Customer Relationship Management Antecedents: The Indian Stock Broking Perspective

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ABSTRACT

The purpose of the study is to identify the antecedents of customer relationship management of the stock broking firm. The scope of the study is restricted to the retail investors of the stock broking firm. The researcher used questionnaire method for collecting data from the retail investor. This study was undertaken during the period of October 2013 to February 2014. The study identified Commitment, Trust, Communication, Relationship equality; Empathy, Responsiveness and Reliability are the various antecedents of customer relationship management. The study also revealed that ‘Commitment’, ‘Trust’ and ‘Communication’ dimensions of customer relationship management has a significant impact on investor’s satisfaction. The identified dimensions may help the stock broking firm to ascertain the priorities of retail investor with regard to customer relationship management.

Key Words: Retail Investor, Customer Relationship Management, Customer Loyalty, Trust, Commitment.

INTRODUCTION:

Liberalization and deregulation of the financial sector have opened various growth opportunities for the financial services providers. Furthermore, it has provided more profitable investment opportunities to the investors to invest their money in the various diversified range of product (Rajeev K. Shukla and Ajit Upadhyaya, 2013). Increasing competition and saturated markets have contributed to the interest in relationship marketing, customer retention and customer loyalty (Day, 2000: Fornell, 1992, Reichheld and Sasser, 1990). The Intense competitive nature of the business environment has resulted in a greater need for firms to build closer relationships with customers. (Nelson Oly, Ndubisi, 2007). In the era of mature and intense competitive pressures, many firms is focusing their attention on maintaining a loyal customer base. In case of financial service sector where deregulation has created an environment that allows consumers considerable choice in satisfying their financial needs (Terrence Levesque and Gordon, H.G, McDougall, 1996).

To achieve success in a technology driven, competitive market of today, researchers have revealed a number of key areas that needs to be considered to keep the customer loyal. One of such key area is leveraging firm customer relationship to gain privileged information about customers and thereby better understand customer needs and serve them satisfactorily (Nelson et al., 2007). The relationship marketing, service quality and customer satisfaction are important elements for the success of financial business facing increasing competition (Arturo Monila et al., 2007). The marketing literature has recognized the importance of developing and maintaining enduring relationships with customers of service business. (Henning – Thurau et al., 2002). Some of the benefits of strong relationship with key customers include increased profit through reduced risk, improved communication links, and referrals (Hawke and Heffernam, 2006).

The significance of retaining customers is not new to marketing, as Drucker (1963) believed that marketing is concerned with retaining as well as acquiring customers. The customer relationship management approach seeking to establish closer relationships and interactions between a business and
its most important customers (Barnes, 2001; Brown, 2000; Foss and Stone, 2001; Green Berg 2001; Mckenzie, 2001), increase in customer satisfaction, leading to more loyal customers (Petersen and Rajan, 1994; Binks and Ennew, 1997; Ennew and Binks, 1999; Tyler and Stanley, 1999). Several Authors have documented their research on the organization’s level of relationship marketing activities is positively correlated to its performance, staff satisfaction (Buchanan and Gillies, 1990; Reichheld and Kenny, 1990; Desouza, 1992; Berry, 1983; Reichheld, 1993, 1994, 1996, Sharma and Sheth, 1997), New product success (Gemunden et al., 1996; Campbell and Cooper, 1999) and the level of strategic competitive advantage that is achieved in the marketplace (Kraljic, 1983; Ganesan, 1994; Sharma and Sheth, 1997; German and Droge, 1997, Reck and Long, 1998). Retailing clients implies keeping them active through a good customer service that is built on an understanding of their needs, preference and want (Oyenihi and Abiodun, 2008). Research has shown a relationship between customer satisfaction and client retention (Oyenihi and Abiodun, 2008; Jones and Earl, 1995 ; and take less of the firm’s time, are less sensitive to prices (Gan et al., 2006), and Pay less attention to competitor’s advertising (Stum and Thiry, 1991). The longer a customer stays with an organization the more profit the customer generates (Reichheld and Sasser, 1990) and Profit of organizations can increase by 100 percent through retaining 5 percent more of their customers (Reichheld and Sasser, 1990; O’Malley, 1998). CRM initiatives have resulted in increased competitiveness for several companies as witnessed by higher revenues and lower operational costs and managing customer relationships effectively and efficiently boosts customer satisfaction and retention rates (Reichheld, 1996 a, Jackson, 1994; Levine, 1993).Reichheld and Sasser (1990) found that existing customers are not only price sensitive, they are more economical to maintain than new customers ,With this back ground, the researchers intend to identify the various antecedents of customer relationship management in stock broking firm.

