

RESEARCH ARTICLE

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An Analytical Study of Customer Relationship Management in Retail Banking Industry in Pune City & Its Impact on Customer Buying Intension

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In this research paper, the researcher tries to find out the various components of **Customer Relationship Management (CRM)** at retail commercial banks in Pune city & the correlation between various components of CRM with **Customers' Buying Intension**. This research paper will serve as a vital tool for banks to identify the influencing factors for enhancing Customer's buying intension & in the process improve the Bank's profitability.

Also, this research is helpful for retail banks to effectively implement Customer Relationship Management in their branches.

The researcher has selected this topic for this research as it is well known fact that in today's world of fierce competition in entire service sector & especially in retail banking industry, one of the most important aspect for bank to capture a larger share of the market is CUSTOMER RELATIONSHIP MANAGEMENT (CRM). The bank which manages its customer relationships more effectively & efficiently is more likely to be the market leader in the long term.

Keywords: Customer Relationship Management (CRM), Customer's Buying Intension.

Introduction

CRM is a holistic approach of managing customer relationships in order to maximize shareholder value. The aim of customer relationship management is to lead to satisfied & loyal customers.

These days, CRM has emerged as a top commercial priority in Service sector & especially in Commercial banking. CRM is not simply used by leading service organizations to gain a competitive advantage but It has become a necessity for their survival. Many organizations such as banks and realize the importance of CRM and its potential to help them acquire new customers, retain existing ones and maximize their lifetime value.

CRM is also defined as: A management approach that enables organizations to identify, attract and increase retention of profitable customers, by managing relationships with them.

LITERATURE REVIEW:

- 1) **Changiz Valmohammadi and Mohammad Beladpas¹** in their research paper "Customer Relationship Management (CRM) and service quality, a survey within the banking sector" highlighted the impact of CRM on Service Quality of a bank. This research was carried out in "Sepah of Maku" bank in Iran.

- a) This Research Paper successfully proved that **"there exists a positive relationship between Customer Relationship Management & Service quality"**.
- b) It is expected that as a result of successful implementation of CRM in the selected banks, their service quality will improve.
- c) The value of r^2 i.e. Coefficient of Determination = 0.810 which signifies that 81 percent of a possible change in the service quality in bank Sepah of Maku is caused by CRM.
- d) unit increase in CRM will increase service quality by 78.2 percent when considering Beta

This research paper highlights the fact that **"Providing customers with a positive experience however and whenever they come in contact with the bank is a key part of managing relationships with them"**.

- 2) **Manish Dhingra and Vaishali Dhingra²** in their research paper "Determinants of Electronic customer relationship management (e-CRM) for customer satisfaction in banking sector in India" highlight that

In this research paper, the researchers conclude that

- a) A close & healthy relationship with customers can be developed from a distance with e-responses.
- b) Five magnitudes of service quality are reliability, responsiveness, quality, empathy and assurance as found in SERQUAL model.
- c) According to Mosad (1995), Service quality is a vital factor for customers to select any bank.
- d) Here the researcher gathered the primary data through personal interaction with various customers of the bank.

The banks selected for study were State Bank of India & HDFC Bank.

OBJECTIVES OF STUDY:

1. To determine the parameters to measure/quantify the CRM effectiveness in banks.
2. To measure Customers' Buying Intension in retail banks
3. To compute the correlation between various components of CRM & Customers' Buying Intension

Conceptual Framework:

After going through the relevant existing literature available on CRM & having face to face discussion with the various retail bank employees, the researcher has identified that the CRM in retail banking industry comprises of following five parameters:

- 1) Customer Experience
- 2) Organizational Commitment
- 3) Reliability of service
- 4) Process driven approach
- 5) Technology Orientation

For measurement of Customers' Buying Intension, following parameters are used:

- 1) Customer choosing his bank for opening of Fixed Deposit & / or Recurring Deposit in future.
- 2) Customer choosing his bank for buying of units of Mutual Fund schemes in future.
- 3) Customer choosing his bank for buying of Life Insurance & / or Health Insurance Policies in future.
- 4) Customer choosing his bank for availing any Loan in future.
- 5) Overall, customer has a positive buying intension towards his bank.

RESEARCH METHODOLOGY:

Research Framework: - Research in common parlance refers to a search for knowledge.

Type of research: Descriptive & Analytical

Research design: -

The design of a study defines the study type, it encompasses the method and procedures employed to conduct scientific research.

Sources of data Collection:

Primary data: The source of primary data for this paper is:

1. Structured Questionnaire – Respondents were Customers of banks
2. Bank employees – For their opinion on how they implement the CRM in their banks & what are the various components influencing the profitability of the bank branch.

