

CRM best practices and customer satisfaction: An empirical case study of commercial banks in Kerala (India)

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Abstract: *Differentiating products through best practices, providing timely services to encourage word of mouth publicity, among others have become a part of banking business today. To increase word of mouth publicity, banks utilize best practices to encourage long term relationship by strengthening quality of services. This paper presents the importance of service quality in the banking sector. The empirical study case study has been made to make an analysis of CRM best practices and customer satisfaction in commercial banks in Kerala. The assessment done based a sample of 450 customers of SBI and Federal bank found that the customers of both the banks are agreeing positively with the practices of CRM that the practices can attract a large number of customers to the banking area and also the practices make them satisfied and loyal to the industry.*

Keywords: Banking industry, Best practices, Customer loyalty, Service quality.

Introduction

Commercial or professional procedures that are accepted or prescribed as being correct or most effective and which are proven to reliably lead to desired result are called a best practice. A commitment to use the best practice in the banking sector is a responsibility to ensure success. Normally all best practices are considered as bench marks and help in improving business relations and customer loyalty. A customer who feels satisfied usually with the past experiences is found to be loyal thereafter. Satisfaction is the fulfillment of expectations or needs or pleasure derived from a transaction to the customer. The pleasure and happiness of customer are usually converted to customer loyalty after a long time (Kolter and Armstrong, 1999). Again, the service quality usually influences customer satisfaction, retention and loyalty in the long run. Service quality is considered as the first reason for recommendation by customers to others (Archi Dubey, 2015). A satisfied customer who updates experience with a bank in social media is creating an image for that bank without any expense. Since satisfaction often leads to customer loyalty, a loyal customer normally starts with such publicity measures automatically (Healy, 1999). Banks usually analyze the causes of customer defection through exit interviews and lost customer surveys with the aim of winning back customers who have strong profit potential and of making them their word of mouth advertisers. Kallol Das (2009) stated that retail banking organizations now started investing in CRM best practices to inculcate quality in their services. Further, there found numerous studies on CRM and customer satisfaction, particularly in the

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banking industry explicitly reveals the association between CRM and customer satisfaction. But, there found no attempt on the part of individual researchers in Kerala in this regard and hence this study.

Methodology

The study is empirical in nature based on primary data collected from the customers of banks in Kerala. All the public and private sector banks in Kerala constitute the universe for the study. Multistage sampling technique was employed for selecting the sample. In the first stage, the State of Kerala was divided into three zones- south, central and north and accordingly Thiruvananthapuram (representing the south), Thrissur (representing the central) and Kozhikode (representing the north) were selected. In the second stage, SBI from the public sector and Federal bank from the private sector were selected from each of the three sample districts, based on the volume of business and number of branches. In the third stage, for selecting the sample branch, 15 bank branches each of SBI and Federal bank from the three zones were selected randomly. Thus, a total of 90 branches (45 SBI branches and 45 Federal bank branches) constitute the sample branches. In the fourth stage, the sample customers were selected. Five customers each from 45 branches of SBI and 45 branches of Federal Bank were selected purposively. Thus, a total of 450 were the respondents (225 customers each from SBI and Federal bank), representing the respondents for the study. For data analysis, average and percentage were used.

Results and Discussion

The association of CRM best practices and customer satisfaction is made based on the six pre-tested CRM practices (given in Table 1). The sample customers of SBI and Federal bank were asked their opinion on the practices in a five point Likert scale. The responses were scored as 1 for 'strongly disagree', 2 for 'disagree', 3 for 'no opinion', 4 for 'agree' and 5 for 'strongly agree'.

Table 1: CRM Practices Selected for the Study

SI No	CRM Practices
IV 1	Service quality keeps the customers with a bank
IV 2	If bank is trustworthy, customers never think of shifting their account.
IV 3	A satisfied customer is a loyal customer.
IV 4	A loyal customer has long term relationship with the bank.
IV 5	Best practices by bank contribute to customer loyalty.
IV 6	A loyal customer will help bank in marketing through 'word of mouth' publicity.

Service Quality Keeps Customer Loyal

On analysing the variable, service quality keeping customer loyal reveals that 64.7% customers of SBI and 62.6% customers of Federal bank agreed to the opinion that banks service quality keeps customers loyal (Table 2). Further, 12.7% customers of SBI and 23% customers of Federal bank strongly agreed to the opinion. The region-wise analysis also does not find any variation in their opinion.

