CHAPTER II
REVIEW OF LITERATURE

A literature review is a body of text that aims to review the critical points of the current knowledge and/or the methodological approaches on a particular topic. A well-structured literature review is characterized by the logical flow of ideas, current and relevant references with consistent, appropriate referencing style, proper use of terminology, and an unbiased and comprehensive view of the previous researches and the research gap on the topic. The review of literature is presented in the following sub-headings for clear and easy understanding.

2.1. SERVICE QUALITY
   2.1.1. Service Quality Dimensions
   2.1.2. Service Customer Loyalty
   2.1.3. Service Quality Gap

2.2. CUSTOMER SATISFACTION

2.3. SHARE MARKET STRATEGIES

2.4 RELATIONSHIP MANAGEMENT
2.1. SERVICE QUALITY

Service quality has been defined as the degree and direction between the consumer service expectations and the perceptions. Perceived service quality was defined as the evaluation of the service across the episodes when compared to some explicit or implicit standard. Further, it can be seen as how well a service satisfied the expectations of consumers.

2.1.1. Service Quality Dimensions

Parasuraman et al. (1985) identified in a first study 10 quality dimensions based on a series of focus group sessions. From this study, the authors concluded that customers use the same criteria to assess service quality independently of the type of service. The 10 potentially overlapping dimensions are: tangibles, reliability, responsiveness, communication, credibility, assurance, competence, courtesy, understanding/knowing the customer and access.

Parasuraman et. al., (1988) has later empirically verified the original ten dimensions to develop a multiple-item scale called “SERVQUAL” for measuring the five dimensions of service quality (tangibles, assurance, responsiveness, reliability, and empathy) and the 22 statements.

Bitner (1990) found that the customer satisfaction of the service contact can affect the perceived service quality, and the perceived service quality also can promote to affect the repurchase intention, word of mouth, switching channels or stores, and customer loyalty in studying service contact model.
Through the research of consumers’ perceptions, enterprises expected to get hold of their demands and develop products from their perspectives. Moreover, they can also forecast consumers’ behavioural models and product preferences to ultimately win more customers in their competitive markets (Hawkins et al., 1992).

Teas (1993) suggested service quality dimensions of service outcome, consumer-employee interaction and service environment. The notion of service product/service outcome and service delivery/consumer-employee interaction was consistent with the idea of technical attributes and functional attributes while, Parasuraman et al., (1994) provided a model explaining service quality through service product, service delivery and service environment.

The process orientation of Gronroos viewed quality from the perspective of what the customer received. This orientation identified other components to service quality, namely technical quality, functional quality and reputational quality (Johnson et al., 1995).

Zeithaml et al., (2002) have discovered the following seven service quality dimensions:

(1) Efficiency
(2) Reliability
(3) Fulfillment
(4) Privacy
(5) Responsiveness
(6) Compensation and
(7) Contact.
Madu and Madu (2002) have proposed the following 15 dimensions of online service quality based on their literature review:

1. Performance
2. Features
3. Structure
4. Aesthetics
5. Reliability
6. Storage capacity
7. Serviceability
8. Security and system integrity
9. Trust
10. Responsiveness
11. Product differentiation and customization
12. Web store policies
13. Reputation
14. Assurance and
15. Empathy

With the rise of consumer awareness, service quality has been extensively discussed and stressed in both the academic and commercial arenas. Because more importance has been attached to service quality, providing better service quality was a basic element for enterprises to build a good relationship with their consumers. As enterprises seek to enhance their competitiveness by providing better service quality, how to enhance service quality to attract or retain customers has become one of the most important issues (Kaynak and Kara, 2002).

Yuksel et. al., (2003) discussed the lodging service quality on the SERVQUAL to provide to the British authorities that the intangible service
qualities were more important than the tangible from the viewpoints of the customers.

The emergence of service quality and its assessment has attracted the attention of numerous researchers in the past two decades or so. In this sense, there were two main lines of thoughts on measuring service quality. Much of the research to date has focused on measuring service quality using this approach and its use has become quite widespread (Kang et.al., 2004).

When customers evaluated retail service, they compared their perceptions of the service they received with their expectations. Customers were satisfied when the perceived service met or exceeded their expectations. They were dissatisfied when they felt the service fell below their expectations (Levy and Weitz, 2005).

Nguyen (2006) tested a model on the relationships between the service quality, the customer satisfaction and the loyalty in supermarkets in the HCMC and found that retail service quality composes of five dimensions: goods assortment, personnel, appearance, physical aspects and safety.

Yeh et. al., (2007) explored that the Taiwanese semiconductor Industry implements effectively the enterprise resource planning (ERP) to improve service quality by evaluating expected and perceived service quality for both the upstream manufacturers and the downstream customers through questionnaire survey.

Trigo Gamarra (2007) found that the independent intermediaries showed higher service quality than exclusive agents in regard to a number of different input- and output indicators, which measured service quality and performance. Like the product quality hypothesis states, service quality
increased with the share of complex insurance products in an intermediary’s portfolio and with the number of additional services provided.

Hsieh et al., (2008) applied the analysis network process (ANP) to study expected service quality for customers in hot spring hotels in Taiwan. Nakhai and Neves (2009) and found that the service quality was more difficult for the customer to assess than the product quality; the measure of the service quality perceptions was to compare customer expectations to real service performance; and the assessment of service quality was found not only on the results of a service but also included the delivery process assessment of the service from three decades of service quality research.

