



**An Empirical Study on Customer Perception towards
Customer Relationship Management Practices
(With Specific Reference to Public Sector Banks in Chennai City)**

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INTRODUCTION

In its simple term, Customer relationship management (CRM) manages the relationships between a firm and its customers. Managing customer relationships requires managing customer knowledge. Thus CRM and knowledge management are directed towards improving and continuously delivering good services to customers. CRM begins with the concept of relationship marketing introduced by Berry in 1983 (as cited by Ryals and Payne, 2001). This concept is examined to attract and maintain the multi service organizations to enhance customer relationships with organizations. Increasing the relationship with the high demand from customer changed the term from relationship marketing to the customer relationship management (CRM). It involves organizations providing and satisfying customers' needs. This will in turn, maintaining customer loyalty and ultimately contribute to the profitability of the firms.

Nowadays, CRM is an important issue to increase opportunities in using data which will be used to understand customers and implement well in relationship marketing strategies. CRM is also important because it is more advanced in financial service that represents the largest sector of UK gross domestic product (GDP) (Ryals and Payne, 2001). CRM is able to create sustainable competitive advantage by being understanding, communicating, delivering and developing existing customers and acquiring new customers for organization (Zineldin, 2005). To understand more in customer relationship management, we first need to understand three components which are customer, relationship and their management (Peppers and Rogers, 2004). Relationship is not just making customers satisfied with the products or services by lowering the price but it is more on how managers treat them and how they feel when dealing with the organizations. More often, managers always make mistakes by seeing customers' satisfaction from their eye not from customers' eye (Peppers and Rogers, 2004). Banking sector is a customer-oriented service where the customer is the focus. Research is needed in such sector to understand customers' need and attitude so as to build a long relationship with them. Many researchers who study on customer relationship CRM focus on organizations' perspectives to retain customers in their organizations. This study will contribute to the existing literature and it anticipate that by examining the perceptions of customers on CRM practices among public sector banks could contribute to the successful implementation of CRM programmes.

THE CONCEPT OF CUSTOMER RELATIONSHIP MANAGEMENT

Bank marketing in general and customer relationship management (CRM) in particular are of vital importance for banks in India. Customer Relationship Management (CRM) has assumed considerable importance in the recent years, be it business organization or a bank or an office, the development of CRM practices is necessary for its efficient and effective working. In an evolutionary process when developing economy struggles to attain higher levels of living it can hardly over look the need of developing good CRM practices to meet the bigger and new challenges of raising the quality of the masses. "Customers, whether consumers or businesses, do not want more choices. They want exactly what they want, when, where and how they want it – and technology now makes it possible for



companies to give it to them” (Pine, Peppers & Rogers) Different organizations define CRM differently. The concept of CRM is multidimensional as has been defined by marketers, social scientists, industrialist managers and other academicians in different ways and from different perspectives. Customer Relationship Management is the core business strategy that integrates internal process and functions and external networks (Buttle, 2004), to identify, cultivate and maintain long-term profitable relationships so as to provide those very customers with services quality exceeding their expectations (Mc Donald, 2002).

LITERATURE REVIEW

The following literature review section provides a discussion and argument for the selection of the variables for the empirical investigation on CRM.

Gordon (2002) discussed about how company wants to improve their performance of CRM and the changing role of senior manager in developing a relationship-oriented organization. A definition from best practices companies shows that “CRM is a series of strategies and processes that create new and mutual value for individual customers, builds preference for their organizations and improves business results over lifetime of association with their customers”. The best companies will create the vision on how CRM will change their companies which focus on delivering the value. Today, the most important for companies to focus is on strategic capabilities rather than specific strategy. The author found that the best companies did not adopt the CRM technology first but develop a balance approach to implement CRM strategic capabilities. There are four main CRM strategic capabilities: technology that support CRM; people who manage CRM that has the skills, abilities and attitudes; process that companies use to access and interact with their customers in the pursuit of new value and mutual satisfaction; and knowledge and insight use to add value to customer data so that they acquire the knowledge and insight needed to deepen the relationships that matter (Gordon, 2002). In summary, there are four CRM strategic capabilities: process; people; technology; and knowledge (Parvatiyar and Sheth, 2001).

Wang et.al. (2004) developed an integrative framework for customer value and CRM performance based on the identification of the key dimensions of customer value namely functional value, social value, emotional value and perceived sacrifices. The results found that, customer satisfaction, brand loyalty, functional values have positive effect on customer behaviour based on CRM performance where brand loyalty is the most significant influence on customer behaviour.

