

CUSTOMER RELATIONSHIP MANAGEMENT AND BRAND IMAGE IN BANKS

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Abstract

Banks have interactions with customers through Omni-channel delivery comprising integrated marketing communication, online campaigns, direct selling, customer care centres, and relationship officers. Customer Relationship Management (CRM) is an organisational initiative to develop mutually profitable long-term relations to derive maximum life-time value. In service industries, the goal is especially emphasised since a repeat customer is believed to cost merely a fraction of what needs to be spent in servicing a new customer. Bank customers of private and nationalised banks were surveyed to assess perception about CRM practices, satisfaction, loyalty and brand image.

Keywords: CRM, Brand Image, Banks, Satisfaction, Loyalty.

1. Introduction

CRM is a strategic approach concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. CRM unites the potential of relationship marketing strategies and Information Technology to create profitable, long-term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to both understand customers and co-create value with them. This requires a cross-functional integration of processes, people, operations and marketing capabilities that is enabled through information, technology and applications.

The basic factors of success leading to efficient CRM is presented in Table 1.

Table 1, Success Basics for CRM

Top management vision and support	<ul style="list-style-type: none"> ✓ Understanding & communicating the vision of the program clearly. ✓ Driving it as a transformation rather than a technology project. ✓ Ensuring adequate resource allocation in term of time and money. ✓ Delivering quick wins to maintain the enthusiasm.
Implementation methodology	<ul style="list-style-type: none"> ✓ Creating a 3-year roadmap to achieve the full potential of the vision. ✓ Creating an internal CRM excellence team. ✓ Ensuring adequate multi-wave iterations for process unification. ✓ Taking quick decision during departmental conflicts. ✓ Understanding that user adoption is driven by value & not technology.
Respecting technology complexities	<ul style="list-style-type: none"> ✓ Creating reliable integrations because they must be tested day-on-day. ✓ Ensuring right strategies to work with LOB system that are not open. ✓ Understanding scalability requirements is key to decision making. ✓ Understanding the impact of reports and isolating the work load.
Ownership experience	<ul style="list-style-type: none"> ✓ Training production teams to own such a high impact CRM. ✓ Ensuring user training are part of the HR induction program. ✓ Ensuring adequate user feedback and improvement cycles. ✓ Using strong production change management practices to deliver always on availability.
Selecting the right Partners	<ul style="list-style-type: none"> ✓ Understanding that such transformation need practice specialists. ✓ \Selecting a partner who can add value to the vision ✓ Listening to the partner especially when the advice is counter intuitive.

Customer Relationship Management can therefore be taken as a comprehensive approach for creating, maintaining and expanding customer relationship. It provides flawless synchronization between customer service, marketing, information technology and other customer related functions. It also integrates people, process and technology to maximize relationships with all the customers. CRM does not aim to build closer relationship with all customers, but rather recommends that businesses take initiative to identify the most valuable customers by looking for their lifetime value. CRM means building an interdependent relationship with the customer in whom each relies on the other for business solutions and successes.



2. Need for the Research

Banking sector has always been the focus of society due to its essential role in the finance world and the wellbeing of world's economy. Various reasons and apprehensions like financial burdens, risk of failure, marketing inertia etc., force many banks to still follow the traditional ways of marketing and only few banks are making attempts to adapt CRM. In banking sector, the role of CRM is very vital in leading the banks towards higher level and volume of profits. So there is a need to study the role of CRM in development and promotion of banking sector.

3. Review of Literature

Kaur et al. (2015) revealed that internet banking consists of diverse activities conducted from residence business, rather than at a substantial bank location customer relationship management worked as a tool amplified use of e-commerce creates customer relationship management. This study also found that online banking offers the flexibility, efficiency of work; present the better protection of net banking than net banking augmented. The future of web-based e-banking in expanded areas emerges bright but consumers and merchants in developing countries face in number of obstacles to victorious e-banking, including less dependable telecommunications infrastructure and authority supplies, less access to online payment mechanisms and moderately high costs for personal computers and internet use. It was suggested that banks should recognize the requirements of the customer and inform the services of banking effortlessly.

