

A Study on Customer Relationship Management Practices in Selected Private Sector Banks with Reference to Coimbatore District

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Abstract—In the early „90s the concept of relationship marketing was formally introduced into the field of service marketing. Banks found it more profitable to retain and reward the existing customers rather than running after new customers. The essence of CRM is to create customers and retain them. Therefore now banks emphasize on total customer satisfaction which indicates that the customer is satisfied and delighted with respect to using a service. Hence an attempt was made by the researcher in this study to examine the level of satisfaction on customer relationship management practices in selected private sector banks. For the purpose of study, a sampling survey was conducted among 150 customers of selected private sector banks namely Karur Vysya Bank, Lakshmi Vilas Bank, ICICI Bank with the help of a structured questionnaire. The tools used for this study are Percentage analysis, Likert's point scale analysis, Mean, Ranking method, Correlation and Chi – Square test. The study reveals that the proper CRM practices will increase the customer satisfaction and build relationship with present and prospective customers by managing information and improve performance of delivering products and services at a great speed that facilitates customer creation and retention. Hence the concept of CRM may be emphasized so that the customers are treated royally in relation to banking services. Thus the banks need to improve the customer satisfaction in the utilization of various modern banking services and should provide more customer friendly services to make the modern banking activity a delight for the customer to use.

Keywords—Commitment; Customer Relationship Management; Loyalty; Private Sector Banks Service Quality; Trust.

Abbreviations—Customer Relationship Management (CRM).

I. Introduction

Customer Relationship Management (CRM) is an intelligent blend of marketing and information technology for serving the customers with greater care and value. CRM is a process of identifying, attracting, differentiating and retaining customers. It is a comprehensive approach for creating, maintaining and expanding customer relationship. CRM is the outcome of the continuing evolution and integration of marketing ideas and newly available data, technologies and organizational approaches. Bank as a service organization have excellent reasons to adopt a comprehensive CRM strategy. Customer needs, wants, desires keep changing day by day. Therefore it is necessary for the banks to adopt the changes in the market through tracking the customer wants and the needs. This is possible only when the organization has a close contact with its customers. Since customer is the life blood of any business organization and customer creation cost is costlier than customer retention cost, thus bank adopt CRM techniques for maintaining life relationship and by which they ensure customer loyalty and retention. Thus the banking sector moves from a transaction centric to a relationship centric business approach by focusing through “build good relationship” and the profitable transaction will follow automatically.

1.1. Need of the Study

The banking sector is entering a new world and exciting developments are changing the face of banking. The globalization of banking operations along with high competition, continuing deregulation and technological advancements has significantly altered the face and scope of banking. The process of economic liberalization and financial The SIJ Transactions on Industrial, Financial & Business Management (IFBM), Vol. 2, No. 1, January-February 2014 ISSN: 2321 – 242X © 2014 | Published by The Standard International Journals (The SIJ) 16

sector reforms has brought the issue of customer focus to the forefront. Therefore there exists a strong need for maintaining CRM in the banks to understand the customers and to meet their expectations.

The scope of CRM is very wide including different aspects like customer satisfaction, service quality, relationship quality, market orientation, trust, loyalty, commitment, customer retention etc. To survive, banks have to redesign their strategy in delivering quality services to attract and maintain customers. The only strategy that is perceived to make sense in this emerging marketing environment requires marketers to learn and practice CRM. This study aims to identify the areas of research in CRM with special reference to banking industry [Anamica Chopra & Usha Arora, 2013].

1.2. Statement of Problem

CRM aims at focusing all the organizational activities towards developing long term collaborative relationship with customers to develop them as lifetime customers. CRM in banking is a key element that allows a bank to develop its customer base and sales capacity. The goal of CRM is to manage all aspects of customer interactions in a manner that enables banks to maximize profitability from every customer. Retaining customers is a major concern for banking institution which shows the importance of CRM. Banks have to come out with innovative measures to satisfy the needs of both the present and potential customers and at the same time they must adopt procedures to bring back the lost customers through establishing an excellence in customer relationship. Hence the present study has been carried out to examine the CRM techniques adopted in the selected private sector banks in Coimbatore district [Kumar & Reinartz, 2003].

1.3. Objectives of the Study

1. To study the socio-economic characteristics of bank customers and its influence on CRM practices in selected private banks in Coimbatore district.
2. To study the relationship between the CRM practices and the attitude of the customers towards factors contributing to services quality.
3. To study the customers perception towards CRM techniques in selected private sector banks.
4. To offer suitable measures for improving the CRM practices in selected private banks.