Sin et. al. (2005) identified four dimensions of CRM in their study namely key customer focus, CRM organization, technology-based CRM and knowledge management. These dimensions were based on the definition of CRM where CRM involve the strategy, technology and process to identify, attract and increase retention of profitable customers by managing relationships with them for long term relationships (Parvatiyar and Sheth, 2001).

Lu and Shang (2007) explored the CRM perceptions in freight forwarder services from managerial perspectives. They had come out with six dimensions of CRM namely customer acquisition, customer response, customer knowledge, customer information system, customer value evaluation, and customer information process. Their study found that customer response dimension was the most important dimension compared to others as this dimension are related to the communication with customers, customer’s problems and complaints, and the way services are provided to the customers. This study also provides a new framework for identifying the CRM dimensions based on firm’s service attributes. Today, there is variety of banking products like automated teller machine, phone banking, tele-banking, and internet banking, and so on. Relationship Marketing (RM) has the ability to build loyal customers through understanding customers’ needs and this can reduce the cost.

Ndubisi et. al., (2007) examined the impact of the relationship marketing called commitment, competence, communication and conflict handling as an independent variables and customer loyalty as dependent variable with the mediating variables i.e. trust and relationship quality Results of their study



showed that the relationship dimensions were predicted in trust and relationship quality. In addition, trust and relationship quality had significantly influence customer loyalty.

Rootman et. al. (2008) investigated the variables that influence the effectiveness of CRM strategies in banks. These variables were attitude, knowledgeable and two-way communication related to bank employees. This study resulted that the relationship between customers and banks are influenced by bank employee's attitude such as the way they communicate with their customers especially for the bank employees at the front enquiry desk and customer service. The relationship between customers and banks influenced bank employee's knowledge about the products and services. Thus, bank's employees need to understand the bank's mission and the information of their products and services especially for new employees. Reward for the best employees should be given as a motivation to increase their attitude and knowledge.

Zuliana et. al. (2012) conducted a study on developing and validating CRM practices construct. The original instrument consists of 25 items, under six dimensions: Customer Acquisition; Customer Response; Customer Knowledge; Customer Information System; Customer Value Evaluation; and Customer Information Process. The instruments were then validated after discussion with the marketing expert and bank practitioner, with 48 items were introduced under five dimensions. Findings obtained from the exploratory factor analysis indicate that 29 items under five dimensions are valid and applicable to this study. The five final dimensions are Customer Acquisition, Customer Response, Customer Knowledge, Customer Information System and Customer Value Evaluation and for the present study the researcher adopted this measurement to collect data from customers of public sector banks in Chennai city.

NEED FOR THE STUDY

- One of the banks' greatest assets is their knowledge of their customers. Banks can use this asset and turn it into key competitive advantage by retaining those customers who represent the highest lifetime value and profitability.
- CRM is the tool that helps you organize and analyze customer data and thereby helping you to understand customer preferences. Understanding their likes and dislikes is the key to build lasting relationships and also to gain new customers.

This study attempted to understand the customer perceptions on CRM practices dimensions while dealing with the public sector banks.

OBJECTIVES OF THE STUDY

1. To understand the role of Customer Relationship Management (CRM) in Banking.
2. To measure the customers perception towards CRM practices followed in their banks.
3. To analyse the relation between demographic variables (age, education and income) and customer perception of CRM practices in public sector banks.

METHODOLOGY

This study is descriptive in nature since it describes the opinion of the respondents (customers). Convenience sampling is used to select the respondents. Data were collected from 150 respondents by questionnaire method. The questionnaires were distributed to the customers who are the account holders of public sector Banks in Chennai city. Percentage analysis, ANOVA, Reliability and Factor analysis were used to analyze the importance of CRM practices in public sector banks.

Details of the measurement are as follows:

1. For demographics gender, age, education, income level, employment, nature of account, years of maintaining the account and overall satisfaction were asked to respondents to tick the respective boxes.
2. For Customer Acquisition, Customer Response, Customer Knowledge, Customer Information System and Customer Value Evaluation, the respondents were asked to rank from strongly disagree to 5 strongly agree based on 5 point Likert scale.



LIMITATIONS

Any research study can be restricted in scope by certain interest limitations that are participated by the choice of the research design, sampling procedure and respondent selection. This study has the following limitation.