Thirumoorathi & Manjula (2015) revealed that technical solutions organized by banks today are elastic, user-friendly and meant to assist specific workflow and prerequisites in functioning processes. In order to abridge lives, banks have begun to execute end-to-end technologies through all departments with the purpose of removing human mistake from processes. For a bank to succeed in adopting a CRM viewpoint of doing business, bank management must first appreciate CRM as a holistic notion that involves numerous, interlocking regulations, including market information, strategic planning, business process development, product plan and pricing analysis, technology execution, human resources management, customer preservation, and sales management and training. It was suggested that CRM is an approach that can assist them to construct long-lasting relationships with their customers and boost their profits through the efficient customer relationship management system and the relevance of customer-focused stratagems.

Sindwani & Goel (2015) investigated the relationship between key aspects of technology enabled self-service banking service quality and customer satisfaction. This study revealed and validated four dimensions of technology based self-service banking service quality, such as expediency, reliability and protection, responsiveness, personalization and one dimension of customer satisfaction. The proposed factor arrangement of technology based self-service banking service quality demonstrated proof of uni-dimensionality, reliability, face validity, convergent validity and discriminant validity. The findings of the study may perform as effort for banks, in order that they focus on those facets of technology based self-service banking which may improve customer satisfaction, eventually resulting in customer faithfulness and higher efficiency. The study concluded that creating relationship between service quality and customer satisfaction can too be used for other multi-mode technology based services like share and commodity trading by allowing for their broad self-service technology characteristics.

Al-Hersh et al. (2014) investigated the impact of customer relationship marketing with regard to customer satisfaction in banking sector. The study findings showed that medium to high degrees of positive characteristics of the two samples toward customer relationship marketing aspects such as, trust, promise, contact, empathy, societal bonding and gratifying promises on customer satisfaction. The findings also pointed out those different results regarding the impact of customer relationship marketing on customer's satisfaction because of gender, age and educational level. It was concluded that promise execution improves bank capability to understand customers, enlarge its market share, and eventually reduce cost and increase productivity.

Mahalakshmi et al. (2013) attempted to discover the diverse factors that direct to the satisfaction of customers in the banking industry. This study revealed that CRM in the banking sector is a significant plan which assists the bank to construct long-lasting associations with their customer and, which consecutively augments the customer satisfaction. Findings of the study stressed that victorious customer relationship management focuses on understanding the requirements and desires of the customers and is realized by placing these wants at the spirit of the business by integrating them with the organization's plan, people, expertise and business processes. In conclusion, it divulged that a great CRM strategy is the formation of mutual value for all the parties concerned in the business procedure. It is about building a sustainable competitive advantage by being the greatest at accepting, communicating, and delivering, and budding prevailing customer relationships as well as creating and holding new customers.

Belas et al. (2016) examined the selected characteristics of commercial banks protection proportionate to customer education and satisfaction. The results substantiated that security concerns presently influencing also customer satisfaction and fidelity



have become a central component of bank activities. Commercial banks which base their business mainly on their own reliability are forced to continually develop applied technologies and defend themselves against prospective hacking assaults. The fraud avoidance has become one of the priorities of banks, customers and even representatives as bank frauds damage both banks and customers. The results showed that there is a optimistic relation between reliability of a bank, its skills in the pasture of fraud prevention and customer relationship management superiority. After all, user-friendliness and security are other key areas by investing wherein banks can draw customers to employ e-services. Customers be inclined to have higher beliefs as for user-friendly interface and internet transactions safety.