Chuang (2010) thought that the perceptions of the service quality can be assessed and regarded as the measurement of differences between the perceptions and the expectations of the customers related to the specific service that the service enterprise offered.
2.1.2. Services Customer Loyalty

Parasuraman et. al. (1996) developed that consumer’s perception evaluation of service quality could lead to many changes for behaviour intentions and to be positive or negative effect on channels. The positive effect included “recommendation to others”, “increase customer loyalty”, and “repurchase intention”. The negative effect included “customer complaint” and “customer turns to other channel or brand consumption”.

Service quality has an effect on customer loyalty. Loyalty was experienced by the organization when the perceived service quality experienced by the customers exceeded that which was offered by the competitors. The delivering of service quality to customers was required in the long term if the organization was to experience the benefits of customer loyalty (Kandampully, 1998).

2.1.3. Service Quality Gap

Parasuraman et. al., (1985) conducted in-depth interviews with managerial staff in five service industries, including retail banking, appliance repair, long-distance telephone service, securities brokerage, and credit card companies, respectively, and later developed a “Model of Service Quality Gap”, commonly called “PZB Gap Model”.

Mehrdad Alipour, Jalalsadeghisharif (2010) they found that there is a gap between brokerage firms and investors point of view in case of application of the marketing mix to attract investors to Iranian capital market.

Investors expect high quality service from the brokers, particularly in terms of reliability. There was a 15 percent gap in the service quality, and a 20 percent gap in the service value. Customers who relied on brokers' advice perceived higher service quality. Brokers need more empathy with customers.

Shamim Ahamed (2011) found that in Bangladesh the customers are not satisfied with the services provided by the share brokers. There exist a gap between the service expect and the service they receive. In a seven point scale, the average gap is determined to be 0.791.

2.2. CUSTOMER SATISFACTION

Customer satisfaction provided the basis for the marketing concept and has been shown to be a good predictor of future purchase behaviour. As a reflection of its importance, customer satisfaction was a popular topic in the marketing literature. Most models of customer satisfaction and service quality maintain that discrepancies between ex ante expectations of goods or service and the product’s ex post performance were the best predictors of the satisfaction or quality perceived by the customer. Satisfaction was defined as the consequence of comparing the expectations with the perceptions of performance and therefore appears to result from a dynamic process.

However, there were many extensions or alternatives to this approach (Oliver and DeSarbo, 1988). Bolton and Drew (1991) came close when they performed a longitudinal investigation of the effect of telephone line upgrading on customers’ perceptions of the service quality and there was controversy regarding the relationship between the customer satisfaction and the service quality (Clemons and Woodruff, 1992).

Oliver (1993) has also suggested that customers required experience with the product or service to determine how satisfied they were with it, while quality can be perceived without actual consumption
experience. Despite these differences, the link between the service quality and the satisfaction was an important one in this research.

However, expectations, perceptions of performance and the difference between the two were typically measured simultaneously despite evolving at different points in time (Clow and Vorhies 1993).

Anderson *et. al.*, (1994) supported for positive correlation between satisfaction and loyalty was not found. Reputation correlated with loyalty and satisfaction. Improvements in customers’ perception of service quality, government's reputation and professional handling of customer voice, would influence customer satisfaction and loyalty.

If past research in customer behavior has neglected the idea that customer satisfaction can change over time it may be a serious oversight, for satisfaction has been shown to be a significant predictor of brand choice and purchase intentions (Spreng *et. al.*, 1996). This article described why—under clearly defined circumstances—customer satisfaction should vary systematically over time, and the implications for marketing practitioners and researchers.

People derived satisfaction and a sense of well being from the consumption of goods and the quality of their possessions and any means that would enable customers to satisfy their consumption needs was bound to be accepted (Ger and Belk, 1996). Spreng and Mackoy (1996) connected the constructs of perceived service quality and consumer satisfaction derived from expectations, perceived performance and desires.

The most obvious implication was that systematic variations in customer satisfaction can help to explain changes in product choice, based on
an initial degree of satisfaction and its rate of change. Such explanatory power provided a powerful tool for those interested in employing customer satisfaction as a predictor of profit, choice, repurchase behaviour, or market share (Patterson et. al., 1997). Clow et. al., (1998) believed that customer satisfaction was limited to individual transactions. On the other hand, satisfaction was affected by prior experiences that clause expectations.

Bansal and Taylor (1999) in their study summarized that as customer satisfaction was strongly linked to impressions of performance, satisfaction and switching barriers are assumed to be the most important antecedents of repurchase behaviour, or the intention to repurchase a good or service. When some degrees of satisfaction exist after purchase and evaluation, the intention to repurchase will be positive.

Conversely, if there was dissatisfaction the intention to repurchase would be negative, and a customer would be unlikely to repurchase the product again. However, in both cases the existence of switching barriers raises the likelihood of repurchase. Every available alternative within a customer’s consideration set created its own level of intentions to repurchase; but, if neither satisfaction nor switching barriers exist then repurchase was unlikely (Bateson and Hoffman 1999).

