

Impact of Customer Relationship Management on Loyalty in Banking Sector Batticaloa City

Puvendran. A

Department of Commerce and Management, Eastern University of Sri Lanka

Abstract

Customer relationship management (CRM) is a term that refers to practices, strategies and technologies that companies use to manage and analyze customer interactions and data throughout the customer lifecycle, with the goal of improving business relationships with customers, assisting in customer retention and driving sales growth. The purpose of this paper is to determine the impact of customer relationship management on customer loyalty. The sample counted 218 respondents is chosen by convenient sampling method and from the statistical perspective; the conclusions were established in terms of the univariate and bivariate analysis. The data was collected from the customers of private sector bank and public sector bank through structured questionnaires. Likewise, after doing the complex statistical analysis using SPSS and the analysis offered by the structured questionnaire, it can be seen how much it is influenced and the real impact of customer relationship management reflected in the customer loyalty. Statistical tools such as multiple regression, is used for data analysis. The study shows that there is a significant impact on customer relationship management and customer loyalty. The present study confines only to the impact of various dimensions of CRM and customer loyalty. In future, this study can be enhanced by studying the impact of CRM dimensions of private sector banks and public sector banks. Similarly a study also is conducted to study about impact of CRM on customer loyalty of foreign banks.

Keywords: Customer Relationship management, Loyalty, Banking industry

Introduction

Today's banking industry faces several challenges, increased competition, stricter regulation, and customers who are increasingly sophisticated, price conscious and discriminating in evaluating banking services (Beckett, 2000). Banks are the finance institutions that meet the economic needs of the individuals and businesses and that perform such economic activities as collecting bank deposits, giving credits, providing capital, and etc. In recent years there have appeared important developments in the understanding of modern banking. With the transition to automation, customer satisfaction and management of customer relationships have taken place among the subjects spoken of in the banking sector.

The biggest management challenges in the new millennium of liberalization and globalization for a business is to serve and maintain good relations with the customer. Relationship marketing as a strategy to attract maintains and enhance customer relationships. Relationship marketing is to establish, maintain and enhance relationships with customers and other partners at a profit, so that the objectives of the parties are involved are met (Gronroos, 1994). Several studies have been conducted pertaining to relationship marketing and customer loyalty. Relationship Marketing is becoming important in financial services (Zineldin,1995).

If a bank develops and maintain a solid relationship with its customers, its competitor cannot easily replace them and therefore this relationship provides for a sustained competitive advantages (Gilberts Choi, 2003). Today the most important thing to do about the reduced customer satisfaction is the customer-centred practices adapted to each customer's needs and values. By treating different customers in different manners, firms can achieve customer loyalty (Tarhan, 2004: 77). Customer loyalty is the long and uninterrupted retention of the relationship by offering service that meets and even goes beyond the customer needs (Acuner, 2001). Today's customers are aware of the power they have on the market and that every activity is realized 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 (Tekinay, 2002). Therefore this research attempts to explore how CRM influences on Customer Loyalty. The specific research question of this study is: "Does CRM impact on Customer loyalty in banking industry?"

It is lack of literature in Sri Lanka to examine the relationship CRM and Customer loyalty. Thus, there exists a clear empirical gap with respect of the influences of CRM on Customer loyalty. This empirical gap becomes a problem to banks who are promoting their CRM services to know whether their service is successful or not among the customers. Indeed, there is a need to evaluate what extend the CRM influenced on Loyalty among bank customers in batticaloa district.

Methodology

A structured questionnaire was designed for this research purpose. Primary data were collected for address both dependent and independent variables by based on the survey utilizing a structured questionnaire. Among 220 customers, about two hundred eighteen (218) customers have been responded to the given questionnaire within the required time frame. The type of research is deductive and variables are measured with quantitative analysis. Primary data are collected through structured questionnaires with closed statements measured with Likert's scale (1-5 as strongly agree, agree, neutral, disagree, strongly disagree respectively), based on result from respondents. They have been identified using convenient sampling technique (see Table 01).

Table 01: Sampling Framework

Study Setting	All bank customers in Batticaloa city
Unit of Analysis	Bank customers
Sample Size	Two Hundred eighteen (218) customers
Sample Method	Convenient Sampling Technique

Quantitative Approach

In order to analyze the hypothesis of study, this study includes statistical analysis by using SPSS software. They are regression, Correlation, Reliability test and over all measurement of dependent and independent variable. Reliability analysis is done to check whether the variable used to study customer relationship management dimensions will produce consistent results as

shown in TableNo.2, the calculated Cronbach Alpha cut off rate of 0.70 to prove good reliability (Hair et al., 2009). The cronbach Alpha for the current study is 0.944. So it can be concluded that all the factors used to measure the customer relationship management are found to be reliable.