REVIEW OF LITERATURE:

Numerous studies have been conducted with regard to customer relationship management. Several studies have been conducted with regard to motivations and benefits customers get from keeping a long term relationship with a specific service provider (Sheth and Parvatiyar, 1995 ; Bendapudi and Berry, 1997; Gwinner et al.,1998; Reynolds and Beatty, 1999; Henning – Thurau et al., 2002).

In the past several studies have examined CRM implementation in different kinds of Industries such as retailing (Minami and Dawson, 2008), Financial Services (Dimitriadis, 2010), Tourism (Ozgener and Izar, 2006), Transport Services (Cheng et al., 2008), Business Markets (Gummesson, 2004) and Public Services (Pan et al., 2006). Financial services, like other services are intangible, difficult to evaluate, and rest on experience and credence quality (Zeithaml, 1981, Zeitham et al.,1985). Several studies revealed that it is cheaper to serve an existing customer than to attract and serve a new one. (Ndubisi, 2003; Rosenberg and Czepiel, 1983). Previous studies have revealed that effective relationship marketing will be critical when the service is complex, customized, and delivered over a continuous stream of transactions (Berry 1983) and many buyers are relatively unsophisticated about the service (Ghingold and maier, 1986). Trust, Commitment, Conflict handling and Communication or sharing of secrets are the key underpinnings of relationship marketing (Morgan and Hunt, 1994; Crosby et al., 1990; Ndubisi, 2006). Treating customers as business partners leads to long – term customer Loyalty, enhances positive word – of – mouth and profitability (Priluck, 2003).Even though, research Studies have identified several factors for retaining the customers; the most important are customer satisfaction, trust, commitment (Morgan and Hunt, 1994), Loyalty (Berry and Parasuraman, 1991), service quality (Guo et al., 2008). Customer satisfaction is defined as an emotional state resulting from a customer’s post purchase experience (Crosby et al. 1990). Trust is developed when one party poses confidence in an exchange partner’s reliability and integrity (Morgan and Hunt, 1994). Commitment is an indication that both parties are interested in maintaining and strengthening their relationships (Dwyer et al., 1987; Morgan and Hunt, 1994). Various studies conducted by Bitner, 1990; Bolten and Drew, 1991; Lee et al., 2000; Chen and Wang, 2009 established
that perceived service quality leads to satisfaction, which is primarily an outcome of the interactive relationship between the service provider and customer (Gronroos, 1984). Furthermore, numerous studies have documented the benefits that customer retention delivers to an organization (Page et al., 1996; Reichheld and Sasser, 1990; Colgate et al., 1996; Storbacka et al., 1994; O’Malley, 1998). Bassey et al (2011) Identified good customer service as imperative to client retention and organizational profitability of stock broking firms in Nigeria Even though several studies have been conducted in various antecedents of CRM in a stock broking firm, most of the studies have conducted either in western countries. Only few studies have been conducted in Indian context. The researcher intends to fill the gap by studying various antecedents of CRM in a stock broking firm in southern part of the Tamil Nadu.

QUESTIONNAIRE DEVELOPMENT:

The questionnaire items were adapted from Morgan and Hunt (1994), Churchill and Surprenant (1982), Oliver, (1980), ZhiLin Yang and Xiang Fang (2004) and suitable modification has been made in the questionnaire to suit the requirement of the present study.