Dabholkar et. al., (2000) in their study found that customer satisfaction strongly mediated the effect of the service quality on behavioural intentions. The data used in their study were systematically randomly collected from 397 churches. A test of discriminant validity revealed that the construct of service quality was different from the construct of customer satisfaction.
The result of regression analysis in structural equations modeling supported their proposition that customer satisfaction had a stronger effect on behavioural intentions than service quality did. Yang (2001) found that perceived sacrifices included purchase price and other possible costs such as time consumption were affecting the customer’s satisfaction.

A study by Conroy, Dennise (2001) stated that in attempting to devise customer satisfaction measures, there were a number of factors which can affect the interpretation of results - the nature of the customer, service provision, service quality and, for the public sector, the extent to which consumer sovereignty exist. It was the contention in this paper that valid and reliable measures of customer satisfaction with public service provision were difficult, if not impossible, to achieve, as there were too many independent and intervening variables which compound the results.

Tam and Wong (2001) examined the constructs and showed that trust and satisfaction built up through human interaction through the salesperson’s relationship orientation significantly influenced the success of future product adoption by the customers. This evidence from traditional service settings showed that service quality was a major driver of customer satisfaction, trust, and loyalty, which ultimately led to increased sales opportunities and profitability.

Cox (2002) found that the customers' responses indicated that service quality was one of the factors that influenced customer satisfaction and retains customers in the competitive online market.

Wirtz and Lee (2003) pointed out that as research on consumption experience grew, evidence suggested that customers purchase goods and services for a combination of two types of benefits: hedonic and utilitarian.
Mishra et. al., (2004) in their study found that tri component model of customer satisfaction seemed capable of inclusion of any attribute of the service, including material, or product, attributes as part of the total satisfaction experience as well as the ease or difficulty of access to the service.

Luarn and Lin (2004) tested their hypothesized customer loyalty model and found that customer satisfaction, perceived value, and customer loyalty were different constructs. Their findings indicated that not only customer satisfaction and perceived value directly affected customer loyalty, but also indirectly affected customer loyalty through commitment. A positive perception of value may bring customers back to make another transaction (Minocha et. al., 2005).

Fullerton (2005) tested the relationships between service quality, commitment, and switching and advocacy intentions. The results showed that commitment served as a partial mediator of the service quality-loyalty relationship.

Customer satisfaction resulted when customers’ expectations were confirmed or surpassed during use, when a cardholder experienced the privilege to pay for bulk purchases in affordable monthly installments without paying additional interest. Being accepted as a store cardholder may also enhance customer satisfaction for those who found it difficult to obtain other forms of credit (Ree and Peter 2006).

Helm, Sabrina (2007) suggested that corporate reputation was a determinant of initial investment decisions, possibly leading to detrimental stock choices. It’s affected on established investor relationships, namely
investor satisfaction and loyalty, are novel research areas. The paper discussed the findings of a study among German investors of a publicly traded company that put into perspective the aforementioned detrimental choice-effect, the impact of reputation on individual investor behaviour and revealed a diversity of loyalty effects of corporate reputation.

The shopping centres contained a wide range of departmental, discount and independent stores that offered all the facilities that were associated with the brands elsewhere on the continent (Kenny, 2007). Retailers therefore offered facilities such as store cards to recruit and retained as many customers as they can to enhance store loyalty and to maximize their profits.

Schiffman and Kanuk (2008) suggested that the increasing number of departmental and independent stores have increased the availability of merchandise and simultaneously also customers’ admiration of goods and satisfaction.

Gyu-yeol et al., (2009) found the investment behavioral factors of investors in the Gumi area of South Korea, which was emerging as a promising investment area. The study showed their effects on investment satisfaction, investment firm trust, and intention to reinvest. The behavioral factors were profitability, investment stability, investment regulations, investment location and investment well-being. Location proved to be the most important factor in investment satisfaction, followed by liquidity, profitability, and well-being.

Ladhari, (2009) found that the brand architecture index covering quality of private labels versus manufacturer brand has a significant negative influence on the store image factor ‘product quality’. This meant that the
better the perceived quality of private labels, the more positive the store image of ‘product quality’ was perceived. Furthermore, both store image factors have a significant positive influence on satisfaction (product quality) and they also found that satisfaction has a strong significant positive influence on overall loyalty.

2.3. SHARE MARKET STRATEGIES

Levitt (1960) gave the idea that for firms to stay in existence, they should not focus on selling products but rather on fulfilling the needs. Again Levitt (1969) introduced the concept of the augmented product, stressing that consumers were interested in the total buying experience, not just in the core product.

Bagozzi (1974) refocused people’s attention on the actual exchange process by reiterating the fundamental economic concept that an exchange occurred only when both the parties perceived that they were receiving value.

Almost ten years later, Berry (1983) shifted the emphasis to the relationship between the company and the customer. On the basis of his ideas and related conceptual work the concept of building relationships was expanded to several different domains, such as industrial buyer–seller relationships (Gaski 1984) and channels of distribution (Dwyer et. al., 1987).

DeBondt (1998) described the overall portrait of small investors as a ‘sorry picture’. Therefore, small traders could potentially benefit significantly if they could enjoy abnormal returns by adopting the momentum strategy, as such a strategy required no profound knowledge of investing (Rouwenhorst, 1999) For instance, they tend to trade excessively (Barber and Odean, 2000) maintained non-diversified portfolios and hesitate to sell loser
shares. It should be noted that small investors can not follow the momentum effect by investing via low cost financial funds.