II. Review of Literature

Knox et al., (2003) address that CRM is a strategic approach designed to improve stakeholder value (the value the customer receives, the value the organization receives, and the customer retention and its economics) through developing appropriate relationships with key customers and customer segments and through channel and media integration (channel and media suitability, channel and media structure, and multichannel and multimedia integration). CRM unites the potential of IT and relationship marketing to deliver profitable, long-term relationships.

It has been observed by Hedley Kimberley et al., (2006) that 2015 will present tremendous challenges to the retail banking industry. Customers will become increasingly individualistic and, at the same time, more controlling in their relationships with banks. For banks, traditional segmentation approaches and go-to market techniques will become obsolete. How retail banks compete in the marketplace will also change dramatically. To this, Bargal Hitendra & Sharma Ashish (2008) added that banks will have to adopt diversified services, open their branches at the shopping centers, install their web system, implement proper training system, define high performance system to improve the behavior of the employees, offer proper customer complaint system and performance-based appraisal system to improve the overall services of the banks. Customers play an important role in the selection of a particular bank. Today, proper customer care, number of years in business and easy accessibility are considered as the important factors that influence a customer's choice of a bank (Dhade & Mittal, 2008).

Das Kallol et al., (2009) explores the association between deployment of CRM best practices and loyalty of profitable customers in Indian retail banking. They developed the best CRM practices which may be helpful to the organizations toward achieving comprehensive CRM deployment. The study reveals that State Bank of India and Bank of Baroda are lagging behind their counterparts from other sectors regarding deployment of the best practices.

Morpace Reports (2008) and Teller Vision (2009) state that the perception of banks varies depending on their size. However, all banks share the same key opportunity for improvement in customer satisfaction, that is, helping customers achieve their financial goals. But as per the study, the overall customer satisfaction tends to decrease as bank size increases. That is, customers of national banks tend to be

significantly less satisfied than customers of regional or local banks who, in turn, are less satisfied than customers of credit unions.

Dr. K. Ganesamurthy et al., (2011) they describe that Customer Retention Management (CRM) perceives as a technique of banking companies in order to explore, retain and also increase the loyal customers in the competitive business era. This research paper attempted to study the customers' perspectives on CRM practices of Commercial Banks in India, the sample size include 421 respondents from both public and private sector banks in Tamilnadu, and the study reveals that customers' perception of CRM in banks does not vary irrespective of different classifications of customers such as age, sex, education, occupation, income level, the bank in which customers have an account, type of account, type of account maintained by the customers and the period of customers' association with banks.

III. Research Methodology

The primary objective of this study is to analyze the CRM practices of selected private sector banks in Coimbatore district. Hence it is descriptive in nature. For the purpose of the study, the researcher applied convenient sampling in selecting the private sector banks in Coimbatore district and thus primary data is collected through structured questionnaire from the sample of 150 customers of selected private sector banks namely Karur Vysya Bank, Lakshmi Vilas Bank, ICICI Bank and discussion with the bank employees helps to know the CRM practices adopted in their banks. The secondary data for the study was compiled from the annual reports of banks, bulletins and policy guidelines of RBI and other related websites, journals, magazines and books. The primary data thus collected were analyzed using mean scores, percentage analysis, ranking method; Linkert's scale analysis, correlation analysis, chi-square method.

3.1. Hypothesis Formulated for the Study

- H0: There is no significant association between gender and overall attitude of customers towards CRM practices of selected private sector banks
- H0: There is no significant association occupational status between and overall attitude of customers towards CRM practices of selected private sector banks
- H0: There is no significant association between the selected private sector banks and overall attitude of its customers towards the CRM practices of their bank.

3.2. Limitations of the Study

- This study is very much limited to customers of 3 selected private sector banks in Coimbatore district which may fail to give a correct picture of the study.
- This study is limited to 150 respondents, a small sample in size which represents the whole universe of users of CRM techniques.
- The time period for the study is also a limited factor and the results of the study may tend to change in future course of time, where the time period changes.
- The researcher faces some difficulty due to the lack of co-operation from some respondents and the bias of respondents cannot be completely ruled out.
- It is very difficult to fetch sufficient customer information from the bank since they maintain privacy and security in providing customer profile.