Secondary data: The sources of secondary data for this study are:

1. Internet
2. Research Papers
3. Books

Sampling Units: - The customers of various banks in Pune city.

Tools used for data analysis:

- a) **Statistical tools used:** Mean, Percentage (%), Std. deviation, Coefficient of Variation, Skewness, Kurtosis, Frequency Distribution Table, Karl Pearson's Coefficient of Correlation
- b) **Data analysis software used :** SPSS

Sampling Technique: For selection of banks, systematic sampling is used & for selection of customers of these banks, judgmental & convenience sampling is used.

The respondents selected in the sample were the customers of banks having more than **four years of relationship** with their bank. This was done purposefully to ensure that the respondents were well aware about the various aspects of their bank functioning & customer relationship management.

Sample Size: 1071 customers

Attitude Scaling technique:

- 1) Nominal scale: For collecting demographic information of customers like Age, Education, Annual Income etc.
- 2) Likert scale (1 – 7, where 1 – Strongly disagree & 5 – Strongly agree) – For tapping the perception of bank customers about various aspects of CRM in their banks.

Independent Variable: Effectiveness of CRM (CRME)

Dependent Variable: Customer's Buying Intension.

Data Analysis: The researcher has carried out the detailed data analysis using Descriptive Statistics, Confirmatory Factor Analysis & Computation of Coefficient of Correlation.

Component of CRM Effectiveness (CRME)	Karl Pearson's Coefficient of Correlation with Customer Buying Intension
Customer Experience	0.730
Process driven approach	0.800
Reliability of service	0.750
Technology Orientation	0.681
Bank's commitment	0.719

Table no. 1: Source: Data analysis

FINDINGS

- 1) As seen from table 1, amongst all parameters of CRM, "Process Driven Approach" is having highest correlation of 0.800 with "Customers' Buying Intension".
- 2) Amongst all parameters of CRM, "Technology Orientation" is having lowest correlation of 0.681 with "Customers' Buying Intension".
- 3) "Reliability of service" is having a correlation of 0.75 with "Customers' Buying Intension".
- 4) "Customers' Experience" is having a correlation of 0.73 with "Customers' Buying Intension".
- 5) "Bank's commitment (towards its customers)" is having a correlation of 0.719 with "Customers' Buying Intension".
- 6) Majority of the respondents Agree that "they have a positive experience while dealing with their bank".
- 7) Majority of the respondents Agree that "they have a positive impression about various service delivery processes followed & overall process driven approach of their bank".
- 8) Majority of the respondents Agree that "Services provided by their bank are reliable".
- 9) Majority of the respondents Agree that "They have a positive impression about the technology provided by their bank for their convenience." Here the technology provided by the bank means ATMs, Phone Banking, Internet Banking & Mobile banking services of the bank".
- 10) Majority of the respondents Agree that "Their bank is committed towards its customers"

CONCLUSION:

The various parameters of CRM effectiveness as per their influence on Customers' "Buying Intension" are ranked as follows:

Component of CRM Effectiveness (CRME)	Karl Pearson's Coefficient of Correlation with Customers' Buying Intension	Managerial Implications	Rank (1 - Most influential, 5 - Least influential)
Process driven approach	0.800	Very high positive correlation. Manager must focus on "Managing service delivery processes" for customers' convenience	1
Reliability of Service	0.75	High positive correlation. Manager must focus on enhancing the "Reliability of service"	2
Customer Experience	0.73	High positive correlation. Manager must focus on enhancing the "Customer Experience"	3
Bank's commitment (towards its customers)	0.719	High positive correlation. Manager must ensure that his branch & specially employees remain committed towards their customers.	4
Technology Orientation	0.681	Moderate Positive correlation. Manager should ensure that the ATMs in his responsibility area are never out of service.	5

Table No. 2: Summary of findings.

RECOMMENDATIONS

- 1) The bank managers should strive to manage the service delivery processes in order to ensure that, they consume least time, minimum paper work & should be executed without any difficulty.
- 2) The bank should focus on enhancing the **Reliability of service** (Accurate/error free &

dependable service) order to ensure the Customers' positive buying intension.

- 3) The bank managers need to ensure that the **customers get most positive experience** while they interact with the bank employees.
- 4) The bank should ensure that they employ latest technology for customers' convenience. i.e. ATMs, Phone banking, Internet banking etc. This technology should be in working condition all the time.
- 5) Banks commitment is also very important factor for generating Customers' positive buying intension. Hence, the employees of the bank should be committed towards their customers.

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