- Even though the survey was conducted among the sample of customers, the research may not reflect the real opinion of the entire respondents.
- Because of the time constraints, the sample size is restricted to 150, which may not reflect the opinion of the entire population.
- Since the study was restricted to certain group of customers, majority of findings are applicable only to these customers and cannot be generalized.

DATA ANALYSIS AND INTERPRETATION

TABLE 1.DEMOGRAPHICAL PROFILE

S .no	VARIABLES		Frequency	Percent
1	GENDER	MALE	114	76
		FEMALE	36	24
2	AGE	BELOW 25	13	8.7
		25-35	61	40.7
		36-45	22	14.7
		46-55	31	20.7
		ABOVE 55	23	15.3
3	MONTHLY INCOME	BELOW Rs. 25000	12	8
		25000-50000	48	32
		50000-75000	25	16.7
		75000-100000	34	22.7
		ABOVE 100000	31	20.7
4	EDUCATION	SSLC	13	8.7
		HSC / DIPLOMA	20	13.3
		GRADUATE	52	34.7
		POST GRADUATE	65	43.3
5.	ACCOUNT	CURRENT a/c	39	26
		SAVINGS a/c	108	72
		OTHERS	3	2

Source: Primary Data

The above table shows the demographic profile of the respondents participated in the study. Gender, age, income, education and nature of account possessing wise classification was done to identify whether there is any difference in opinion of expectations. Among 150 respondents, 76% were male respondents and 40.7% of the respondents fall in to the age group of 25 to 35 age group. It is observed that the majority of the respondents (32%) belong to the income category Rs.25000 to 50000, and 44% of the respondents have completed their under graduation. Around 72% of the respondents possess saving account from their banks.

RESULT OF RELIABILITY TEST

Researchers commonly use the cronbach's alpha coefficient for establishing scale reliability. The cronbach's alpha coefficient is an indicator of internal consistency of the scale. A value of cronbach's alpha above 0.70 can be used as a reasonable test of scale reliability.



Table2: Reliability Analysis: Cronbach's Alpha Value

CRM Dimensions	No.of.Items	Cronbach's Alpha
Customer Acquisition	9	0.75
Customer Response	9	0.88
Customer Knowledge	5	0.78
Customer Information System	3	0.69
Customer Value Evaluation	3	0.73
Overall score	29	0.88

Source: Primary data

Table 2 shows that the values of the Cronbach's alpha ranges from 0.69 to 0.88. Devellis (1991) suggested that an acceptable level of reliability for psychometric test is starts from .65. This indicates a good internal consistency of the items in the scale.

KMO and BARTLETT'S TEST

Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy/Bartlett's Test of Sphericity Prior to the extraction of the factors, several tests should be used to assess the suitability of the respondent data for factor analysis. These tests include Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy, and Bartlett's Test of Sphericity.

Table 3 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.903
Bartlett's Test of Sphericity	Approx. Chi-Square	2.079E3
	Df	253
	Sig.	.000

Source: primary data

Inference: The Kaiser-Meyer-Olkin Measure of Sampling Adequacy is a statistics that indicates the proportion of variance in variable that might be caused by underlying factors. High values (close to 1.0) generally indicate that a factor analysis may be useful with data. If the value is less than 0.50, the result of the factor analysis probably won't be very useful. In this study, the value of Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.903. Bartlett's tests the hypothesis that correlation matrix is an identity matrix, which would indicate that variables are unrelated and therefore unsuitable for structure detection. A small value (less than 0.05) of the significance level indicates that a factor analysis may be useful with data.

FACTOR ANALYSIS

Factor analysis is one used to analyze the inter relationships between independent variables with metric data. The analysis summarizes a majority of the information in the data set in terms of relatively a few new categories- known as factors. The main applications of factor analytic techniques are: (1) to reduce the number of variables and (2) to detect structure in the relationships between variables, that is to classify variables. The present study uses the factor analysis to analyze the statement responses in the questionnaire and the results were presented below.

Table 4 Total Variance Explained

Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1	3.891	16.916	16.916
2	3.643	15.837	32.753
3	3.527	15.333	48.086
4	3.394	14.756	62.842

Source: Primary Data Extraction Method: Principal Component Analysis.



Inference: Table 4 shows that the total variance explained are 62.84%. This is appropriate for factor analysis. The 62.84% variance was explained by the 4 extracted components.