Table 2: Service Quality Keeps Customer Loyal

Opinion	South		Central		North		Total	
	SBI	FB	SBI	FB	SBI	FB	SBI	FB
Strongly disagree	2 (2.7)	1 (1.4)	1 (1.4)	6 (8.0)	3 (4.1)	1 (1.4)	6 (2.7)	8 (3.6)
Disagree	4 (5.4)	1 (1.4)	1 (1.4)	5 (6.7)	8 (11.0)	4 (5.4)	13 (5.9)	10 (4.5)
No opinion	12 (16.2)	5 (6.8)	10 (13.5)	4 (5.3)	9 (12.3)	5 (6.8)	31 (14.0)	14 (6.3)
Agree	47 (63.5)	46 (63.0)	53 (71.6)	40 (53.3)	43 (58.9)	53 (71.6)	143 (64.7)	139 (62.6)
Strongly agree	9 (12.2)	20 (27.4)	9 (12.2)	20 (26.7)	10 (13.7)	11 (14.9)	28 (12.7)	51 (23.0)
Total	74 (100)	73 (100)	74 (100)	75 (100)	73 (100)	74 (100)	221 (100)	222 (100)

Source: Primary data. Figures in parentheses are percentages to respective totals.

Trustworthiness of Bank Influences Customer Loyalty

On analysing trustworthiness of bank influencing customer loyalty reveals that 60.4% customers of SBI and 55.2% customers of Federal bank agreed to the opinion that trustworthiness of bank influences customer loyalty (Table 3). Further, 18.5% customers of SBI and 25.3% customers of Federal bank strongly agreed to the opinion. The region-wise analysis also does not find any variation in their opinion.

Table 3: Trustworthiness of Bank Influence Customer Loyalty

Opinion	South		Central		North		Total	
	SBI	FB	SBI	FB	SBI	FB	SBI	FB
Strongly disagree	2 (2.7)	0 (0.0)	4 (5.4)	2 (2.7)	4 (5.5)	2 (2.7)	10 (4.5)	4 (1.8)
Disagree	5 (6.7)	5 (6.9)	4 (5.4)	3 (4.0)	6 (8.2)	8 (10.8)	15 (6.8)	16 (7.2)
No opinion	8 (10.7)	9 (12.5)	7 (9.5)	8 (10.7)	7 (9.6)	6 (8.1)	22 (9.9)	23 (10.4)
Agree	44 (58.7)	41 (56.9)	47 (63.5)	37 (49.3)	43 (58.9)	44 (59.5)	134 (60.4)	122 (55.2)
Strongly agree	16 (21.3)	17 (23.6)	12 (16.2)	25 (33.3)	13 (17.8)	14 (18.9)	41 (18.5)	56 (25.3)
Total	75 (100)	72 (100)	74 (100)	75 (100)	73 (100)	74 (100)	222 (100)	221 (100)

Source: Primary data. Figures in parentheses are percentages to respective totals.

Satisfied Customer is a Loyal Customer

On analysing the variable, satisfied customer being a loyal customer reveals that 62.4% customers of SBI and 57.7% customers of Federal bank agreed to the opinion that a satisfied customer is a loyal customer of banks (Table 4). Further, 19% customers of SBT and 25.7% customers of Federal bank strongly agreed to the opinion. The region-wise analysis also does not find any variation in their opinion.

Table 4: Satisfied Customer is a Loyal Customer

Opinion	South		Central		North		Total	
	SBI	FB	SBI	FB	SBI	FB	SBI	FB
Strongly disagree	1 (1.4)	1 (1.4)	1 (1.4)	4 (5.3)	1 (1.4)	3 (4.1)	3 (1.4)	8 (3.6)
Disagree	5 (6.8)	3 (4.1)	4 (5.4)	4 (5.3)	5 (6.8)	0 (0.0)	14 (6.3)	7 (3.2)
No opinion	9 (12.2)	6 (8.2)	8 (10.8)	8 (10.7)	7 (9.6)	8 (10.8)	24 (10.9)	22 (9.9)
Agree	43 (58.1)	41 (56.2)	49 (66.2)	35 (46.7)	46 (63.0)	52 (70.3)	138 (62.4)	128 (57.7)
Strongly agree	16 (21.6)	22 (30.1)	12 (16.2)	24 (32.0)	14 (19.2)	11 (14.9)	42 (19.0)	57 (25.7)
Total	74 (100)	73 (100)	74 (100)	75 (100)	73 (100)	74 (100)	221 (100)	222 (100)

Source: Primary data. Figures in parentheses are percentages to respective totals.

Loyal Customer has Long Term Relationship with Bank

A study of the opinion of customers on loyal customer having long term relationship with bank in Kerala shows that 63.8% customers of SBT and 56.1% customers of Federal Bank agreed to the opinion that loyal customer has long term relationships with bank (Table 5). Further, 17.6% customers of SBT and 27.6% customers of Federal Bank strongly agreed to the opinion. The region-wise analysis also does not find any variation in the opinion of customers of both SBT and Federal Bank.

