

CUSTOMER RETENTION THROUGH CUSTOMER RELATIONSHIP MANAGEMENT AND SERVICE QUALITY

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Abstract:

The concept CRM came into existence in early 19th century. It was popularly known as relationship marketing. Only after globalisation and private sector organisations came into play bank took it as a strategy to follow CRM to attract customers. CRM concentrate on 24x7 services to customers by having strong customer database. There are different views on CRM, as it is considered as a technology, or as strategy. But to be successful one should adopt CRM as both technology tool and marketing strategy. This paper deals with the tools used in CRM implementation and for the successful application of customer retention policies in Indian banking sectors. The paper also deals with service quality as a variable which will leads to customer retention.

Keywords: Customer Relationship Management, Service Quality, Customer Retention, Technology.

Introduction

According to Mahatma Gandhi “ A customer brings us his wants. It is our job to handle them properly and profitably – both to him and us. A customer is not an outsider to business, he is a part of it. A customer is not an interruption of our work. He is the purpose of it. A customer makes it possible to pay our salary, whether we are a driver, lant or office employee. A customer is not dependent on us, we are dependent on him.

CRM helps the organisation to retain their existing customers. keeping customers happy is the procedure to continue relationship with them. CRM helps the organisation to increase the margin of sales, improve customer satisfaction, increase the sales revenue. CRM as a marketing technique means different meaning to different people. It is a call centre service, database marketing, technology solutions etc., but CRM is a strategy adoped by organisations to attract and retain customers.

Customer Relationship Management

CRM is the process of acquiring and retaining customers to create value for the company. CRM involves strategic application of information technology to manage customers database there by understands their needs and satisfy them. CRM needs to have cross functional integration of people and process through technology management. CRM can be implemented in an organisation only if the employees accept the strategy of CRM. Because it is only the employees who is going to implement relationship strategy among customers. communication is a important device used for the successful implementation of CRM.

Service Quality

Philip Kotler (2006) “ Service any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything.” Providing quality services and satisfying the customer is a difficult task for organisations.

Customer Retention

Customer Retention is the important outcomes of CRM. Keeping the customers loyal and satisfied for longer period by fulfilling their needs and expectations will make them to retain. Organisation should be innovative in all its aspects of marketing strategy, like relationship building techniques, marketing mix methods, discounts and rewards to customers, customer care programmes etc., these will make a way towards effective customer retention strategy.

LITERATURE REVIEW:

Leo sin Y.M., Alan. Tse C.B., Frederick Yim H.M., (2005) have designed standard scale for measuring CRM and it was validated. The scale consist of CRM Key customer focus, CRM organisation, Knowledge management and Technology based CRM.

Thus Uyen Nguyen H., Joseph Sherif S., Micheal, Newby (2007) analysed the strategies for successful implementation of CRM. The result says that maintaining customer database and using it for successful coordination with customers is the strategy for successful CRM.

Muhammad Ehsan Malik Basharat Naeem (2011) find out the impact of SERVQUAL model on brand image of star hotels in Pakistan. The study reveals that empathy, reliability are the dimensions which strive towards brand image.

Aggrey Leonard Mwachala Mwangelka, Mjomba Majalia .L Omino Karim, H. Veronica (2014) revealed the strategies for customer retention in hotel industry. The study says that it was service quality and hotel image which played a major role in influencing customers. It was also concluded that innovative in providing services and customizing the services will create loyal customers there by retaining them.

Research objectives

The primary objective of the study is to analyse the influence of the independent variable CRM towards Dependent variable Customer Retention through intervening variable Service Quality among banks.

Research hypotheses

To analyse these problems, number of hypotheses were formulated to test the relationship between independent ,dependent and intervening variables. The following are the hypotheses which were designed to prove the study results.

Independent Variable Customer Relationship Management have an effect on Service Quality

H1: There is a significant relationship between CRM and Service quality.

Service Quality have an effect on Dependent variable Customer Retention.

H2: There is significant relationship between Service Quality and Customer Retention.

Independent variable CRM have an effect on Dependent variable Customer Retention

. H3: There is a significant relationship between CRM and customer retention.

RESEARCH METHODOLOGY:

A research design is designed to find the answer for research problem. The research followed survey methodology. Structured questionnaire was used to conduct the survey among banking customers. convenient Sampling method was followed to circulate questionnaire. Pilot study was done to know the standard of the questionnaire. Reliability test helps to measure the percentage of reliability towards the questions. Exploratory factor analysis was carried out to find the discriminant groups of the questions using Kaiser-meyer-olkin (KMO) and Bartlett's test of sphericity

Reliability:

Table 1. Reliability statistics.

Construct	Cronbach alpha
CRM	.877
SQ	.795
CR	.834

Exploratory factor analysis:

The factor analysis has been applied to 17 CRM variables to understand the dominant latent dimensions in them. The Extraction method of Principal Component Analysis and Rotation Method of Varimax with Kaiser Normalization have been applied.

KMO and Bartlet test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.895
Bartlett's Test of Sphericity	Approx. Chi-Square	11373.663
	Df	666
	P-value	0.000

The 17 statements relating to Customer Relationship Management (CRM) aspects have been extracted into 3 independent dominant factors. Knowledge Management, Technology CRM, and CRM Organization,

Multiple regression analyses

Influence of CRM on Service Quality

Model	R	R Square	Adjusted R Square	Std.Error	Change Statistics			Durbin Watson
					R Square Change	df	Sig F Change	
1	.798	.598	.602	3.4008	.631	3	.001	1.756

The result of this table shows the association of CRM attributes on Service Quality by regression analysis. The regression result says that CRM knowledge, Technology CRM, and CRM organisation contribute significantly and explains 59.8 percent of the variation towards service quality. The results proves that there is significant relationship between two variable at five percent significance level. Hence, it concludes the acceptance of hypothesis.

Influence of Service Quality of Customer Retention

Model	R	R Square	Adjusted R Square	Std.Error	Change Statistics			Durbin Watson
					R Square Change	df	Sig F Change	
1	.798	.631	.623	3.4008	.631	3	.001	1.756

The table shows the association between service quality and customer retention using regression analysis. The regression result says that PARASURAM dimensions of service quality contribute significantly and explains 62.3 percent of the variation towards customer retention. The results proves that there is significant relationship between two variable at five percent significance level. Hence, it concludes the acceptance of hypothesis.

Relationship between CRM and Customer Retention.

From the above analysis it is concluded that banks should take initiative to train the employees about the CRM process. The training session should contain customer acquisition, customer retention and customer development. Customer acquisition is the process of acquiring the customer by increasing the customer base, there by retain customers and decreasing the customer defections. The employees should careful enough to solve the problems of the customers in the fastest time duration. They should be careful enough to resolve the conflicts and avoid inconvenience to customers which would make them loyal customers. It is concluded from the study that one percent increase in the CRM policy which increase tremendous percent increase towards customer loyalty.

Future Research:

In the today competitive environment retaining the customers is a major task of any organisations. Being a service organisations and because of globalisation banks are being in a critical situation to adopt new and innovative strategy to satisfy customers and retain them. The study concludes the major CRM factors which leads to customer retention. But it

concentrate only to Chennai City. This can be extended to other metro cities as the expectations and needs of the customer vary from place to place.

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