



A Pragmatic Revision on CRM as an Implement to Evaluate Customer Satisfaction for Banks-An Appraisal of Public and Private Sector Banks

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Abstract:

A Pragmatic Revision on CRM has appeared as a planned implement to change, preserve and improve relationship with customers by using existing information of customers with the banks. This research work is a comparative study of a Public sector bank and a Private sector banks that adopted CRM tool to achieve competitive advantage over its competitors. The study evaluates the satisfaction level of customers on 8 dimensions of CRM. The study was carried out with a sample of 250 respondents in Chennai, Tamil Nadu, India. The survey was conducted using a validated closed ended questionnaire. The findings confirm a relatively higher level of satisfaction in the Private sector bank, attributed mainly to channel management aspects including bank facilities, ATM facilities, on-line banking services and telephonic banking. The customers of the Public sector bank were more satisfied with the front end services including services provided by Customer Service Representative /teller and Supervisors/Managers.

Keyword: *Customer Relationship Management (CRM), Retail Banking, Customer Satisfaction, Financial Service Marketing*

1. Introduction

Retail banks have realized that their customers have different economic value for their businesses. Hence, they have adapted their product and service offerings and even their communication strategy accordingly. This has led to change of approach from product centric to customer-centric approach. As stated by Pareto's 80/20 ratio that 20% of their business customers contribute to 80% of the business profit, so the banker tries to retain these 20% of customers and prevent them from defecting. Hence, the key to success is to understand the customer and their behaviors and produce products and services which satisfies them. Customer relationship management (CRM) has merged as a strategic tool to develop, maintain and enhance relationship by using advanced information regarding customers.

CRM has become very powerful due to the importance given by the economic, social and technological forces. These forces in the contemporary business and technological environment had made the traditional business model obsolete [1]. CRM is based on understanding the behavior, value and attitude of the customers by utilizing technology and human resource. This will help the business in providing better customer service which will increase customer satisfaction leading to higher sales. To begin with, the bank should comprehend the different types of information regarding the products and services. The focuses of CRM applications is to satisfy and retain customers, improve information, reduced cost, improved productivity & quality and increased market share. Retail bankers in India in a big way have started adopting CRM to satisfy and retain their customers. This study was taken up to find out and compare customers' perception and satisfaction regarding CRM adopted by the Public sector and Private sector banks.

2. Review of Literature

'Customer is the king.' The phrase was truly understood by the bankers when because of the technological development and wide spread deregulations, international competitors could offer the customers' services & products what they need, and not what the banks could produce. Customer Relationship Management is a widely used tool by bankers for managing their interactions with their customers using technology to automate, organize and synchronize their business process. CRM basically is a facility where the focus is on individual customers by organizing the structure and system of the traditional firm appropriately. The basic goal of CRM is to attract new customers and retain existing customers. It is a sound business strategy which helps them to identify profitable customers and establish long term relationship with them by offering customized marketing offers.

Successful CRM needs consistent support from the top management [2]. Studies have confirmed that the integration of contact channel, front-end and back-end system is vital for smooth functioning of CRM [3]. CRM is a strategic process to enhance stakeholders' value by developing relationship with key customers of different segments [4]. Knowledge ability and attitude of bank's employees has significant impact on successful implementation of CRM in any bank [5].

CRM helps to generate affective commitment which develops during the 'moment of truth'. This affective commitment leads to increased customer retention, higher profitability and loyalty [6]. The four-strategic framework of CRM helps banks face internal and external challenges. The framework comprises of Customer Data Management, Contact Channel Management, Information Technology Management system, and Enterprise-wide Management system [7].

CRM has helped the bank to achieve higher degree of effectiveness, increased service performance and reduced response time. The bank was able to increase their capital value with proper co-ordination between various departments [8]. CRM program of successful requires a right balance of human skill, technical skills and business capabilities [9]. Strategic factors, tactical factors and operational factors are the three Critical Success Factors of CRM. These factors have direct impact on transaction quality & relationship quality and helps in reducing traction cost. These three factors lead to CRM effectiveness. Effective CRM has direct relationship with CRM success. CRM success is customer retention [10]

3. Research Methodology

3.1 Instrument & Tools used for Measurement

Primary data collection was completed by conducting a survey, using questionnaire as a survey instrument. A survey instrument was constructed based on the literature review. The questionnaire prepared had two parts – first part is regarding Personal Profile of the respondents and the second part consists of dimensions of service provided by banks. The questionnaire contained various components – a general component covering the demographic information, usage of the service; services of customer service representatives/ tellers, services of supervisors/management, facilities in the branch, statements and mailed documentation, loan/mortgages, online banking, telephone enquiries and ATM banking. These components were considered taking into consideration the entire functioning of the bank. A questionnaire was constructed with multiple choice closed ended questions. A Liker scale of 5 points rating was used. Reliability of the survey was validated using Cranach's alpha test. The test is the measure of internal consistency. The score for the test is approximately 0.751. Social science research studies consider a reliability coefficient score of 0.751 is acceptable.