ROTATED COMPONENT MATRIX

Perhaps the most important tool in interpreting factors in factor rotation. The term rotation means the reference axes of the factors are turned about the origin until some other position has been reached. Factor rotation assists in the interpretation of the factors by simplifying the structure through maximizing the significant loadings of a variable on a single factor.

Table 5 Rotated Component Matrix

	Component			
	1	2	3	4
CRM17	.810			
CRM16	.671			
CRM21	.654			
CRM22	.615			
CRM11	.603			
CRM10	.520			.462
CRM5		.845		
CRM6		.800		
CRM3		.638		
CRM1		.610	.400	
CRM19		.474		
CRM13			.773	
CRM23			.738	
CRM15			.690	
CRM12		.419	.532	
CRM14		.412	.491	
CRM9			.423	
CRM29				.823
CRM24				.718
CRM28	.492			.585
CRM8				.554
CRM25			.490	.506
CRM18	.443			.474

Source: Primary Data

Extraction Method: Principal Component analysis.

Rotation Method: Varimax with Kaiser Normalization.

Table 5 explains that the factor analysis has grouped the 23 statements into four factors and on the basis of loading of the statements they are given names and explained below. The cronbach's alpha Reliability statistics found out .88% of the variables reliability. Inter consistency between the variables are also performed.

1. Customer response

Banks today, are dealing with a multi-channel response interface, and the challenge is to streamline the data coming in from various sources. The need is to understand how the various communication channels integrate and how the response received from customers is handled and exchanged by various channels. In a banking environment if the bank has a 'Core Banking System' in place with rich data containing valid email ids and mobile numbers, the banks would prefer to target the customers via Email and SMS .Response received via every communication channel is in a different format, but the bigger challenge is to relate the response with campaign, and ensure that the response received is due



to a particular campaign. This study reveals that the public sector bank customers expect from their banks to provide financial solution to invest their money in the appropriate plans. For this purpose the banks have to analyse the customer information from various communication channels accurately. The major statements loaded in this factor are given below.

- My bank uses new technologies to improve communication with me(.810)
- My bank actively seeks to provide me a total financial solution (.671)
- My bank offers me with innovative loan services (.654)
- My bank would initiatively understand my service requirements and expectations (.615)
- My bank is able to tailor its products and services to meet my needs. (.603)

2. Customer acquisition

Customer acquisition can be expensive therefore banks need to ensure that the strategies they use will be successful. The public sector banks have to build up an overall acquisition strategy through implementing good brand strategy, product innovation, and service delivery. In order for bankers to continue to acquire customers they need to innovate and create customer-centric products. Innovation is important both for creating new experiences which consumers want to engage with, and also to ensure that a bank's offering continues to keep up with the changing demands of its customer base. This study reveals that, the customers are giving importance for fulfilling their banking needs, services provided with proper security system and feeling relaxed using the bank services. The statements loaded in this factor are presented below.

- I can put my trust on any services provided (.845)
- The services at my bank make me want to use banking services(.800)
- My bank's system allows me to perform my banking needs (.638)
- I feel relaxed using my bank services (.610)

3. Customer knowledge

In recent years, customer satisfaction with banking relationships has been mediocre at best and customer loyalty has been equally miserable for most institutions. Because retaining customers and increasing share of wallet are pivotal to institutional profitability, institutions must open a rigorous audit of their customer knowledge capabilities and improve their competencies to give customers an optimal experience with them. The present research reveals that the customers are satisfied with the range of investment products, technology usage and they are willing to introduce other customers to their banks. Major statements loaded in this factor given below.

- My bank offers me with comprehensive range of investment products (.773)
- My bank offers me with convenient services. (.738)
- My bank uses technology to automate marketing, sales, and service function (.690)
- My bank often encourages me to introduce other customers to purchase their products and services.(.532)

4. Customer value evaluation

In electronic commerce environment, commercial banks are able to get their needed information more quickly and timely, through constructing customer value information database. Customer valuation is a scoring process used to help a bank determine which customers the bank should target in order to maximize profit. Customer valuation requires that the evaluate past data to learn which customers purchased recently, which customers purchased frequently, and which customers spent the most money, in hopes that the bank can forecast future purchase potential and make sure time and resources are spent only on its best customers. The public sector bankers evaluate the customer value to offer suitable banking products to them by make them to feel loyal customers. The following statements loading are representing the importance of this factor.