RESEARCH METHODOLOGY:

The target population of the present study is confined only to the retail investors. The researcher selected Sivagangai, Dindigul, Madurai, Theni and Ramanathapuram cities had been purposively selected for the study. In total, ten stock broking firms per city were selected to collect the retail investor related data. From each stock broking firm, ten addresses of retail investor have been collected. The researcher has adopted a questionnaire method for data collection. The questionnaire had been mailed to 520 customers. The researcher made several efforts to collect data from the investor. However, the researcher can able to obtain only 234 questionnaires, yielding a response rate of 44.99 percent. Hence, the total sample size came to 234 retail investors. This study was conducted during the period of October 2013 to February 2014. The questionnaire consists of three parts. The first part of the questionnaire consists of the Investor’s Demographic Profile. The second part of the questionnaire covers the variables relating to Antecedents of Customer Relationship Management. The third part of the questionnaire covers Investor’s Satisfaction. The researcher used five point scale in the questionnaire. Before questionnaire has been administered to the investor’s pilot study was conducted. Based on the feedback received from investors, some words in the questionnaire were modified and deleted. Furthermore, the researcher conducted content validity of the questionnaire by a constituting panel, which comprises of one marketing professor and one stock brokering firm official.

DESCRIPTIVE STATISTICS OF INVESTORS:

The respondents of this study were predominantly male investors (72 Percent). Around 38 percent of the investor falling the age group of 31 years to 40 years, 95 percent of the respondents are married, 69 percent of the investors have undergraduate qualification, 42 percent of the investors have 5 to 10 years experience in investment, and 22 percent of the investor has two account in the stock broking firm and 37 percent of the respondents have invested Rs. 5 to 10 Lakh rupees in equity shares.

Objectives of the Study:

This study was undertaken with the following objectives.

1. To identify the various antecedents of the Customer Relationship Management (CRM) of Stock Broking Firms.
2. To measure the impact of different dimensions of Customer Relationship Management and Investors Satisfaction.

RESEARCH HYPOTHESES:

To explain the relationship among the seven dimensions of various antecedents of CRM, the following hypotheses are formulated.

H1: Commitment dimensions of CRM directly impact the Investor’s Satisfaction.
H2: The trust dimensions of the CRM directly impact the Investor’s Satisfaction.
H3: Communication dimensions of CRM directly impact the Investor’s Satisfaction.
H4: Relationship Quality dimensions of CRM directly impact the Investor’s Satisfaction.
H5: Empathy dimensions of CRM directly impact the Investor’s Satisfaction.
H6: Responsiveness dimensions of CRM directly impact the Investor’s Satisfaction.
H7: Reliability dimensions of CRM directly impact the Investor’s Satisfaction.

Table No – 1 : Instrument Validity

<table>
<thead>
<tr>
<th>S.No</th>
<th>Customer Relationship Management Factor [CRMF]</th>
<th>No. of Original Variables</th>
<th>No. of Variables Retained</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Commitment</td>
<td>3</td>
<td>3</td>
<td>0.721</td>
</tr>
<tr>
<td>2.</td>
<td>Trust</td>
<td>4</td>
<td>4</td>
<td>0.701</td>
</tr>
<tr>
<td>3.</td>
<td>Communication</td>
<td>3</td>
<td>3</td>
<td>0.784</td>
</tr>
<tr>
<td>4.</td>
<td>Relationship Quality</td>
<td>3</td>
<td>3</td>
<td>0.811</td>
</tr>
<tr>
<td>5.</td>
<td>Empathy</td>
<td>3</td>
<td>3</td>
<td>0.743</td>
</tr>
<tr>
<td>6.</td>
<td>Responsiveness</td>
<td>3</td>
<td>3</td>
<td>0.727</td>
</tr>
<tr>
<td>7.</td>
<td>Reliability</td>
<td>3</td>
<td>3</td>
<td>0.801</td>
</tr>
</tbody>
</table>

The internal consistency of the instrument was tested with the help of reliability analysis. Reliability estimates (Cronbach’s Alpha) for the construction’s dimensions are as follows: Commitment (0.721), Trust (0.701), Communication (0.784), Relationship Quality (0.811), Empathy (0.743), Responsiveness (0.727), Reliability (0.801), suggesting a high degree of reliability. The results exceed 0.60, the lower limit of the acceptability (Hair et al., 1998)

**FRAME WORK OF ANALYSIS:**

In addition to descriptive statistics, factor analysis had been administered to identify the underlying dimensions of various antecedents of customer relationship management in a stock broking firm. The multiple regression analysis has been administered to identify the impact of different antecedents of CRM dimensions and its impact on investor’s satisfaction.