A large number of institutional managers tend to employ the momentum strategy by increasing their holdings of previous winner shares and slightly decreasing those of prior loser shares (Foss and Stone, 2001), but, to the best of our knowledge, no fund invested in shares by following the momentum strategy closely. The CRM served the purpose of value creation for all stakeholders: customers, employees and shareholders (Payne, et. al., 2001).

To adopt the momentum strategy, small investors required combining long and short positions. To sell short shares, the investment manager should find existing owners of the securities who were willing to lend their shares. Previous studies have incorrectly named the momentum strategy as a ‘zero-investment’ strategy, assuming that the short seller was allowed to use the proceeds from the short selling to buy the long portfolio. In practice, the proceeds from short selling were not in the use of the short seller, but they were used as collateral with the lender to provide security for the borrowed shares (Alexander, 2005).

Small investors have two sources of returns when investing using a long/short portfolio. The first source was the return from the long and short position in shares. Previous studies in the field of momentum have only considered this source of return. Nevertheless, the liquidity buffer also offered an interest equal to the risk-free rate to the short-seller. Typical investors also received the rebate rate. This came from the cash proceeds of the short sales that the lender retained as collateral. The lender retained a small percentage as a fee, the investment manager retained a profit and the remaining interest was for the short seller. The split of the interest among the three participants was
negotiable. Large investors received from 75 to 90 percent of the rebate rate, but small investors tend not to receive any compensation (Ali and Trombley, 2006).

Busse and Green (2001) analyzed that morning call and mid day call segment on CNBC TV provide a unique opportunity to shed light on the efficient market hypothesis. The study was conducted:

Execution-only, which means that the broker will only carry out the client's instructions to buy or sell. Advisory dealing, where the broker advises the client on which shares to buy and sell, but leaves the final decision to the investor. Discretionary dealing, where the stockbroker ascertains the client's investment objectives and then makes all dealing decisions on the client's behalf. By taking into consideration the individual stock and broadcast when the market was open and the result of the study has shown that prices respond to reports within second of initial mention, with the positive report fully incorporated within a minute. Beside this it has provided with compelling evidence that trade by viewers generally based on the information in the segment and traders who lock in prices with 15 second of initial mention makes small but significant profit by trading on positive report during the midday call.

Ajay Kumar (2004) the research was indented to find out which brokerage house people prefer and to figure out what are all the people prefer while investing in the stock market. This study suggests that people are reluctant while investing in stock and commodity market due to lack of knowledge. The investor’s preference in the commodity market is less for the reason that they have less awareness about the commodity market. The major findings of this study are that the investors are interested to invest in the stock market but they lack knowledge about the stock market.
Nidhi Walia (2004) explores that with IT fueling economy, internet is adopted as an effective tool in catalyzing the business activities. Latest developments in information technology have altogether changed business done traditionally. As financial system is becoming more complex it has become the need of the hour, where investor should comprehend the data and understand recent intricacies of online trading. In Indian context, e-trading is a relatively new concept, which has yet to gain some significant meaning. In the past, investor had no option to get market information except to contact local broker. But internet trading in stock trading is becoming the medium of exchange whereby investors can order stock exchange on a simple mouse click sitting at his place. Keeping in view current market requirement an attempt has been made in this research paper to analyze the current status of online trading in Indian scenario.

Bushee and Raedy (2005) have analyzed that there are numbers of factors that could partially or fully mitigate the ability of market participants to implement trading strategies, such as price pressure, restrictions against short sales, incentives to maintain an adequately diversified portfolio, and incentives to hold no more than 5 percent ownership in a firm. The study found that the size and return reversal trading strategies do not perform well in the presence of these constraints, whereas the cash flow-to-price, return momentum, and post-earnings announcement strategies generally continue to generate significant positive abnormal returns. All the mentioned strategies generate positive abnormal returns even in the presence of the restriction against short sales, but the price impact adjustments, constraints on holding more than a 5 percent stake in any portfolio of the firm, and restrictions on transacting in any security expected to incur a price impact greater than 5% each have a large negative effect on portfolio returns. Finally, the study come out with the fact that portfolios that engage in short positions perform worse
than long portfolios due primarily to the sustained increase in stock prices during the sample period.

Jayanta Kumar Seal (2007) explore equity trading in India was basically a floor-based activity in the BSE. Traditionally, stock trading was done through stock brokers, personally or through telephones. As the number of people trading in the stock market increased enormously in the last few years, a number of stock brokers comes in the field, thus increasing further competition. Due to this, there come new innovations in trading. In this scenario, the existing players are left with two options-either to change their product offerings or to perish.

Ravinder Kumar & Nidhi Walia (2007) found Indian investors are more conservative; they do not adopt any change easily. Till now just few investors can be recognized who is using technology for online stock trading. Traditional traders still prefer to choose broker as a stock trading mechanism because they are more loyal to their broker. Online trading empowers educated investors to make their own decisions with a close watch on market sensitivity by browsing through various sites.