Table 02: Reliability Statistics

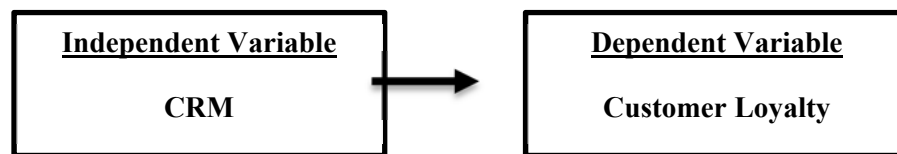
Cronbach's Alpha	Number of Items
0.944	16

Table 03: Decision Criteria

Range for decision criteria	Decision Criteria	Decision Attribute
$X_i < (3-Z \sigma_x)$	$X_i < 3$	Low Level
$(3-Z \sigma_x) \leq X_i \leq (3+Z \sigma_x)$	$X_i = 3$	Moderate Level
$X_i > (3+Z \sigma_x)$	$X_i > 3$	High Level

Theoretical framework

Theoretical frame work describes about dependent and independent variable and its dimension and indicators as well as. According to the literature the dimensions and indicators of dependent and independent variable illustrate here,



Environment (Cues)

Word of mouth

- a) Ambient Factor
- b) Design Factor
- c) Social Factor

Service quality

- a) Reliability
- b) Responsiveness
- c) Assurance
- d) Empathy

Word of mouth

- a) Repurchase intension

Price

Here is the hypothesis constructed to identify the impact of CRM on customer loyalty such as,

H1: CRM significantly impact on Customer loyalty in banking industry at Batticaloa city

Results and Discussion

Level of Independent Variable and Its Dimensions

CRM is evaluated with three dimensions: Environment, Service quality and Price. Specifically, all dimensions of CRM have high level attributes in relation to their mean values (mean values of Environment $X_{1.1} = 3.46$, Service quality $X_{1.2} = 3.54$ and Price $X_{1.3} = 3.66$). Among these dimensions, Price has high value of mean and Environment is comparatively lower than other dimension that contributes to CRM. CRM as an independent variable has high level attribute of the customer loyalty (Mean $X_1 = 3.5594$ and see Table 3). In addition, most of the respondents expressed generally a common opinion regarding the variable of CRM (Standard deviation = 0.56917).

Table: 04 Descriptive Statistics

	Mean	Std. Deviation
Environment	3.4648	.51604
Service Quality	3.5482	.64175
Price	3.6651	.78744
CRM	3.5594	.56917
Valid N (list wise)		

Level of Dependent Variable and its Dimensions

The customer loyalty is assessed with four dimensions: WOM and Repurchase intention. Indicatively, all dimensions of Loyalty have high level attributes of respondents in relation to their mean values (mean values of WOM $X_{2.1} = 3.3968$ and Repurchase intention $X_{2.2} = 3.1514$). Among these dimensions, repurchase intention of loyalty has high value of mean; and WOM is comparatively lower than other dimensions in contribution to Loyalty.

Table: 05: Descriptive Statistics

	Mean	Std. Deviation
Re	3.3968	.71336
WOM	3.1514	.78583
Loyalty	3.2741	.66621
Valid N (listwise)		

The Relationship between CRM and Customer loyalty

According to the regression analysis 70.4% of Loyalty is impacted by factors of CRM and remaining 29.6% is determined by other factors which exclude Price, Environment and Service quality.

Table:06 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.839 ^a	.704	.700	.36475

a. Predictors: (Constant), Price, Environment, Service Quality

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.226	.175		-1.295	.197
	Environment	.259	.064	.200	4.059	.000
	Service Quality	.538	.057	.519	9.371	.000
	Price	.189	.047	.224	3.987	.000

a. Dependent Variable: Loyalty
Regression equation is expressed such as

$$Loyalty = 0.226 + 0.259 \text{ Environment} + 0.538 \text{ Service quality} + 0.189 \text{ Price}$$

$Y = 0.226 + 0.259 (X1) + 0.538 (X2) + 0.189(X3)$ Where Y is the estimated customer Loyalty Score. The above equation revealed the variables of CRM such as Environment, Service quality and Price are reliable, consistent in providing services. On an average, if the Environment of CRM changes by 1 unit, there will be 0.259 unit increase in customer loyalty, Service quality of CRM changes by 1 unit, there will be 0.538 unit increase in customer loyalty and other variable increased by 1 unit loyalty increased by 0.189 and remain constant similarly the multiple R of 0.839 revealed that there exist the relationship of 83 percent between trust and customer loyalty. Similarly R2 indicates 0.704 change in CRM explained and variation of 70.4 percent in customer loyalty. This shows that among all aspect of CRM are reliable had most powerful impact on customer loyalty.

Conclusion

This study considers CRM as independent variable and Loyalty as the dependent variable. While these variables individually have moderate level attributes of the respondents, the Regression analysis explores a significant effect between CRM and Loyalty. The regression was 0.704 at the 1% level. This implies that CRM can be predicted with Loyalty. According to Beckett (2000), Berry (1984), Forbes & Vespoli, (2013) CRM can have effect on Loyalty. Our study also has significant effect of CRM on Loyalty.

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