Table 5: Loyal Customer has a Long Term Relationship with Bank

Opinion	South		Central		North		Total	
	SBT	FB	SBT	FB	SBT	FB	SBT	FB
Strongly disagree	1 (1.4)	4 (5.6)	1 (1.4)	0 (0.0)	1 (1.4)	0 (0.0)	3 (1.4)	4 (1.8)
Disagree	4 (5.4)	2 (2.8)	3 (4.1)	4 (5.3)	5 (6.8)	4 (5.4)	12 (5.4)	10 (4.5)
No opinion	10 (13.5)	3 (4.2)	7 (9.5)	10 (13.3)	9 (12.3)	9 (12.2)	26 (11.8)	22 (10.0)
Agree	45 (60.8)	46 (63.9)	50 (67.6)	30 (40.0)	46 (63.0)	48 (64.9)	141 (63.8)	124 (56.1)
Strongly agree	14 (18.9)	17 (23.6)	13 (17.6)	31 (41.3)	12 (16.4)	13 (17.6)	39 (17.6)	61 (27.6)
Total	74 (100)	72 (100)	74 (100)	75 (100)	73 (100)	74 (100)	221 (100)	221 (100)

Source: Primary data. Figures in parentheses are percentages to respective totals.

Best Practices Contribute to Customer Loyalty

An analysis of the opinion of customers on best practices contributing to customer loyalty in Kerala shows that 62.2% customers of SBT and 63.3% customers of Federal Bank agreed to the opinion that best practices contributes to customer loyalty (Table 6). Further, 17.6% customers of SBT and 21.3% customers of Federal Bank strongly agreed with the opinion. The region-wise analysis also does not find any variation in the opinion of customers of both SBT and Federal Bank.

Table 6: Best Practices Contributes to Customer Loyalty

Opinion	South		Central		North		Total	
	SBI	FB	SBI	FB	SBI	FB	SBI	FB
Strongly disagree	1 (1.3)	1 (1.4)	2 (2.7)	4 (5.3)	2 (2.7)	3 (4.1)	5 (2.3)	8 (3.6)
Disagree	2 (2.7)	2 (2.8)	3 (4.1)	4 (5.3)	5 (6.8)	2 (2.7)	10 (4.5)	8 (3.6)
No opinion	14 (18.7)	9 (12.5)	7 (9.5)	4 (5.3)	9 (12.3)	5 (6.8)	30 (13.5)	18 (8.1)
Agree	44 (58.7)	48 (66.7)	50 (67.6)	42 (56.0)	44 (60.3)	50 (67.6)	138 (62.2)	140 (63.3)
Strongly agree	14 (18.7)	12 (16.7)	12 (16.2)	21 (28.0)	13 (17.8)	14 (18.9)	39 (17.6)	47 (21.3)
Total	75 (100)	72 (100)	74 (100)	75 (100)	73 (100)	74 (100)	222 (100)	221 (100)

Source: Primary data. Figures in parentheses are percentages to respective totals.

Loyal Customer Markets through Word of Mouth Publicity

On analysing the variable, loyal customer markets through word of mouth publicity shows that 57.5% customers of SBI and 55.2% customers of Federal bank agreed to the opinion that loyal customer markets through word of mouth publicity (Table 7). In the mean time, 17.4% customers of SBT and 29.4% customers of Federal bank strongly agreed to the opinion. The region wise analysis also does not find any variation in their opinion.

Table 7: Loyal Customer Markets through Word of Mouth Publicity

Opinion	South		Central		North		Total	
	SBI	FB	SBI	FB	SBI	FB	SBI	FB
Strongly disagree	2 (2.7)	1 (1.4)	2 (2.8)	2 (2.7)	1 (1.4)	2 (2.7)	5 (2.3)	5 (2.3)
Disagree	0 (0.0)	1 (1.4)	1 (1.4)	4 (5.3)	4 (5.5)	4 (5.4)	5 (2.3)	9 (4.1)
No opinion	19 (25.7)	7 (9.7)	8 (11.1)	4 (5.3)	18 (24.7)	9 (12.2)	45 (20.5)	20 (9.0)
Agree	40 (54.1)	41 (56.9)	47 (65.3)	34 (45.3)	39 (53.4)	47 (63.5)	126 (57.5)	122 (55.2)
Strongly agree	13 (17.6)	22 (30.6)	14 (19.4)	31 (41.3)	11 (15.1)	12 (16.2)	38 (17.4)	65 (29.4)
Total	74 (100)	72 (100)	72 (100)	75 (100)	73 (100)	74 (100)	219 (100)	221 (100)

Source: Primary data. Figures in parentheses are percentages to respective totals.

Conclusion

The study highlights the importance of service quality in the banking sector. The study conducted among 450 customers of SBI and Federal bank in Kerala reveals that the customers of both the banks are agreeing positively with the six practices of CRM practices that the practices can attract a large number of customers to the banking area and also make them satisfied and loyal to the industry. To conclude, by considering the significance of CRM practices to enhance customer loyalty and satisfaction, the efforts and money required for its installation and implementation are only secondary.

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