Pradhan and Upadhyay (2009) examined that the current market price of shares is useful to make a decision as to buy or sell, to predict future average returns, and to predict future prices. The main factors affecting share prices as perceived by them are dividend, retained earnings, bonus shares, and right issues. The share prices have been found more volatile than expected dividends. The study also revealed that investors are not indifferent towards makings or non-makings of information public. Among others, the company information, lack of profitability of the company, market operation system and government policy regarding investment are appeared to be the major causes of deficiency in the stock market. Information on favorable future
prospect of the company would increase the market price of a share and shareholders in high tax brackets do not prefer retained earnings instead of dividend.

Guru (2009) has examined the impact of macroeconomic policy announcements on returns in the stock market, the various channels which affect stock prices and attempts to demystify the links between them and stock market movements.

Srivastava (2009) has undertaken a study with the objective to investigate the impact of changes in macroeconomic factors on the stock market. The study was mainly based on the review of past literature and finally concluded that the stock market are very well affected by certain macroeconomic factors which may be local or international. The study further reveals that the stock market plays an important role in the Indian financial system and at the same availability of reliable information is a key to efficient functioning of the stock market. Here the stock broker and market analyst play a vital role by probing the companies closely and bringing out with the new facts and figures that helps the investor and traders to frame decision regarding the companies. They are not only providing detailed information about the companies but also make recommendation to their clients regarding what and when to buy or sell?

In recent years there has been concern as to the adequacy of broker-dealer regulation. SEC and self regulatory organization rulemaking addresses specific types of broker-dealer conduct but by and large the regulation has been based on principles and standards rather than voluminous detailed rules specifying prohibited conduct. In particular, a good deal of broker-dealer conduct is addressed under the umbrella of regulating according to fair and just principles of trade. Also, much of the SEC’s rulemaking authority is
based on the ability to prohibit fraudulent, manipulative, and deceptive devices. It also has been suggested that broker-dealers should be subject to fiduciary duties but to a large extent, they already are. (Hazen, Thomas Lee 2010).

2.4. RELATIONSHIP MANAGEMENT

Relationship management is considered to be as one of the most important tools to retain investors. The present status of relationship management has been evolved in various stages. Berry (1983) recommended the following five strategies for practicing relationship marketing

1. Developing a core service around which to build a customer relationship,
2. Customizing the relationship to the individual customer,
3. Augmenting the core service with extra benefits,
4. Pricing services to encourage customer loyalty,
5. Marketing to employees so that they will perform well for customers.

The origins of CRM are found in relationship marketing theory which is aimed at improving long term profitability by shifting from transaction based marketing, with its emphasis on winning new customers, to customer retention through effective management of customer relationships (Christopher et al., 1991).

The stock brokerage industry emphasizes client value because clients generally have a long-term relationship with the brokerage. It is because clients place trade instructions to a brokerage repetitively whenever
they find suitable investment opportunities. Over time, a client would also
develop his / her own pattern to perform business actions with the brokerage
firm. Therefore, without significant reasons, clients will unlikely join another
brokerage firm if their patterns can be identified and effectively supported. In
particular, the brokerage industry has high potentials in collecting valuable
client information. Client information can be broadly divided into client
supplied information and client behavioral records. Under the imposed
operational rules by Hong Kong Security and Futures Commission (HKSFC),
clients are required to provide personal information like investment This
competition has reduced the cost of creating and operating computer
networks. Moreover, advances in modem speeds and the introduction of fiber
optics have reduced the expenses associated with distributing large amounts
of information electronically (Elwell, 1993).

Long-term relationships where both parties over time learn how to
best interact with each other lead to decreasing relationship costs for the
customer as well as for the supplier or service provider. Grönroos (1994)
define relationship marketing as follows: “Marketing is to establish, maintain,
and enhance relationships with customers and other partners, at a profit, so
that the objectives of the parties involved are met. This is achieved by mutual
exchange and fulfillment of promises”.

Buttle (2000) identifies five primary stages that underlie CRM
strategies: customer portfolio analysis, customer intimacy, network
development, value proposition development, and relationship management.
Each stage combines various software applications, processes, and business
rules. Portfolio analysis is used to identify customers to target with different
value propositions. This step leads to building customer intimacy with
individuals or customer segments and creating a database that is accessible to
all employees whose decisions or activities impact upon customer attitudes and behaviors. The third stage involves building a network of relationships with employees, suppliers, partners and investors who understand the requirements of the selected customers. The fourth stage focuses on developing propositions that will create value for the customer and business, and comply with established network guidelines. The final stage involves managing the customer relationship while focusing on both structure and business processes (Buttle 2000).

CRM study by Francis Buttle (2000), of the Manchester Business School, identifies four strategically significant customer types: high life-time value (LTV), benchmarks, inspirations, and cost magnets. The focus of retention efforts should be on the LTV customers. Life-time value refers to the current value of future profit margins that might be earned. Buttle points out that not all high-volume customers have high LTV. This may result from high maintenance costs or other economic factors. "We know of one company that applied activity-based costing disciplines in order to trace process costs to its customer base. They found that 2 of their 3 biggest customers were in fact unprofitable. As a consequence the company re-engineered its manufacturing and logistics processes, and salespeople negotiated price increases" (Buttle, 2000). The second group of customers is called 'benchmarks' because of their ability to influence other customers to behave and purchase as they do. The third group 'inspirations' refers to customers who inspire change in the supplier through new ideas for products, improvements or cost reductions. The final group 'cost magnets' are customers who absorb a disproportionate high volume of fixed costs which enable smaller, low profit customers to become profitable (Buttle, 2000).