Vikram and Anuradha (2015) studied that customers take pleasure in absolute comfort in terms of adapted technical explanations and banks utilize the same to strengthen long-term, mutually-beneficial associations. The study attempted at this juncture have been to explain the significance of following CRM practices for acquiring, preserving and rising customers for maintained success for banks and how it could be computerized as an application practice with the aid of banks information technology infrastructure. Results of the study revealed that CRM connects new and superior marketing strategies which not only remain the existing customers but also get new customers and also analysed their attempts in terms of a tactical framework and indicates some of the divergences that have happened in the implementations. It has been invented as an exclusive method capable of incredible changes in total productivity of banks. It was concluded that contented customer are trustworthy, their preservation rate is much superior with overall productivity.

Vinayagamorthy & Magdaline (2015) carried out this seminal work to discern the customers' outlook towards service quality of private sector banks. Results of the study disclosed that as the customers' wants and desires are formed and shaped in the light of their economic, societal and civilisation circumstances, there is a close relationship between the banks' capability to carry on and survive and their capacity to create services that fit in with the growing and changing needs of the customers. Hence, banks work hard to find effectual ways to counter external changes so as to survive and they improve their efficiency by means of activating their services and creating and developing new ones. This study stated that banks have to appreciate the changing needs of customers, their objectives and anticipations to generate value. This study also suggested that banks should also have sturdy customer relationship management system that would designate the worth of the customer and be capable to understand their wants while interacting with the customers.

Hyas et al. (2013) found that superior quality of service offers abundant benefits to banking sector like improved corporate image, improvement in customer satisfaction, cross selling opportunities, reduced customer's defection, enhanced chances of word of mouth suggestion and facilitates the preservation of long-term and good customer relationships. Results of the study showed that the banking associations are exceeding customer expectations in three aspects such as tangibility, reliability and responsiveness and lacking other two dimensions like assurance and empathy. It was concluded that better quality services presented by the bank has a constructive manipulate on satisfaction of its customers and it frankly adds to productivity of banking industry.

Mengi (2009) conducted this study to evaluate customers' perceptions of service quality with regard to public and private banks. Results of the study revealed that service quality scale was utilized to establish different dimensions of service quality and chi-square analysis was employed to understand the impact of service performance dimensions, that is, tangibility, responsiveness, assurance, reliability and empathy on customer satisfaction. It was found that customers of public sector banks are more contented with the service quality, than those of private sector banks. The five dimensions utilized to determine service quality are tangibility, responsiveness, assurance, reliability and empathy. This study offered valuable insights to increase customer satisfaction in the direction of the bank. The study concluded that quality of service is a display of customer satisfaction.

Hassan et al. (2013) determined the level of satisfaction on the basis of prevailing service quality in the retail banking sector and investigated intervening task of customer satisfaction in determining the customer faithfulness from existing service quality. It was found that customers observe service quality on account of their anticipations and actual experiences. Results of the study exhibited that customer satisfaction completely mediates the relationship between reliability and customer loyalty in addition to assurance and customer fidelity, somewhat mediates empathy and customer loyalty, while no intervention found between tangibility and customer fidelity in addition to between responsiveness and customer loyalty. This study suggested that bank administrators should deliberate not only on maintaining existing services but also developing the service patterns.

4. Methodology

4.1 Objective of the Research

To propose a conceptual framework and test the causal relations between service quality, service delivery, customer service, CRM practices, satisfaction, loyalty and brand image.

4.2 Research Design

Causal research design was employed for the research. Causal research design is ‘research that focuses on collecting either secondary or primary data and using an unstructured format, or informal procedures to interpret them’ (Malhotra and Birks, 2006).

4.3 Sampling and Data Collection

Customers of private and nationalised banks in Bengaluru, Karnataka were surveyed with the help of a structured questionnaire. Convenience sampling (Malhotra and Birks, 2006) was employed for the study. The actual sample sizes were 398 nationalised banks’ customers and 296 private banks’ customers.