**RESULT AND DISCUSSION:**

**FACTOR ANALYSIS:**

The various antecedents of customer relationship management in a stock broking firm are narrated with the help of factor analysis. Before conducting the factor analysis the validity of data analysis is tested with the help of Kaiser-Meyer-Ohlin (KMO) measure of sampling adequacy and Bartlett’s Test of Sphericity. In the present study, the KMO measure of sampling adequacy value 0.701 and Bartlett’s Test Sphericity (2047.248) confirmed that there was significant correlation among the variables to warrant the application of factor analysis. The factor analysis results in seven important factors. The number of variables in each factor, Eigen value, and percentage of variance explained, cumulative present of variance explained in the Table No 2.

Table No – 2: Antecedents of Customer Relationship Factors

<table>
<thead>
<tr>
<th>S.No</th>
<th>Customer Relationship Management Factors (CRMF)</th>
<th>No. of Variables Included</th>
<th>Eigen Value</th>
<th>Percentage of Variance Explained</th>
<th>Cumulative Percentage of Variance Explained</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>Trust</td>
<td>4</td>
<td>2.524</td>
<td>12.229</td>
<td>26.244</td>
</tr>
<tr>
<td>3.</td>
<td>Communication</td>
<td>3</td>
<td>2.255</td>
<td>11.615</td>
<td>37.859</td>
</tr>
<tr>
<td>4.</td>
<td>Relationship Quality</td>
<td>3</td>
<td>2.167</td>
<td>8.874</td>
<td>46.733</td>
</tr>
<tr>
<td>5.</td>
<td>Empathy</td>
<td>3</td>
<td>1.446</td>
<td>8.047</td>
<td>54.780</td>
</tr>
</tbody>
</table>
The narrated seven antecedents of customer relationship management explain the variables in (CRMF) to the extent of 68.372 percent. The most important perceived antecedents of CRM are ‘Commitment’ since its respective Eigen Value is 4.289 which consist of three antecedents of CRM. Since the second and third important factors are ‘Trust’ and ‘Communication’ since their respective Eigen Value is 2.524 and 2.255 respectively. The percent of variation explained by these factors are 12.229 and 11.615 percent respectively. The ‘Relationship Quality’ consists of three factors with the percent of Variation explained by 8.874 percent. The next important factor is ‘Empathy’ and ‘Responsiveness’ since the respective Eigen Value is 1.446 and 1.252 percent respectively. The last factor narrated by the factor analysis is ‘Reliability’. It consists of three variables with the percent of variance explained by 6.646 percent.

**MEASURING THE IMPACT OF CRM AND INVESTOR'S SATISFACTION:**
In order to measure the impact of different antecedents of CRM and investor’s satisfaction, multiple regression analysis was administered. In the regression model, the investor’s satisfaction was considered as dependent variables, while all the seven antecedents of CRM in a stock broking firm were considered as independent variables.

Table No – 3: Impact of Communication Dimensions of Customer Relationship Management

Dependent Variable (y): Investor’s Satisfaction

<table>
<thead>
<tr>
<th>Communication Dimensions</th>
<th>Unstandardized Co-efficient</th>
<th>Standard Error</th>
<th>Standardised Co-efficient</th>
<th>t-Value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>1.098</td>
<td>0.145</td>
<td>--</td>
<td>7.591</td>
<td>0.000</td>
</tr>
<tr>
<td>The Stock Broking Firm Provides timely and trust worthy information (x₁)</td>
<td>0.539</td>
<td>0.052</td>
<td>0.547</td>
<td>10.362</td>
<td>0.000</td>
</tr>
<tr>
<td>The Stock broking firm provide information when there is new financial product (x₂)</td>
<td>0.147</td>
<td>0.038</td>
<td>0.212</td>
<td>3.906</td>
<td>0.000</td>
</tr>
<tr>
<td>Information provided by the stock broking firms is always accurate (x₃)</td>
<td>0.159</td>
<td>0.032</td>
<td>0.272</td>
<td>4.957</td>
<td>0.000</td>
</tr>
</tbody>
</table>