When financial organizations strive to create new digital markets they are faced with a greater number of planning, operational, and strategic
issues that relate to positioning a business for entry into the digital economy. The following list includes focus areas of current CRM strategies for new businesses:

1. Leverage individual expertise and relationships
2. Find creative ways to attract initial buyers and sellers
3. Select a revenue model that is fair to both buyers and sellers
4. Invest capital up front to acquire market base
5. Be first to market (Costello, 2000).

Customer relationship management (CRM) is a large and growing field that encompasses an assorted range of activities and software applications. In a key paper produced by IBM, the authors define CRM as, "...a technology-enabled business strategy whereby companies leverage increased customer knowledge to build profitable relationships, based on optimizing value delivered to and realized from their customers" (Morin, 2001).

Customer Relationship Management as a process, consisting of monitoring the customer (such as collecting their appropriate data) management and evaluation of data and ultimately make the real advantage of the information which extracted from interactions with them (Hampe and Swatman, 2001).

Evolving information technology incorporated with novel business strategies creates an immense, if not limitless, the number of potential goals for CRM implementation. CRM is a creative process that is only limited by the ingenuity of the human mind applied to software and business-process engineering. However, our study did reveal many common avenues of current
CRM practice. The following six goals stand out as the most relevant to corporate strategy.

1. Identify key information, such as profitable customer segments, and transform this information into competitive knowledge;
2. Create rich, investing experiences for each customer;
3. Provide customers with the help, tools, and advice to make informed investing decisions; Lower the costs of managing customer relationships;
4. Use customer information in inventory analysis to identify additional products to offer customers;
5. Bring revolutionary efficiencies to selling processes and increase profit for each customer (Cave, 2001 & Waltner, 2001).

The ultimate goal is to transform these relationships into greater profitability by reducing customer acquisition costs, increasing repeat purchases, and charging higher prices (Winer 2001).

The most advanced user of CRM in UK, according to Ryals and Payne (2001) is financial sector and a lot can be learned from other sectors from CRM implementation experience in financial companies (Ryals and Payne, 2001). The authors try to use financial sector experience to theorize approaches of CRM implementation and present a framework to its adoption. Before doing so, an attempt is made to describe the essential technological notions of information enabled CRM systems including: data warehouse, data marts, data mining and tools, such as clustering techniques, conjoint analysis, regression analysis and neural networks. These techniques are best presented in relation to marketing objectives that they need to serve. Segmentation of customers based on their behavior or finding what patterns the relationships between customers follow, helps the companies to better profile the customer.
and model their needs. Mining tools provide the company with “intelligence” as opposed to a “memory”, which Ryals and Payne (2001) consider to be the data warehousing only.

Bose (2002) described the customer relationship management (CRM), essential and vital function of customer oriented marketing was to gather and accumulate related information about customers in order to provide effective services and used as an important strategy to retain the existing customers.

The well known marketing expert Philip Kotler (2002), knows the ECRM (Electronic Customer Relationship Management) as a part of an electronic business concept that explains the use of electronic tools and platforms for guidance of corporate affairs and enable institutions to give service to customers accurately and fast in a wide range of time and place (Kotler, 2002).

Starkey and Woodcock (2002) define customer relationship management as being a business philosophy: “CRM is an IT enhanced value process, which identifies, develops, integrates and focuses the various competencies of the firm to the “voice” of the customers in order to deliver long-term superior customer value, at a profit, to well identified existing and potential customer segments”.

Customer relationship management is the integrated business strategy and marketing that makes integrating technology and process and all the business activities around customers (Romano et al, 2003).

The concept of customer relationship management (CRM) was derived from the term 'contact management in the 1980s and it essentially
relates to collecting all the information when customers come in contact with companies (Knox et al., 2003).

A system helps the organizations establish a long-term relationship with its clients. The relationship which is based on “win-win” strategy and designed for wealth creation and is beneficial for the two sides. Every customer interaction is an opportunity. The “opportunity” means not just sell products to customers, but more importantly is the chance of organization to obtain useful information through contacting with customers, information that will increase organizational learning and assist the organization in finding new ideas and identifying customer preferences (Waheed and Molla, 2004).

Payne and Frow (2005) stated that the CRM was a strategic approach that was concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. The CRM united the potential of relationship marketing strategies and the IT to create profitable, long-term relationships with customers and other key stakeholders.

The main goals of implementing the Customer Relationship Management in financial institutions and banks are as follows:

1. Identifying the specific values in each section of the market and customers, providing the customers desired values by their requested manner for receiving information
2. Dividing the different parts of the market and improving the communication process with target customers
3. Increasing the revenue from service fees
4. Increasing the customer satisfaction and loyalty
5. Optimizing the channels of services to customers
6. Attracting the new customers with regard to the achieved expectation from the previous customers

7. Respect to the customer favorites and comments in order to optimize the strategy and operating processes (Zineldin, 2005)

A business that wants to succeed in today’s global competitive market, where customers are empowered and brand loyalty erosion is increasing, will have to move to customer relationship management (CRM). Customer relationship management enables organisations to provide excellent real-time customer service through the effective use of individual account information (Kotler and Keller, 2006: 152).

The aim of relationship marketing is the establishment and maintenance of long-term relationships with customers (Zeithaml et al., 2006: 182).

