EFFECTIVENESS OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM) ON CUSTOMER SATISFACTION AND LOYALTY IN THE BANKING COMPETITIVE

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ABSTRACT

On the eve of the 21st century, the pace of modify is immense that it is simply impossible to realize. Today's the survival condition of the institutions is the ability to attract and retain informed customers. Customer Relationship Management is a concept for managing a company's interactions with customers, clients and sales prospects which can accomplish financial institutions goal such as customer satisfaction. It entails using technology to organize, automate and synchronize business processes. Customer satisfaction is not adequate and the organizations such as banks oughtnot to be happy from the satisfaction of their customers. They must promise that their satisfied customers are loyal too. Obviously, for the development of e-commerce in the country and entry into global markets and membership in organizations such as WTO, the basic requirement is CRM. The serious consideration to clients entails continuity in today's competitive markets. The organization can decrease their productive costs and increase their earnings through customers' satisfaction. Banking sector is a customer-oriented service where the customer is the key spotlight. Research is needed in such sector to understand customers necessitate and attitude so as to build a long relationship. Generally speaking, all businesses and mostly financial institutions have been affected to some degree in what is happening in the global market place. Now, not only the organizations plan to persuade the customers but effort to do this more efficiently and effectively than their rivals in the competitive market place in order to achieve their goals. Financial institutions are setting their strategies to make convinced customer satisfaction andloyalty; therefore employees must be more customer-focused and service-oriented in order to convince their customers. CRM has become a multi-faceted and complex phenomenon that is ridden by various factors. However, most of businesses need to know and look at the particular measures and dimensions of the CRM that have a significant impact on customer satisfaction and loyalty, which would enhance the business performance, especially with the increase in competition as well as lack of differentiation in providing a service. The main purpose of this research is to measure the effectiveness of CRM on customer satisfaction and loyalty in the banking competitive.

Keywords: Customer Relationship Management, Customer Satisfaction, Customer Loyalty. Banking Competitive.

1. INTRODUCTION

Customer Relationship Management (CRM) is one of the strategies to manage customer as it focuses on understanding customers as individuals instead of as part of a group. CRM deals with the relationships between a firm and its customers. Today, many businesses such as banks, insurance companies, and other service providers realize the importance of CRM and its potential to help them acquire new customers retain existing ones and maximize their lifetime value. CRM is a sound business strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, reprising, discretionary decision making, and customized

service-all delivered through the various sales channels that the bank uses. The aim of this study is to evaluate the effectiveness of CRM in the banking system. This research concludes commercial bank customers of Erode city and used the proportional sampling method for sampling and finally completed 197 questionnaires because lack of accountability of some respondents and incompleteness of some questionnaires. According to the data analysis, the results specify that the effectiveness of CRM has a positive impact on customer satisfaction and loyalty. A structured questionnaire was designed, distributed and filled up by participants from the findings show that CRM a significant positive effectiveness on customer satisfaction and loyalty in the banking sector.CRM is a set of practices that organizations adopt to maintain and increase their customer support. The study proposes that effective CRM is a reliable tool to increase customer satisfaction. Hence, Commercial banks at Erode City should make sure customer satisfaction at all time. Management of the banks must always seek customer opinion before taking decision that is obligatory on the customers. The study concludes that there is a direct relationship between CRM and banks customer satisfaction and loyalty. The banks management is therefore persuade pursuing CRM programmes with stubbornness so that they can stay alive in the present competitive business environment.

2. RESEARCH OBJECTIVES

In recent years, significant developments have been made in the banking sector in India. Although the costs are high in the banking sector, the banks increase the number of their branches day by day and this addstimulate to the competition. Forming and nourishing healthy and long-term customer relationships have become an important resources of competition in the banking sector. The effort to retain the customer affects the success of the banks due to the fact that one-to-one communication is achieved with the customer especially in field of commercial credit and the rate of profitability is taken from the credit customers. The objective of the study is to establish the significance attached by Commercial Banks in Erode City to customer relationships and to expose the effect on customer loyalty of its importance to customer relationships. For the purpose of this study, two different variables have been used in the study are Customer satisfaction and loyalty.

The present study can be summarized in the following

1. To resolve the level of CRM importance in achieving customer satisfaction and loyalty in Commercial Banks in Erode City.
2. To establish the main elements of CRM applied in the Commercial Banks in Erode City.
3. To estimate the relationship between CRM and customer satisfaction, loyalty in the Commercial banks in Erode City.