3.2 Assembling & Assessing Survey Data

A total of 125 respondents from one Public sector bank and another 125 respondents from a Private sector bank were taken for the survey, i.e. a total of 250 customers were personally contacted for data collection. The survey was done in Chennai city, Tamil Nadu, India.

3.3 Statistical Tools

Assembled data was analyzed using SPSS. Only descriptive statistics was applied, no other statistical tools were used for analysis of collected data.

4. Research Findings & Discussion

4.1 Research question

4.1.1 Customer service representatives/tellers

Customer satisfaction was relatively higher in the areas of knowledge level, willingness to respond, providing fast and efficient service, recognizing customer as a valued by CSR/ Tellers, in the case of Public sector bank; where as in the areas of friendliness of the service provider executives, and being professional Private sector bank is better than Public bank.

Table 1: Services of Customer service representatives/ teller

Factors	Public Bank		Private Bank	
	Mean	S.D	Mean	S.D
CSR friendly	3.54	0.654	3.82	0.951
CSR knowledge	3.97	0.581	3.36	1.298
CSR response	3.59	0.673	3.16	1.088
CSR efficient service	3.64	0.689	3.34	1.15
CSR recognition	3.86	0.497	3.46	1.125
CSR been professional	3.62	0.727	3.63	0.547
Total	3.7		3.46	

4.1.2 Answer to Research question 2

Supervisors/ Management Customer satisfaction was relatively higher in the areas of knowledge level of the managers, , willingness to respond, providing fast and efficient service, being friendly and recognizing customer as a valued one by Public-sector bank From this it can be inferred than knowledge-wise and efficiency-wise Public sector Managers have an edge whereas being professional and friendly Private bank has an edge (Ref Table no. 2).

Table 2: Services of the Supervisors / management

Factors	Public Bank		Private Bank	
	Mean	S.D	Mean	S.D
Mgr friendly	3.98	0.421	3.47	1.074
Mgr knowledge	4.11	0.341	3.92	0.903
Mgr response	3.8	0.596	2.99	0.831
Mgr efficient service	4.06	0.319	3.81	0.748
Mgr recognition	4.08	0.326	3.85	0.88
Mgr been professional	4.16	0.493	3.52	0.667
Mgr availability	3.56	0.787	3.86	0.77
Total	3.94		3.61	

4.1.3 Answer to Research question 3: Facilities in the Branch

The satisfaction level of the respondents of Public sector bank with respect to the facilities available in the branch viz: clean & well cared facilities, availability of information brochures, pleasant & attractive décor is higher than the Private bank where as for other factors like efficient no-wait service, no long queues at counters and ATMs situated in convenient locations is more

appreciated by customers of Private Bank (Ref Table no. 3). It can be inferred that Public bank has cleaner facilities and provide enough information brochure to the customers, where as when it comes to providing quick, efficient and hassle free services Private bank is well ahead of the Public bank (Ref. Table No 3)

Table 3: Facilities in the Branch

Factors	Public Bank		Private Bank	
	Mean	S.D	Mean	S.D
Clean and well cared facilities	4.26	0.492	3.69	0.689
Efficient & no wait service	3.44	0.827	4.12	0.643
No long line ups at counter	3.45	1.051	3.53	0.894
Availability of information brochures	4.41	0.493	3.49	0.533
Pleasant & attractive decor	3.98	0.421	3.69	1.0518
ATM in convenient locations	4.24	0.498	4.23	4.042
Total	3.96		3.79	

4.1.4 Answer to Research question 4: Statements and Mailed Documentation

The satisfaction level for both Public and Private Bank regarding documentation. The statements mailed to the customers are same, except reliability and on time service is provided by Public-sector bank (Ref. Table 4).

Table 4: Statements and Mailed Documentation

Factors	Public Bank		Private Bank	
	Mean	S.D	Mean	S.D
Sent out reliably and on time	3.97	0.334	3.77	0.334
Complete record of transactions	4	0.284	4	0.284
Accurate	3.89	0.425	3.89	0.425
Easy to read and understand	4.02	0.236	4.02	0.236
Total	3.97		3.97	

4.1.5 Answer to Research question 5: Loan / Mortgages

The satisfaction level of customers of Public-sector bank with respect to their Loan officer and the service provided by them is less satisfactory. This implies that the Loan officers are not available to provide satisfactory services to their customers; besides Private sector banks generally would be more liberal and flexible in sanctioning loans (Ref Table 5).