The CRM provided enhanced opportunities to use data and information to both understand the customers and create value. This required a cross-functional integration of processes, people, operations and marketing capabilities that was enabled through information, technology and applications’ (Ibrahim, et al., 2006).

The CRM involved an attainment analysis and the use of customer’s knowledge in order to sell goods and services. Reasons for the CRM coming into existence were the changes and developments in the marketing environment and technology. Massey et al., (2008) believed that the CRM was about attracting, developing, maintaining and retaining profitable customers over a period of time.
Berndt et al. (2009) defined CRM as “an enterprise-wide commitment to identify the individual customers of an organisation, and to create a relationship between the organisation and these customers as long as the relationship is mutually beneficial. CRM evolved from organisation processes such as relationship marketing (RM) and the increased emphasis on improved customer retention through the effective management of customer relationships.”
### SUMMARY OF REVIEWS

<table>
<thead>
<tr>
<th>Focus of the research</th>
<th>Author/Year</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Quality Dimensions</td>
<td>Parasuraman et al. 1985,1988</td>
<td>Found customers use the same criteria to assess service quality. Identified ten service quality dimensions, later empirically verified and developed into five.</td>
</tr>
<tr>
<td>Service quality and Satisfaction</td>
<td>Bitner, 1990</td>
<td>Satisfaction of the service contact can affect the perceived service quality.</td>
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<tr>
<td>Behavioural models and customer satisfaction</td>
<td>Hawkins et. al., 1992</td>
<td>Behavioural models and product preferences.</td>
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<tr>
<td>Service outcome</td>
<td>Teas, 1993</td>
<td>Suggested service quality dimensions and service outcome, consumer-employee interaction and service environment.</td>
</tr>
<tr>
<td>Process orientation quality</td>
<td>Johnson et. al., 1995</td>
<td>Identified technical quality, functional quality and reputational quality.</td>
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<tr>
<td>Quality dimensions</td>
<td>Zeithaml et. al., 2002</td>
<td>Seven service quality dimensions.</td>
</tr>
<tr>
<td>Service quality</td>
<td>Madu and Madu 2002</td>
<td>Fifteen dimensions of online service quality.</td>
</tr>
<tr>
<td>Importance of Service quality</td>
<td>Kaynak &amp; Kara, 2002</td>
<td>Competitiveness service quality is important.</td>
</tr>
<tr>
<td>Application of SERVQUAL</td>
<td>Yuksel et. al., 2003</td>
<td>Intangible service qualities were more important than the tangible.</td>
</tr>
<tr>
<td>Topic</td>
<td>Author(s)</td>
<td>Notes</td>
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<tr>
<td>Customers satisfaction</td>
<td>Levy and Weitz. 2005</td>
<td>Customers were satisfied when the perceived service met or exceeded their expectations.</td>
</tr>
<tr>
<td>Service quality</td>
<td>Nguyen 2006</td>
<td>Relationships between the service quality and the customer satisfaction.</td>
</tr>
<tr>
<td>Service quality</td>
<td>Yeh et. al., 2007</td>
<td>ERP to improve service quality.</td>
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<tr>
<td>Service quality</td>
<td>Trigo Gamarra 2007</td>
<td>Independent intermediaries showed higher service quality than exclusive agents.</td>
</tr>
<tr>
<td>Service quality</td>
<td>Hsieh et. al., 2008</td>
<td>Service quality was more difficult for the customer to assess than the product quality.</td>
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<tr>
<td>Service quality</td>
<td>Chuang, 2010</td>
<td>Service quality is the differences between perceptions and the expectations.</td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>Parasuraman et. al. 1996</td>
<td>Positive and negative effects on channels.</td>
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<tr>
<td>Service Quality Gap</td>
<td>Parasuraman et. al., 1985</td>
<td>“PZB Gap Model”.</td>
</tr>
<tr>
<td>Service Quality Gap</td>
<td>Lee and Marchant, 2010</td>
<td>Investors expect high quality service from the brokers.</td>
</tr>
<tr>
<td>Service Quality Gap</td>
<td>Mehrdad Alipour, Jalalsadeghisharif, 2010</td>
<td>There are gap between brokerage firms and investors in case of application of the marketing mix to attract investors to Iranian capital market.</td>
</tr>
<tr>
<td>Service Quality Gap</td>
<td>Shamim Ahamed 2011</td>
<td>In Bangladesh the average service gap is determined to be 0.791 among share brokers and investors.</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>Oliver 1993</td>
<td>Customers required experience with the product or service to determine how satisfied.</td>
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<tr>
<td>Customer Satisfaction</td>
<td>Anderson et. al., 1994</td>
<td>Correlation between satisfaction and other factors.</td>
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<tr>
<td>Customer Satisfaction</td>
<td>Spreng and Mackoy 1996</td>
<td>Perceived service quality and consumer satisfaction.</td>
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<tr>
<td>Customer Satisfaction</td>
<td>Bansal and Taylor 1999</td>
<td>When some degrees of satisfaction exist after purchase and evaluation, the intention to repurchase will be positive.</td>
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<td></td>
<td>Bateson and Hoffman 1999</td>
<td>If there was dissatisfaction the intention to repurchase would be negative.</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>Yang, 2001</td>
