, the banks should acquire and manage customer related information for developing good and delightful relationship with customers and creating customer loyalty in order to keep an edge over competitors. The management of good and delightful relationship with the customers is not only required for acquiring new customers but also for retaining existing customers.

The main dimensions of CRM in service sector are customer acquisition, customer

retention and customer value, particularly for banking sector, trust and commitment are the important factors for managing relationship with customers.

CRM Practices Adopted by Indian Banking Sector

In present scenario, CRM has become inevitable for growth and profitability of Indian banks, marked by rising competition, technological advancement and empowered customers. Therefore, they are adopting CRM practices to generate better understanding of the customers, such as:

- Contacting customers via messages on different occasions so that they feel touched, connected and valuable.
- Creating and maintaining front office for bank customers to provide friendly environment and build long term relationship by keeping personal touch.
- Profiling of the customer for cross-selling and up-selling of the products and services.
- Providing product information and technology assistance with an accessibility on 24X7 basis.
- Identifying potential problems quickly, even before they occur.
- Identifying the difference in perceived quality by different customers and after that designing suitable service strategy for individual customer based on his/her expectations and needs.
- Providing a fast mechanism for managing follow up sales calls to access post purchase problems and repurchase probabilities.

CUSTOMER LOYALTY

Customer Loyalty is the post purchase behavior of the customers, whether they are going for repeat purchases of the same

product or brand from the business organization over a period of time. It can be predicted on the basis of customer's positive and negative behavior. Customer loyalty is very beneficial for the organization in the long run. As highlighted by (Reichheld, 1996) loyal customers tend to spend more in future on the same product, cost less to serve and recommend the product to others.

Customer Loyalty has been vital for improving the relationship with customers and profitability of business organizations as it is regarded as one of the important factors for the survival of any business. The repeat purchase behavior of customers, loyalty and recommendations depend on customer satisfaction customer satisfaction depends on complete fulfilment of customer expectations.

Customer satisfaction is the important predictor of customer loyalty. But (Rust and Zahorik 1993; Srinivasan et al., 2007) are of different opinion, they argue that it is not necessary that all satisfied customers will be loyal also, according to them customer satisfaction is not an essential requirement for customer loyalty. It has been observed that, sometimes even satisfied customers may also switch to any other service provider. According to (Stone et al., 2000; Kincaid 2003; Yoo and Bai, 2013) customer loyalty is influenced by two factors, these are: external factors and internal factors:

- The internal factors include the product or service, service quality, promotion mix and cost of the product or service.
- the external factors include switching cost, perceived quality, customer perceived value, customer satisfaction, customer expectation, commitment and

trust

(Dick and Basu, 1994) explained the two categories of Customer Loyalty as Behavioural Loyalty and Attitudinal Loyalty. The behavioural loyalty is based on easily measurable (quantitative) factors such as market share, share of wallet, or repeat purchase whereas attitudinal loyalty is based on intangible (qualitative) or not easily measurable factors such as positive feeling, emotions and positive word of mouth.

Customer Loyalty in Banking Sector

Due to increasing competition across the banking sector, developing a close and symbiotic relationship with customers has become a great challenge because, nowadays, the customers are becoming more knowledgeable, sophisticated, and assertive. The banking sector is more susceptible to switching behavior of customers due to intensified competition among, educated and aware customers, and the homogeneous nature of products and services. For eliminating such behavior, banks need to focus more on developing and maintaining customer satisfaction and loyalty.

Loyal customers are required for growth and survival of the banks because the cost of maintaining an existing customer is much less than acquiring a new customer. Loyalty is vital as well as scarce resource in banking organizations, therefore it should be utilized to induce long-term profitability in the market of high competition (.).

In a competitive market, customer loyalty can be achieved through customer satisfaction only. These two terms are completely different from each other; customer satisfaction is a passive customer

condition whereas customer loyalty is a proactive relationship with the organizations. Therefore, in banking sector, Customer Loyalty should be regarded as a combination of Customer Satisfaction and Trust.

Banks offer same quality of the products and service at the same price interval; as a result, it becomes very difficult for them, to secure customers satisfaction. However, the customers become less sensitive to satisfaction level if bank increases its switching cost. Therefore, banks can make it costlier for customers at the time of changing service provider.

CONCLUSION

This study is exploratory in nature as it attempts to explore the role of Customer Relationship Management in building Customer Loyalty with service quality in the banking sector in India. Customer Relationship Management (CRM) works as a business strategy in today competitive environment. CRM helps the Indian banks to experience an edge over its competitors. The Indian banking sector has operated relatively stable in the last couple of decades but in recent time the banking sector is confronted with severe competition. It has become very difficult for banks to survive and grow in this competitive environment. CRM is a growing trend in the financial sector. Indian banks in today scenario are investing heavily into it. The rationale for implementing CRM is that it would help the bank to effectively utilize technology and other resources to gain insight into the customer expectation and requirement. Indian banks have also started to differentiate between the services delivery and the quality of service delivery.

Thereby, the mere availability of the services by the Indian banks will fail to meet the expectations of the customers. The study in consideration of this has used the advance and more relevant concept that is service quality and has tested the relationship of the same not only with the customer expectation but also with the other aspects of the Customer Satisfaction Index (Perceived Quality, Customer Perceived Value and Customer Satisfaction). It has been observed that Service Quality tends to enhance The Perceived Quality, Customer Perceived Value and Customer Satisfaction while meeting the Customer Expectations (as analysis in the earlier chapter represented the positive impact of the service quality on the said dimension). Further analysis of service quality highlighted that factors namely – Responsiveness, Empathy, Assurance, Reliability and Information Technology hold relevance in the context of Indian banks. However, it has been observed that the Indian banking customer was more affected by the responsiveness of the banks towards their queries or grievances. Thereby, the Indian bank must ensure that they effectively deal with the responsiveness to lead enhanced customer satisfaction.

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