3. SCOPE AND METHOD OF THE STUDY

A list of banks operating in Erode was acquired from the websites. The research population consists of all customers in Erode city. A randomly selected customer of different banks functioning in Erode city was the sample of the present study. The study employed descriptive to analyse the data recover from the questionnaire by four research questions. As face-to-face interview method has been used, the rate of return has become high and only few questionnaire forms have not been included in evaluation. To increase the strength of the research, a pilot study has been done and thus, modification has been made in 10% of the questions. A total of 208 questionnaires were self-administered distributed to the sample which was randomly selected. Only 197 usable survey forms returned by respondents out of the total survey forms that are distributed, which represent 94.7% response rate. The respondents were mostly the customers of State Bank of India, Canara Bank, Axis Bank, ICICI, KarurVysya Bank operating in Erode city.

4. RESEARCH PROBLEM AND QUESTION

It is very essential in our strength changing competitive environment in the banking industry to be in direct contact with the customers in order to build up good relationship, so that satisfaction can be accomplish. As a result of this knowing the main elements of CRM which can achieve customer satisfaction is a decisive issue for financial Institutions; especially with the severe competition between such institutions. According to these issues, the main crisis of the current is formulated in the following questions

1. What is the effect of customer involvement and participation on customer satisfaction and loyalty?
2. What are the main elements of CRM that can achieve customer satisfaction in the banking industry?
3. Does an incentive to customers have an effect on customer satisfaction and loyalty?

5. CUSTOMER SATISFACTION AND LOYALTY

Customer satisfaction means that customer needs, wishes and expectations are met or conquer during the product/service period, giving way to re-purchasing and customer loyalty. In other words, customer satisfaction is the estimation of the pre-purchasing expectations from the product, with the results reached after the act of purchasing.

A highly pleased customer

1. Continues his shopping for a long time.
2. Buys more as long as the firm produces new products and the existing products are improved.
3. Speaks of the firm and its products with honour.
4. Keeps indifferent to the trademarks that are in competition with the products of the firm.

5. Offers the firm suggestions and ideas about products and services.

It is possible to secure the customer loyalty through customer satisfaction. However, the fact that there are many enterprises that offer products and services of the same quality and at the same price distance makes it difficult for the enterprises to secure customer satisfaction. It may even be simple to let the satisfied customer go to the competitor enterprises.

Today, the most significant thing to do about the intense customer satisfaction is the customer centred practices modified to each customer's desires and ethics. By treating different customers in different manners, firms can accomplish customer loyalty. Customer loyalty is the long and uninterrupted retention of the relationship by offering service that meets and even goes beyond the customer needs.

Customer loyalty is defined with concern paid to the amount of buying for a given trademark. The level of loyalty is deliberate by the watching of the regularity of buying. With the increase in the amount of accessible information in recent years, the conscious level of customers has improved continually. Today's customers are awake of the power they have on the market and that every activity is appreciated for them. It is now easier to reach the products and services. Before choosing a given trademark, consumers look at the price, newness, accessibility of the product and the additional services offered. As the alternatives increased, consumers' loyalty to the products and services decreased. Today firms have entered into an effort to present at a lower cost than their rivals the products and services that can meet the customer wishes and expectations completely, so this can render customers more trustworthy.

The strategy that can be engaged by the firms to create customer loyalty can be listed as follows.

1. Rewarding those who send new customers
2. Sending thank-cards
3. Sending personal letters
4. Reminding by phone
5. Choosing the field in which they are the best
6. Preparing events and occasions peculiar to customer
7. Evaluating the customer complaints in detail and giving quick replies.

6. CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

CRM is ashore on the idea of establishing a learning relationship with each customer. As anoutcome of the learning relationship with each customer, the enterprise may learn the expectations and wishes of its customers more easily and meet these expectations just in time, also acquiring abenefit of competition. In a learning relationship, the customer advises the enterprise his/her needs and expectations, and the enterprise may be able to meet these needs and expectations through its products and services. The enterprise may be offering its customers a similar kind of utilization and interface with its competitor. Since the enterprise will have better information about its customers through the learning relationship it has developed, it will differentiate the enterprise from its rivals. As can be seen in *Figure 1*, the fact that enterprises have as much information as possible about the customers, make up

customer databases and upgrade them in the course of time form the basis of CRM. Learning the customer demands and complaints by keeping in contact with the customers and producing solutions peculiar to the customer are the other steps of CRM.