IV. ANALYSIS AND INTERPRETATION OF THE STUDY

Table 1: Association between Gender and Overall Attitude of Customers towards CRM Practices of Selected Private Sector Banks

Gender	Attitude towards CRM Practices						Total
	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied		
Male	Frequency	17	23	12	6	20	78
	%	21.8	29.5	15.4	7.7	25.6	100
Female	Frequency	14	10	17	15	16	72
	%	19.4	13.9	23.6	20.8	22.2	100
Total	Frequency	31	33	29	21	36	150
	%	20.7	10.7	18.7	25.3	24.7	100

The above table shows that among male respondents 29.5% are satisfied with CRM practices and 7.7% are dissatisfied with CRM practices. Among females 23.6% stated that they are neither satisfied nor dissatisfied with CRM practices and 13.9% have said that they are satisfied with CRM practices. In order to find whether gender is significantly associated with the overall attitude of customers towards CRM practices of selected private sector banks, the following hypothesis was framed and tested.

Table 2: Chi - Square Test H0: There is no significant association between gender and overall attitude of customers towards CRM practices of selected private sector banks

Chi - Square Test	Value	Degree of Freedom	P Value
Pearson Chi – square	3.555	4	.470
Likelihood ratio	3.575	4	.467
Linear – by linear association	.354	1	.552
No. of valid cases	150		

From the above table, it is clear that Chi – Square P Value is 0.470 which is greater than that of 0.05 at 5% level of significance, thus the null hypothesis is accepted. Therefore there is no significant association between gender and overall attitude of customers towards CRM practices of selected private sector banks

Table 3: Chi - Square Test H0: There is no significant association occupational status between and overall attitude of customers towards CRM practices of selected private sector banks.

Chi - Square Test	Value	Degree of Freedom	P Value
Pearson Chi – square	28.067	12	0.005
Likelihood ratio	32.528	12	0.001
Linear – by linear association	0.290	1	0.590
No. of valid cases	150		

From the above table, it is clear that Chi – Square P Value is 0.005 which is less than that of 0.01 at 1% level of significance, thus the null hypothesis is rejected. Therefore there is significant association between occupational status and overall attitude of customers towards CRM practices of selected private sector banks.

Table 4: Association between the Selected Private Sector Banks and Overall Attitude of its Customers towards the CRM Practices of their Bank

Name of the Bank		Attitude towards CRM Practices					Total
		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	
Karur Vysya Bank	Frequency	2	1	18	25	14	60
	%	4.2	2.1	29.2	4.70	22.90	100
Lakshmi Vilas Bank	Frequency	1	4	12	1	33	60
	%	1.60	6.30	20.30	17.20	54.7	100
Icici Bank	Frequency	4	5	1	11	9	30
	%	13.2	15.8	2.6	36.8	31.6	100
TOTAL	Frequency	7	10	31	46	56	150
	%	5.3	7.3	18.7	30	38.7	100

The above table shows that among KVB respondents 29.2% are neither satisfied nor dissatisfied with CRM practices and 2.1% are satisfied with CRM practices. Among LVB respondents 54.7% stated that they are highly dissatisfied with CRM practices and 1.60% has said that they are highly satisfied with CRM practices. Among ICICI bank respondents 36.8% stated that they are dissatisfied with CRM

practices and 2.60% has said that they are neither satisfied nor dissatisfied with CRM practices. In order to find whether the selected private sector banks is significantly associated with the overall attitude of customers towards CRM practices of selected private sector banks, the following hypothesis was framed and tested.

Table 5: Chi - Square Test H0: There is no significant association between the selected private sector banks and overall attitude of its customers towards the CRM practices of their bank

Chi - Square Test	Value	Degree of Freedom	P Value
Pearson Chi – Square	34.059	8	0.000
Likelihood Ratio	36.306	8	0.000
Linear – by Linear Association	0.321	1	0.571
No. of Valid Cases	150		

From the above table, it is clear that Chi – Square P Value is 0.000 which is less than that of 0.05 at 5% level of significance, thus the null hypothesis is rejected. Therefore there is significant association between the selected private sector banks and overall attitude of its customers towards the CRM practices of their bank.

Table 6: Correlation on CRM Practices and Customer Attitude on Factors Contributing Service Quality

Variable	Customer Interaction Management Practices	Customer Retention Management Practices	Customer Service Strategies	Customer Contact Programs	Customer Attitude on Factors Contributing Service Quality
Customer Interaction Management Practices	1.000				
Customer Retention Management Practices	0.483	1.000			
Customer Service Strategies	0.625	0.716	1.000		
Customer Contact Programs	0.250	0.373	-0.017	1.000	
Customer Attitude on Factors Contributing Service Quality	0.515	0.666	0.651	0.261	1.000

The above table shows that all the variables such as Customer interaction management practices, Customer retention management practices, Customer service strategies, Customer attitude on factors contributing service quality are positively correlated except Customer contact programs. The variables which are positively correlated indicate that they are significant and show that customers are very much satisfied with CRM practices and the factors contributing to the service quality.