4.4 Research Framework

The research framework was compiled based on exhaustive review of literature and research gaps. The endogenous variables were Customer Service, Service Delivery, Service Quality, Customer Satisfaction, Brand Image, and Customer Loyalty. The exogenous variable was CRM Practices of Bank. All the mentioned antecedents and consequents were measured with help of 4-point scale (Table 2). The rating scale options comprised 1 (Poor / Strongly disagree / Not likely), 2 (Satisfactory / Moderately disagree / Somewhat likely), 3 (Good / Moderately agree / Most likely), and 4 (Excellent / Strongly agree / Definitely).

Table 2, Research Instrument

Constructs	No. of items	Sample Item
Perceived Service quality	20	Employees’ prompt service.
Perceived Service Delivery (Touch points)	9	Bank Online Presence (Website)
Perceived Customer Service	9	Bank informs about change in regulations.
Perceived Customer Satisfaction	1	Overall I am satisfied with this Bank.
Perceived Loyalty towards Bank	3	Recommend this Bank to others.
Perceived Brand Image	4	This Bank is strong and capable.
Socio-demographics	6	Association with this Bank

Source: Compiled by Researcher.

5. Analysis and Results

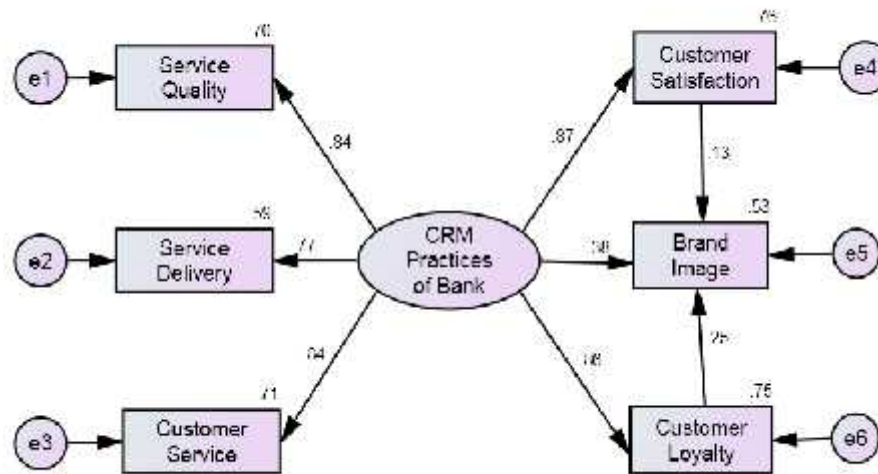
The output of Structural Equation Modelling (SEM) path analysis is summarised in Table 3 and Figure 1.

Table 3, SEM Analysis and Outcomes

Null Hypothesis	SC	p value	Result
H ₀₁ : Service quality has no effect on CRM Practices of Bank	0.837	***	Rejected at 0.1%
H ₀₂ : Service delivery has no effect on CRM Practices of Bank.	0.77	***	Rejected at 0.1%
H ₀₃ : Customer service has no effect on CRM Practices of Bank.	0.84	***	Rejected at 0.1%
H ₀₄ : CRM Practices of Bank has no effect on Customer Satisfaction.	0.871	***	Rejected at 0.1%
H ₀₅ : CRM Practices of Bank has no effect on Brand Image.	0.385	***	Rejected at 0.1%
H ₀₆ : CRM Practices of Bank has no effect on Customer Loyalty.	0.864	***	Rejected at 0.1%
H ₀₇ : Customer Satisfaction has no effect on Brand Image.	0.131	0.05*	Rejected at 5%
H ₀₈ : Customer Loyalty has no effect on Brand Image.	0.246	***	Rejected at 0.1%

SC – Standardised Coefficient; p – Significance.

Figure 1



6. Conclusion

Service quality, Service delivery, and Customer service have a positive effect on CRM practices of bank. CRM practices of bank have a positive effect on Customer satisfaction, Customer loyalty, and Brand image. Customer satisfaction, and Customer loyalty have a positive effect on Brand image

7. References

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