Figure 1: *CRM, Customer Satisfaction and loyalty*
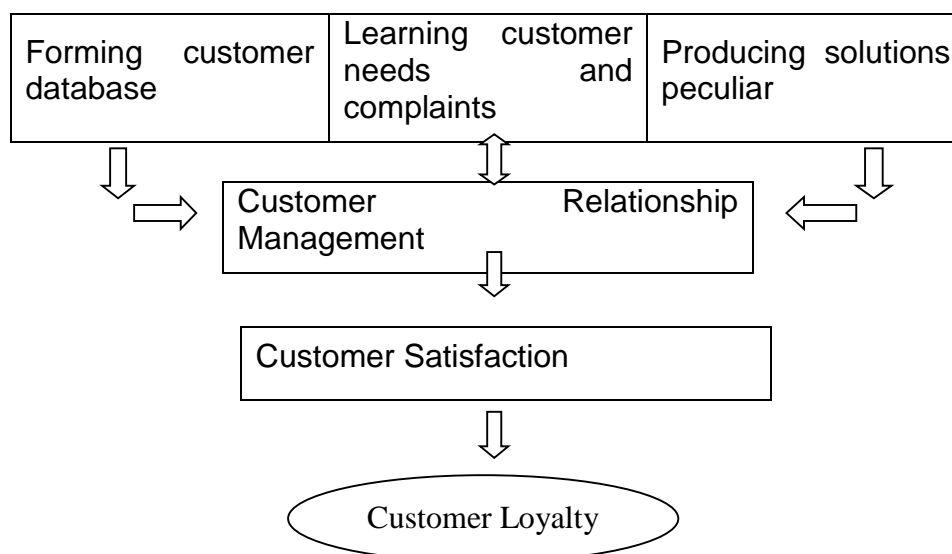
6.1 Customer Relationship Management in the Banking Competitive

Enterprises product benefits of form, time, place and property that will convince the customers' demands through goods and service. Forming and marketing of the goods and services that satisfy the customer demands is the basis of producing benefit. In recent years, in fields as banking, where a strong competition, customer satisfaction has gained a fine deal of significance. It may be effortless to let another bank confine a displeased customer. To raise the customer satisfaction to the highest level and retain customers, the banks are to connect importance to CRM. There are four important stages of following customer relationship management strategy in the banks. The first step is the stage of ''planning, targeting''. It necessary to make a documented strategy stating how customer relationships are wanted to be focused. The second step. ''design'', allows preparing the prime designs supporting the bank strategy. A lot of banks ignore this step, but it is vital for coordination and thus success. The third step is ''building''. At this stage, projects for changing are started. The fourth step is running and developing the programmes. When the first projects for start to give fruits, it should not be thought that the work is over. It is essential to place the change in the enterprise, to extend the activity and make the strategy more confident.

6.2.The Maintaining of Customer Satisfaction and Loyalty

CRM enhanced the relationships of customers and competitors in a firm to amplify the share of the organization in marketplace by integrating technology, procedures and people. In fact, the purpose of CRM is customer satisfaction and increasing consumer loyalty and results in the change of strategies and business function. Customer satisfaction is the key factor for a successful CRM implementation and for the protection of customer loyalty in a firm. Indeed, CRM offer data from the organization's departments and external resources and then making their processing that will help the company in providing products/services adapted to the client in real time. This information can assist employees who face with customers in various departments of the organization to offer a better product or service to the customer increasing thus consumer satisfaction and loyalty. Through a well-structured strategy to CRM companies will have the opportunity to develop their overall performance. An increase in customer satisfaction will improve the overall reputation of a company. An improved reputation can help in the prologue of new products, providing a direct awareness and reducing the risk of getting customers to purchase new products. To ensure a company consistently products and services that satisfy customers should increase its profitability by reducing the costs of failure. A company that consistently delivers high customer satisfaction needs less resource to manage returns, to progress damaged products and complaint management.T o enhance customer satisfaction through better quality of raw materials, increasing the level of personal service, the provision of a range of differentiated products to meet customer needs etc., It will increase costs at a growth rate and this will reduce the profit of customer satisfaction.

7. DATA ANALYSIS

Considering the demographic features of the customers included in the study 58.4% of them are males and 41.6% are female's .The customers are mostly between the age 30 and 40 years which represent 38% of the sample size. 40.2% are having collegiate qualification. Most of the customers are working as private employees (52). Finally 42% of the customers are having below 5 years period of dealing with the bank.