Table 7: Mean Ratings of Customer Relationship Management Practices in Selected Private Sector

Customer Relationship Management Items	Mean Scores	Rank
Market Leader in Strategies	3.66	2
Innovative Services	3.61	3
Individual Customer Care Programs	3.26	5
Effective Complaint Management System	3.18	8
Customer-Centric Approach	3.20	6
Total Employee Involvement	3.07	11
Special Events	2.77	14
Customer Segment Specific Strategies	3.06	12
Value Added Services	3.19	7
Empowered Employees	3.10	10
Advanced Technology	3.40	4
Learning Organization	3.17	9
Low Charges	2.79	15
Safety	3.80	1
Customer Feedback	3.04	13
Total Mean	3.22	

Banks

The mean scores for different factors influencing the customer relationship management vary between 3.80 and 2.79. The lowest mean score was found for the factor low charges (2.79) and the highest mean score is found for the factor safety (3.80). The mean scores indicate that, the level of agreeability on various factors that affects customer relationship management practices in selected private sector bank is higher for the reason safety when compared to other factors influenced in maintaining customer relationship management.

V. Findings of the Study

It is identified that the most of the male respondents are satisfied with CRM practices where as female respondents are neither satisfied nor dissatisfied with CRM practices of selected private sector banks in Coimbatore district. Hence there is no significant association between gender and overall attitude of customers towards CRM practices of selected private sector banks. But there is significant association between occupational status and overall attitude of customers towards CRM practices of selected private sector banks. Among KVB respondents 29.2% are neither satisfied nor dissatisfied with CRM practices and 2.1% are satisfied with CRM practices. Among LVB respondents 54.7% stated that they are highly dissatisfied with CRM practices and 1.60% has said that they are highly satisfied with CRM practices. Among ICICI bank respondents 36.8% stated that they are dissatisfied with CRM practices and 2.60% has said that they are neither satisfied nor dissatisfied with CRM practices and there is significant association between the selected private sector banks and overall attitude of its customers towards the CRM practices of their bank. The study also implies that there is positive correlation between the Customer interaction management practices, Customer retention management practices, Customer service strategies, Customer attitude on factors contributing service quality. The most important factor which influenced the attitude of customers towards CRM practices is high safety on the banking transactions. Thus this study helps the bankers to identify the extent to which they are able to maintain customer relations and the measures they can take to improve their relationship.

VI. Suggestions of the Study

- Bankers should educate and inform customers about the various services offered to the customer through customer meets.
- Awareness programs should be provided and must take effective steps to attract people of all ages.
- Bank employees have to be friendly with customers without diluting the rules and regulations of the bank.
- Banks must introduce new ways and means that makes its customer highly delighted with its quality of services.
- Banks have to identify, analyze and solve the problems faced by the customers while availing the services within a short span of time to win over the confidence of customers.
- The results of the study reveal that a relevant gap exists between the customers' expectation and customers' perception regarding selected CRM practices in banking industry, which means that in today's competitive environment, customers' expectations are reaching the heights that bankers are unable to predict. To overcome this, banks have to strive to attract and retain existing and new customers by innovating and developing differentiated products and services.
- Banks should interact or communicate with the customers consistently and take their feedback with regard to their problems and complaints.

VII. Conclusion

The service sector in India is fast growing and their contribution to economic development is really impressive due to advancement in information technology. Among various services in service sector, banking services occupies a key role both in the development of individual customer in their business and in social life. Managing relations with customers has become an unquestionable issue in the wake of liberalization and globalization. The basic objective of this study is to improve quality of relationship between the bank and the customer and enriches with the long term relationship benefits. To convert a prospective customer into a loyal customer, one of the important aspects is the quality of services offered by the bank which acts as the foundation for the company to attract, maintain and enhances customer relations. The study will be useful to the banking to understand the banking perception and expectation of customer in relation to the service rendered by them. Bankers can further identify the extent to which they are able to maintain customer relations and the measures they can take to improve their relationship. Hence the concept of „CRM“ may be emphasized so that the customers are treated royally in relation to bank services. To be successful a bank need to be not just high tech but high touch as well.