<td>Customer satisfaction has a stronger effect on behavioural intentions than service quality.</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>Tam and Wong, 2001</td>
<td>Examined the trust developed through various basis and satisfaction.</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>Cox, 2002</td>
<td>Service quality was one of the factors that influenced customer satisfaction.</td>
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<tr>
<td>Customer satisfaction model</td>
<td>Mishra et. al., 2004</td>
<td>Tri component model of customer satisfaction.</td>
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<tr>
<td>Customer satisfaction model</td>
<td>Luarn and Lin, 2004</td>
<td>Not only customer satisfaction and perceived value directly affected customer loyalty, but also indirectly affected customer loyalty through commitment.</td>
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<tr>
<td>Customer satisfaction</td>
<td>Fullerton, 2005</td>
<td>Tested the relationships between service quality, commitment, and switching and advocacy intentions.</td>
</tr>
<tr>
<td>Investor satisfaction</td>
<td>Helm, Sabrina, 2007</td>
<td>Corporate reputation was a determinant of initial investment decisions.</td>
</tr>
<tr>
<td>Investment satisfaction</td>
<td>Gyu-yeol et. al., 2009</td>
<td>The behavioral factors were profitability investment stability, investment regulations, investment location and investment well-being. Location proved to be the most important factor in investment satisfaction, followed by liquidity and profitability.</td>
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<tr>
<td>Strategy</td>
<td>Levitt, 1960</td>
<td>The firms should not focus on selling products rather on fulfilling the needs.</td>
</tr>
<tr>
<td>momentum Stock strategy</td>
<td>DeBondt, 1998</td>
<td>Small traders could potentially benefit significantly if they adopting the momentum strategy.</td>
</tr>
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<td></td>
<td>Alexander, 2005</td>
<td></td>
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<tr>
<td>Investment strategy</td>
<td>Busse and Green, 2001</td>
<td>Analyzed that morning call and mid day call segment on CNBC TV provide a unique opportunity to shed light on the efficient market hypothesis.</td>
</tr>
<tr>
<td>Investors Preference</td>
<td>Ajay Kumar, 2004</td>
<td>Investor’s preference of share brokers while investing in the stock market.</td>
</tr>
<tr>
<td>Online trading</td>
<td>Nidhi Walia, 2004</td>
<td>Analyze the current status of online trading in Indian scenario.</td>
</tr>
<tr>
<td>Online trading</td>
<td>Ravinder Kumar</td>
<td></td>
</tr>
<tr>
<td>Trading strategies</td>
<td>Bushee and Raedy, 2005</td>
<td>Portfolios that engage in short positions perform worse than long portfolios.</td>
</tr>
<tr>
<td>Investment strategies</td>
<td>Pradhan and Upadhyay 2009</td>
<td>Current market price of shares is useful to make a decision as to buy or sell to predict future average returns and to predict future prices.</td>
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<tr>
<td>Relationship marketing</td>
<td>Berry, 1983</td>
<td>Five strategies for practicing relationship marketing.</td>
</tr>
<tr>
<td>Relationship with the brokerage</td>
<td>Elwell, 1993</td>
<td>Clients generally have a long-term relationship with the brokerage firms.</td>
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<tr>
<td>CRM strategies</td>
<td>Buttle, 2000</td>
<td>Five primary stages that underlie CRM strategies.</td>
</tr>
<tr>
<td>LTV</td>
<td>Francis Buttle, 2000</td>
<td>Identifies four significant customer types: high life-time value (LTV), benchmarks, inspirations, and cost magnets</td>
</tr>
<tr>
<td>CRM strategies</td>
<td>Cave, 2001 &amp; Waltner, 2001</td>
<td>Common avenues of current CRM practice</td>
</tr>
<tr>
<td>CRM strategies</td>
<td>Winer, 2001</td>
<td>Relationships into greater profitability.</td>
</tr>
<tr>
<td>CRM Implementation</td>
<td>Ryals and Payne, 2001</td>
<td>CRM implementation and framework to its adoption.</td>
</tr>
<tr>
<td>CRM for customer retention</td>
<td>Bose, 2002</td>
<td>CRM is vital to retain the existing customers and to provide effective service</td>
</tr>
<tr>
<td>ECRM</td>
<td>Kotler, 2002</td>
<td>ECRM give service to customers accurately and fast in a wide range of time and place.</td>
</tr>
<tr>
<td>“Win-Win” strategy</td>
<td>Waheed and Molla, 2004</td>
<td>A system helps the organizations to establish a long-term relationship with its clients.</td>
</tr>
<tr>
<td>Goals of implementing CPM</td>
<td>Zineldin, 2005</td>
<td>Goals of implementing the Customer Relationship Management in financial institutions and banks.</td>
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<tr>
<td>CRM</td>
<td>Kotler and Keller, 2006</td>
<td>Customer relationship management enables organizations to provide excellent real-time customer service</td>
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<tr>
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<td>Zeithaml et al., 2006</td>
<td>Establishment and maintenance of long-term relationships with customers.</td>
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<td>Ibrahim, et. al., 2006</td>
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</tr>
<tr>
<td>CRM</td>
<td>Berndt et al., 2009</td>
<td>It is an enterprise-wide commitment to identify the individual customers of an organisation and to create a relationship between the organisation and these customers as long as the relationship is mutually beneficial.</td>
</tr>
</tbody>
</table>

**Figure: 2.5. Summary of reviews**