Table 5: Loan / Mortgages

Factors	Public Bank		Private Bank	
	Mean	S.D	Mean	S.D
Loan officer friendly	2.42	1.91	3.91	0.813
Loan officer knowledge	2.24	1.766	3.7	0.66
Loan officer response	2.19	1.786	2.63	1.168
Loan officer recognition	2.42	1.956	2.78	1.217
Loan officer professional	2.48	1.937	3.14	0.594
Loan officer availability	2.3	1.888	2.45	1.9
Total	2.31		3.1	

4.1.6 Answer to Research question 6: Online banking

The satisfaction level of customers of Private bank with respect to their on-line services is high. This implies that the customers have more trust and confidence on the on-line services of Private bank, more over Public – sector banks generally are more conservative in their approaches hence they are slow in adopting new methods of service delivery (Ref. Table no.6).

Table 6: Online banking

Factors	Public Bank		Private Bank	
	Mean	S.D	Mean	S.D
Ease of use/navigation	2.42	2.025	3.79	0.749
Speed of page loading	1.86	1.724	3.26	0.95
Content and sufficiency	2.19	1.874	4.05	0.723
Variety of transactions	2.32	1.929	3.63	0.818
Visual design	2.41	2.036	3.53	0.692
Total	2.24		3.65	

4.1.7 Answer to Research question 7: Telephone enquiry

The satisfaction level of customers with respect to handling of telephonic call is higher for Private bank whereas the calls are handled more professionally and given to the right person by the Public sector bank. From this it can be inferred that Public bank is more apt in responding to phone calls (Ref. Table no.7).

Table 7: Telephone enquiry

Factors	Public Bank		Private Bank	
	Mean	S.D	Mean	S.D
Call handled properly	3.62	1.097	3.7	1.051
Call handled professionally	3.46	1.104	3.38	0.87
Operator connected to right person	3.62	1.112	3.44	0.913
Total	3.56		3.51	

4.1.8 Answer to Research question 8: ATM banking

The satisfaction level for the ATM services of Public-sector bank is higher for the factors like network distribution and continuous service; whereas for the services like variety of transactions and ease of screen use is higher for the Private bank. Hence, it can be implied that the ATM service-wise Public bank is better whereas instrument-wise Private bank is better.

Table 7: ATM Banking

Factors	Public		Private	
	Mean	S.D	Mean	S.D
ATM network distribution	3.48	1.473	3.3	0.712
Continuous service	3.41	1.339	3.39	0.739
Variety of transactions	3.47	1.329	3.61	0.49
Easy of screen use	3.58	1.351	3.69	0.893
General assessment about the service	3.56	1.45	3.55	0.499
Total	3.5		3.51	

5. Overall ranking

The study confirms relatively higher satisfaction for the Public sector bank in dimensions of services of the customer service representatives / tellers, services of supervisors / management and telephone enquiry services; whereas the Private sector bank has relatively higher satisfaction for the dimensions of facilities in the branch, ATM facilities. From this study it can be inferred that Public sector bank has an edge with their human resource whereas Private bank has an edge with their modern facilities

Table 8: Overall ranking

Dimensions	Public Bank	Private Bank
Services of Customer service representatives / tellers	3.7	3.46
Services of the Supervisors / management	3.94	3.61
Facilities in the Branch	3.96	3.79
Statements and Mailed Documentation	3.97	3.97
Loan / Mortgages	2.31	3.1
Online banking	2.24	3.65
Telephone enquiry	3.56	3.51
ATM banking	3.5	3.51
Total	3.39	3.57

6. Conclusion

It can be concluded that Public sector bank have knowledgeable employees and with proper mix of modern banking techniques they might have an edge over other banks. Similarly the Private bank with enhanced knowledge may win the market as they already are ahead with modern banking methods using technology.

A. Limitation of the study

This research work is limited only to Channel Management ie; Services provided by branches, ATM, online or telephone; and partly on Data Management ie; retrieval of data and documentation. Further detailed research need to be done on Front- office system, Back – office system, Customer Data Management viz; collecting, recording, filtering, extracting, etc., and Customer analysis viz; Value analysis, Loyalty analysis, etc

B. Future Implications

The findings of the research work will help the banks to identify their weak area and take up appropriate steps to strength their services offered to the customers. This will improve the satisfaction level amongst the customers and help the bank to retain their customers.

C. Summary

The study reveals that majority of the respondents are satisfied with the knowledge ability of the Public sector bank officials and the service offered by them. It is implied that the bank has an advantage of giving better services to their customers which they can utilize to have competitive edge over their competitors. Private bank respondents are more satisfied with the bank's modern banking services using technology like ATM machines, Telephone and on-line banking.

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