TABLE 1

DESCRIPTIVE ANALYSIS

S.No.	Variable	Number	Mean	SD
1	Service quality monitoring system	197	3.08	0.586
2	Maintenance of Customer Data	197	3.21	0.547
3	Grievance Redressal Methods	197	4.21	0.631
4	Employees' Communication	197	3.97	0.485
5	Physical Facilities offered	197	3.54	0.521

TABLE 2

REGRESSION ANALYSIS

Model	R	R^2	Adjusted R^2	St. Error
1	0.716	0.549	0.517	0.431

S.No	CRM Elements	B	R	P value	Result
1	Service quality monitoring system	0.978	0.315	0.003	Accept
2	Maintenance of Customer Data	0.198	0.161	0.019	Accept
3	Grievance Redressal Methods	0.803	0.641	0.000	Accept
4	Employees' Communication	0.415	0.607	0.254	Accept
5	Physical Facilities offered	0.882	0.773	0.002	Accept

Independent variable: Elements of CRM

Dependent variable: Customer Satisfaction

8. RESULTS AND DISCUSSION

Based on the analysis, which shows that customer relationship management (CRM) elements overall has a positive, relationship with customer satisfaction (R=0.716). However, based on the adjusted R square value of 0.54, these elements is responsible to 54.9% to dependent variable i,e customer satisfaction. As a result of this, the researcher rejects the null hypothesis and accepts the alternative hypothesis which states that there is a significant relationship between CRM and customer satisfaction where p value is less than the significant value (p≤ 0.05) Testing the sub hypothesis results shown in the table which shows that all CRM element measured, shows a significant statistical relationship with customer satisfaction. As a result of which all alternative sub hypothesis are accepted which states that elements of CRM represented by Service quality monitoring system, Maintenance of Customer Data, Grievance Redressal Methods, Employees' Communication and Physical Facilities offered are all responsible for creating customer satisfaction.

9. RESEARCH RECOMMENDATIONS

The recommendations in its line are recommended that:

1. By training classes on the CRM, power and skill of employees and providing better services so that is essential and desired for customers to communicate.

2. Also obtain feedback of customers about the service satisfaction, increase the services quality by fixing the weaknesses and reinforcing the strengths.

3. It is recommended to ask about the level of the factors causing satisfaction and the factors causing displeasure by survey then be able to resolve weaknesses and reinforce strengths obtain the level of customer satisfaction in order to gain their loyalty.

4. It is recommended that with setting up the banking new services such as online banking and electronic banking, responds to the demands and needs of customers because today customers are looking for innovative and different services than before and have demand for services that can do their banking affairs at home, at work and in general in absentia.

5. It is recommended that bank to gather its obligation to customers and by completion to the commitments to increase the customer satisfaction and loyalty.

6. By observing the customer-oriented principles have always been organized this attitude in customers minds that in association with customers, prioritize their demands and doing to its commitments and statements against customers.

7. It is suggested that illustrate the customers that their value is more than the financial profit for the bank. They can respect and value the customers ranging from young and old or any type of personality of customers.

10. CONCLUSION

CRM is the most valuable approach in maintaining and establishing relationships with customers. Companies necessitate understanding that the implementation of CRM systems in the company is an important tool to extend strategies for maintaining customer and creating loyal customers. Companies must not only see CRM as a technological tool, like a software program, but as a change in the structure and business culture in common. All the efforts and promises of the company to increase customer satisfaction and trust will be based exactly on the investments it will make in the implementation of CRM systems. This will generate that opportunity to develop a competitive advantage in relation to its competitor. Therefore, CRM has been becoming an essential strategic tool for the firms in today's dynamic market in which customer needs are changing continuously and the key to success lies within concentrating on customer retention. CRM is used to analyse inquiries and customer behaviour to sustain decision making. Previous studies have shown that there are some implications for managerial decision-making in the area of customer satisfaction. Given that satisfaction plays a leading role in keeping consumers, marketers must continually offer services that satisfy customers and influence their loyalty. Forming and sustaining healthy and long-term customer relationships have become a significant means of competition in the banking sector. The attempt to retain the customer influence the success of the banks due to the fact that one-to-one communication is achieved with the customer especially in field of commercial credit and the rate of profitability is taken from the credit customers. In summary, banks ability to retain their existing customers and gain new customers depends on accurate CRM. This result in appropriate perception of customers leading to increasing customer loyalty and therefore economic performance of the firm would be increased.

Data collected through expected interview and questionnaires. Finding illustrates that, the factor which is very important to increase customer satisfaction, loyalty and benefits of the firm is to clean all ambiguity and hidden problems that exist in the top level of strategic managements. A single and explicit language would be provided for accurate communication in an organization. The study concluded that all elements of CRM have positive relationship with customer satisfaction and customer loyalty.

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