R² 0.435
Adjusted R² 0.425
F Statistics 43.915

\[ y = 1.098 + 0.539 (x₁) + 0.147 (x₂) + 0.159 (x₃) \]

The results for communication dimensions of customer relationship management indicate that R² is equal to 0.435. This indicates that 43.5 percent of variance in investor satisfaction is explained by the independent variables.(F=43.195, Probability > 0.000). On the individual determinants of ‘Commitment’ dimensions, ‘The stock broking firm provides timely and trust worthy information’ was found to be important determinants, (β = 0.547, t = 10.362, P = 0.000 < 0.01), this was followed by ‘Information provided by the stock broking firm is always accurate’ (β = 0.272, t = 4.957, P = 0.000 < 0.01). ‘The Stock broking firms provides information when there is new financial product’ (β = 0.212, t = 3.906, P = 0.000 < 0.01). This study confirms that commitment dimensions of CRM directly impact the investor’s satisfaction.
Table No – 4 : Impact of Trust Dimensions of Customer Relationship Management

Dependent Variable (y): Investor’s Satisfaction

<table>
<thead>
<tr>
<th>Trust Dimensions</th>
<th>Unstandardized Co-efficient</th>
<th>Standard Error</th>
<th>Standardised Co-efficient</th>
<th>t-Value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>1.026</td>
<td>0.137</td>
<td>--</td>
<td>7.479</td>
<td>0.000</td>
</tr>
<tr>
<td>The stock broking firms fulfills its obligation to investor ((x_1))</td>
<td>0.369</td>
<td>0.069</td>
<td>0.369</td>
<td>5.352</td>
<td>0.000</td>
</tr>
<tr>
<td>The stock broking firm is concerned with security of investor transactions ((x_2))</td>
<td>0.318</td>
<td>0.064</td>
<td>0.323</td>
<td>4.952</td>
<td>0.000</td>
</tr>
<tr>
<td>The stock broking firm promises are reliable ((x_3))</td>
<td>0.124</td>
<td>0.036</td>
<td>0.179</td>
<td>3.466</td>
<td>0.001</td>
</tr>
<tr>
<td>The stock broking firm is consistent in providing quality service ((x_4))</td>
<td>0.109</td>
<td>0.032</td>
<td>0.186</td>
<td>3.434</td>
<td>0.001</td>
</tr>
</tbody>
</table>

\[
y = 1.026 + 0.369 (x_1) + 0.318 (x_2) + 0.124 (x_3) + 0.109 (x_4)
\]

The results show that there is a significant relationship between the ‘Trust’ dimensions of antecedents of the customer relationship management and investor satisfaction (F = 45.122, Probability F Statistics < 0.000). The \(R^2\) value 0.498 revealed that independent variables (Trust Dimensions) explained 49.8 percent of investor’s satisfaction with adjusted \(R^2\) of 48.7 percent. On the individual determinants of trust dimensions ‘The stock broking firm fulfils its obligation to investor’ \((\beta = 0.369, t = 5.352, P = 0.000 < 0.00)\). This was followed by ‘The stock broking firm is concerned with security of investors transactions \((\beta = 0.323, t = 4.952, P = 0.000 < 0.00)\), ‘The stock broking firm is consistent in providing quality service’ \((\beta = 0.186, t = 3.434, P = 0.000 < 0.05)\) and ‘The stock broking firm promises are reliable’ \((\beta = 0.179, t = 3.466, P = 0.000 < 0.05)\). Therefore, this rejects the null hypothesis and concluded that Trust dimensions of CRM directly impact the investor’s satisfaction.