- The services at my bank would help me to give a good impression towards other people(.823)
- My bank provides services to meet my specific requirements (.718)



- My bank provides a variety of service items and information (.585)
- My bank uses customer information to attract new customers (.554)
- My bank uses different approaches to attract new customers (.506)

ANALYSIS OF VARIANCE (ANOVA)

The following ANOVA table explains the difference between respondent's demographic variables (age, education, income) and the CRM dimensions.

1. Age wise perception –Hypothesis

H0: There is no significant difference between the age variable and the level of perception scores of respondents.

Ha: There is a significant difference between the age variable and the level of perception scores of respondents.

TABLE 6 : Analysis of Variance (One Way ANOVA) on Age Factor

CRM Dimensions	Sum of Squares	df	Mean Square	F	Sig
Customer Response	9.489	4	2.372	2.466	.048
Customer acquisition	5.931	4	1.483	1.503	.204
Customer Knowledge,	3.056	4	.764	.759	.554
Customer Value Evaluation	1.134	4	.284	.278	.892

Source: Primary Data

Table 6 reveals that the significance level is more than 0.05 for customer acquisition, customer knowledge, and customer value evaluation. So the null hypothesis is accepted that there is no significant difference between age group of the respondents and the level of perception scores of the above three dimensions. For the customer response dimension the null hypothesis is rejected because of the significance level (0.048) is less than 0.05. This shows that there is a significant difference between the respondent's age category and the perception scores of customer response aspect.

2. Education wise perception – Hypothesis

H0: There is no significant difference between the Educational qualification and the level of perception scores of respondents.

Ha: There is a significant difference between the Educational qualification and the level of Perception scores of respondents.

TABLE 7: Analysis of Variance (One Way ANOVA) on Education Factor

CRM Dimensions	Sum of Squares	df	Mean Square	F	Sig
Customer Response	4.493	4	1.123	1.127	.346
Customer acquisition	5.575	4	1.394	1.409	.234
Customer Knowledge,	20.361	4	5.090	5.738	.000
Customer Value Evaluation	2.647	4	.662	.656	.624

Source: Primary Data

Table 7 reveals that the significance level is more than 0.05 for customer response, customer acquisition, and customer value evaluation. So the null hypothesis is accepted that there is no significant difference between monthly income variable and the level of perception scores of the above three dimensions. For the customer acquisition dimension the null hypothesis is rejected because of the



significance level (0.000) is less than 0.05. This shows that the respondents educational qualification is playing a vital role in the understanding of the banking products and service knowledge. The bankers have to explain the range of products and services to their customers based on the educational qualification.

3. Income wise perception – Hypothesis

H₀: There is no significant difference between the monthly income and the level of perception scores of respondents.

H_a: There is a significant difference between the monthly income and the level of perception scores of respondents.

TABLE 8: Analysis of Variance (One Way ANOVA) on Monthly income Factor

CRM Dimensions	Sum of Squares	df	Mean Square	F	Sig
Customer Response	2.992	4	.748	.743	.564
Customer acquisition	11.758	4	2.940	3.106	.017
Customer Knowledge,	6.583	4	1.646	1.676	.159
Customer Value Evaluation	2.849	4	.712	.707	.589

Source: Primary Data

Table 8 reveals that the significance level is more than 0.05 for customer response, customer knowledge, and customer value evaluation. So the null hypothesis is accepted that there is no significant difference between monthly income variable and the level of perception scores of the above three dimensions. For the customer acquisition dimension the null hypothesis is rejected because of the significance level (0.017) is less than 0.05. This shows that the respondents, based on their monthly income they expects different kinds of acquisition strategies from their bankers.

Conclusion

This study reveals from the analysis of variance test there is a significant difference between age group of the respondents with perception of customer response aspect, educational qualification with customer knowledge aspect and monthly income of the respondents with customer acquisition. This study also reveals that, the customers perceived about public sector bank has to use its technology in a better way to assess customer information and providing more services to attract new customers and also they need attractive benefits, satisfaction in services, confidentiality of information, transparency in the bank policies and some special treatment making them to feel loyal customers of their banks. To conclude, the banking industry is vibrant and active in India, due to technological revolution. Banks have to utilize this opportunity to become more and more strong providing essential services. The banking industry in India has undergone impulsive changes during the last decade and one of the major areas of change has been customer service. Customers of today demand universal banking. This is possible if Customer Relationship Management is implemented in true spirit. Competition in the banking industry has almost made Customer Relationship Management an inevitable solution.

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