Table No – 5 : Impact of Commitment Dimensions of Customer Relationship Management

Dependent Variable (y) : Investor’s Satisfaction

<table>
<thead>
<tr>
<th>Commitment Dimensions</th>
<th>Unstandardised Co-efficient</th>
<th>Standard Error</th>
<th>Standardised Co-efficient</th>
<th>t-Value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.194</td>
<td>0.131</td>
<td>--</td>
<td>1.476</td>
<td>0.131</td>
</tr>
<tr>
<td>The stock broking firm makes adjustment to suit the investor’s needs ((x_1))</td>
<td>0.178</td>
<td>0.043</td>
<td>0.196</td>
<td>4.166</td>
<td>0.000</td>
</tr>
<tr>
<td>The stock broking firm offers personalized services to meet customer’s needs ((x_2))</td>
<td>0.599</td>
<td>0.047</td>
<td>0.609</td>
<td>12.699</td>
<td>0.000</td>
</tr>
<tr>
<td>The stock broking firms are flexible in serving investors needs ((x_3))</td>
<td>0.136</td>
<td>0.029</td>
<td>0.232</td>
<td>4.688</td>
<td>0.000</td>
</tr>
</tbody>
</table>

\[
y = 0.194 + 0.178 (x_1) + 0.599 (x_2) + 0.136 (x_3)
\]
The study results revealed that there is a significant relationship between the commitment dimensions of the antecedents of CRM and investor satisfaction (F = 65.332, Probability F Statistics < 0.000). The R² value 0.534 revealed that independent variables (Commitment Dimensions) explained 53.4 percent of the investor's satisfaction with adjusted R² of 52.6 percent. On the individual determinants of commitment dimensions, ‘The stock broking firm offers personalized service to meet customer’s need’ (β = 0.609, t = 12.699, P = 0.000 < 0.01), ‘The stock broking firms are flexible in service investors’ needs’ (β = 0.232, t = 4.688, P = 0.000 < 0.01), and ‘The stock broking firm makes adjustments to suit investor’s needs’ (β = 0.196, t = 4.166, P = 0.000 < 0.01). Therefore this study rejects null hypothesis and concluded that commitment dimensions of CRM directly impact the investor’s satisfaction.

CONCLUSION:

The present study identified seven dimensions of customer relationship management namely, Commitment, Trust, Communication, Relationship Quality, Empathy, Responsiveness, Reliability. The study concludes that, there is a significant impact on Commitment, Trust and Communication dimensions of CRM and Investor’s Satisfaction. The study also concludes that there is no impact on Relationship Quality, Empathy, Responsiveness and Reliability dimensions of Customer Relationship and Investor’s Satisfaction. Therefore, management of the stock broking firm should focus more attention on the above mentioned dimensions.

LIMITATIONS AND SCOPE FOR FURTHER RESEARCH:

Although the study has achieved its objectives, this study suffers certain limitations. First, this study focused only the retail investors of the stock broking firm. Furthermore, this study considers only limited variables of various antecedents of CRM. Future more number of variables can be considered. In future, comparative study can also conduct among the retail investor and institutional investor perceptions on the implementation of CRM practices in stock broking firm. The comparative study can also be conducted to identify the factors discriminate the retail investors’ and institutional investor’s attitude towards the implementation of CRM in a stock broking firm. Similarly, same study can be conducted in other sectors also. This study did not incorporate investor’s loyalty of the stock broking firm. So further study can also be conduct with regard to various antecedents of CRM and investor loyalty. Finally, since the survey was conducted in Dindigul, Madurai, Theni, Ramanathapuram and Sivagangai city in Tamil Nadu, generalizability to other countries limited due to cultural differences.

MANAGERIAL IMPLICATIONS OF THE STUDY:

This study has the following managerial implications. First, this study suggests that there is a significant impact on Commitment, Communication and Trust dimensions of CRM and Investor’s Satisfaction. Therefore, in order to improve and maintain good relationship with the investors, stock broking firms should pay more attention on these dimensions. Furthermore, the identified dimensions may help the stock broking firm to frame suitable policies regarding customer relationship management. The stock broking firm can also ascertain the priorities of retail investors regarding the various antecedents of customer relationship management. Furthermore, this study will helpful to the stock broking firm in particular and policy makers in general to frame suitable strategies.

REFERENCES:

