CHAPTER-I
INTRODUCTION
Customer is a God in our premises.
By entering into our premises, He is giving us an opportunity to serve Him.
But we are not doing any favour by serving Him”

Mahatma Gandhi
INTRODUCTION

Businesses survive because they have customers that are willing to buy their product or service. However, some times businesses fail to “check in” with their customers to determine whether they are satisfied or not and incase they are not satisfied; it is all the more necessary to ascertain what will make or keep them happy. Fierce competitions among firms require more and more innovations to differentiate firms from one another. With technology available to virtually every one today, the traditional feature and cost advantages are no longer relevant. Still product and service quality provide an enormous opportunity to distinguish a firm from the rest. The Japanese have recognized this and have taught us to expect quality every time, everywhere. Today’s consumers do, and they know more about products and services than they ever did.

A report by the futurist and corporate advisor Faith Popcom indicates that a new type of customers is emerging since ‘90’s. They are known as ‘vigilant consumers’ i.e. a new generation of super consumers who are smart, discriminating and vocal. They demand value for their money and expect the companies that they buy from; to be responsible and accountable. When companies don’t respond, these ‘vigilant consumers’ make sure that they tell every one who listen why they shouldn’t do business with those companies. Satisfying these smarter consumers just makes good business sense.

Therefore, it absolutely necessary to ascertain measure and improve customers’ satisfaction level. There are different options for obtaining customer feedback;
what is needed to ensure an effective survey, how to analyse the results of the
survey, and the next step is to attract new customers and keep your existing ones
coming back for more.

**Customer satisfaction defined**

Customer satisfaction is "the state of mind that customers have about a company
and its products or services when their expectations have been met or exceeded.
This state reflects the lifetime of the product or service experience", says Perera
(2001), "Customer satisfaction as the ability that an organisation possesses, to
meet the needs of their customers (On a regular basis). Through customer
satisfaction, an organisation hopes to achieve a range of objectives namely, higher
sales revenue, growth in the customer base, retention of existing customers etc.
Therefore, customer satisfaction is important today, as it was in the past.
Marketers consider customer satisfaction and delight as very important. However,
the acid test is performance and results. Practising customer satisfaction is the
name of the game.

Customer satisfaction means ‘service delivery is as per desired level’. However,
in today’s competitive environment, all organizations have the ability to satisfy
their customers equally well. As such, organisations have to strive to exceed
customer expectations i.e. to achieve ‘customer delight’. Let us take for example
a five star hotel. All five star hotels possess features and facilities that are capable
of customer satisfaction. However, certain five star hotel chains have a
competitive edge over their rivals. This is because they are able to differentiate themselves in a meaningful manner with their customers, leading to customer delight. The distinctive parameters, for example, could be superior reservation system, excellent room service and excellent ambience. The essence of customer delight is exceeding customer requirements on a continuous basis.

It is fair to assume that customer delight will lead to greater customer loyalty and retention. As such, customer delight is a higher playing field than customer satisfaction. In the process of delighting customers, it is important to recognize that higher costs may have to be incurred. Therefore, a careful balance should be achieved between customer delight and the costs that have to be incurred in this process. It is very pertinent to remember that ‘it is not customer delight at any cost’.

**Improving customer satisfaction levels**

Most methods of boosting customer satisfaction are based on ‘common sense’. However, it is amazing to note the many organizations fail to do simple things, in a simple manner, resulting in customer dissatisfaction. Another aspect that can boost customer satisfaction is to deliver products and services, on time. Nothing frustrates a customer more than having to wait indefinitely to receive a product or a service that has been paid for.

Listening to customers is very important. This helps to satisfy customers, since an organisation is expected to know precisely what customers require. It provides
customers avenues to complain, to make suggestions and feedback on the products and services offered. Feedback is vital in the customer satisfaction process. When making promises to customers, the golden rule is to underpromise and overdeliver. This will lead to customer satisfaction. The reverse is quite a disaster i.e. overpromise and underdeliver!

Customer satisfaction is not only applicable to external customers. It is equally applicable to internal customers (i.e. employees). They too require job satisfaction, when working with a particular organisation. The organization's responsibility is to provide employees avenues to enhance job satisfaction. It is only satisfied employees, which will contribute towards organizational growth and prosperity.

**Measuring customer satisfaction**

Measuring customer satisfaction is very important, and distinguishing between degrees of satisfaction is crucial. Competitors those are prospering in the new global economy recognize that measuring customer satisfaction is the key. Only by doing so they can hold on to the customers they have and understand how to better attract new customers. The competitors who will be successful in recognizing that customer satisfaction data obtained by a customer survey is a critical strategic weapon; can bring increased market share and increased profits.

There are many techniques available to marketers. Customer satisfaction surveys could be conducted both on a formal and informal basis. The variables tested
should be important to customers and must be consistent, so that trend-patterns could be identified over time. Focus group research is a popular technique to measure customer satisfaction. Another method is to analyse the number and nature of complaints received. If the absolute number decreases when compared with the nature of complaints; this could mean to reflect higher levels of customer satisfaction. Comparative studies can be carried out, to assess the levels of customer satisfaction, against main competitors. It is important to include both competitor and own organizational customers, in such a study. "Whilst there are many methods that can be adopted, consistency in measurement and methods is vital. You cannot simply improve customer satisfaction levels, if what to improve is not known. (The Associated Newspapers of Ceylon Ltd-2001)."

As per the report of the U.S. Consumer Affairs department, it costs five times more to gain a new customer than to retain an existing one. Other studies have reported that with just a five percent increase in customer retention, a firm can raise its profitability by twenty five percent and in some cases as much as eighty five percent. Similar studies also show that the longer a company keeps a customer, the more money it will make.

The Profit Impact of Marketing Strategy (PIMS) database shows that firms perceived as having better customer service can charge more for their products and services and still have higher market shares and returns on sales than their competitors.

As per the reports of TARP, a management consulting research company, only
two to four percent of displeased customers ever complain to a business regarding poor experience. The others just leave and do business with competitors.

Customers are the best source of business information, whether it's to improve an existing product or service or to launch something new. When they are involved in the business and routinely asked for feedback, they in turn become committed to success of your business

In a study conducted by General Electric, GE found that word-of-mouth has a significant influence on consumer decisions—twice as much as advertising. (Louisville, 1982). Negative word-of-mouth can be really dangerous since dissatisfied customers are usually more vocal than satisfied customers. Depending on the industry and the nature of bad experience, dissatisfied customers will complain to ten to twenty friends and acquaintances—three times more than those with good experiences. Furthermore, this negative information is more influential and consumers generally place significant weight on it when making a decision.

The "Best" approach for building customer satisfaction surveys

The best approach to measuring customer satisfaction and building customer satisfaction surveys depends on the kind of product or service provided, the kind of customers served, volume of customers are served, the longevity and frequency of customer & supplier relationship and what we intend to do with the results. There are three very different approaches, which produce both meaningful and useful findings:
(i) Post purchase evaluation - Satisfaction feedback is obtained from the individual customer at the time of product or service delivery (or shortly afterwards). This type of satisfaction survey is typically used as part of a CRM (Customer Relationship Management system) and focuses on having a long-term relationship with the individual customer.

(ii) Periodic satisfaction surveys - Satisfaction feedback is obtained from groups of customers at periodic intervals which provides an occasional snapshot of customer experiences and expectations.

(iii) Continuous satisfaction tracking - Satisfaction tracking surveys are often used as a part of a management initiative to assure quality at high levels over a period of time. Satisfaction surveys are developed to provide an understanding of customers' expectations and satisfaction. The surveys typically require multiple questions that address different dimensions of the satisfaction concept. Satisfaction measurement includes measures of overall satisfaction, satisfaction with individual product and service attributes, and satisfaction with the benefits of purchase. Satisfaction measurement is like peeling away layers of an onion; each layer reveals yet another deeper layer, closer to the core.

All three methods of conducting satisfaction surveys are useful methods to obtain customer feedback for assessing overall accomplishments, degree of success, and areas for improvement. Customer satisfaction usually leads to customer loyalty and product repurchase. But measuring satisfaction is not measuring loyalty.
THE PROBLEM

Following liberalization of Indian economy and introduction of financial sector reforms, the competitive climate in the Indian financial markets is fast changing for the last few years. At the same time far reaching changes have taken place in government regulation. Banking is the key factor for all economic activities. Banking activities are in fact considered so vital for economic development of any country that any changes in its processes are deemed to have close repercussions on the country’s growth. Banking system in India is currently changing its fibre and is undergoing sweeping and phenomenal changes. New private sector banks and foreign banks have entered the market. Many existing Indian banks who have thrived in the scarcity market are finding it difficult to sustain growth especially in the regime of new prudential norms.

The three gates of changes viz., liberalization, technological innovation and globalization, have shifted the focus from the security-orientation to market-orientation; thereby making customer the key factor of the entire business activity. As a result of this liberalized environment, marketing is emerging as an important element in the activities of banks.

Banking is a personalized service oriented industry and hence should provide service and satisfy customers’ need. This involves anticipating, identifying, reciprocating and satisfying the customers’ needs and wants effectively, efficiently and profitably. The awareness and expectations of the customers in
the financial markets are also changing. Customers today are conscious of cost, safety, speed and above all quality of service. Providing quality customer service is an important duty of the bank. In this age of competition and consumer protection, it is an inevitable business imperative also. Needles to mention that only those banks which have the ability to face new challenges, absorb technology, withstand pressure on spreads, looking for innovative products can alone survive in the present scenario. Customer care is an integral part of banks’ marketing strategy. If this issue is rightly addressed, it will have a direct bearing on the business volumes and banks are sure to reap the benefits with higher profits.

Banks have adopted many technologies to develop products and services to suit customer preferences of varied segments. Successful marketing of Banking products & services is a prerequisite for organizational success. Banks are also trying their best to put in place various systems and procedures to improve responsiveness, efficiency and speedy redressal of customers’ grievances. Every employee of a bank is required to develop a sense of belonging, a sense of worthiness, a sense of competence and a sense of responsibility. They should have a frame of mind full of positive attitude; have thorough information of all the products and service; also develop the skill of empathy, i.e. looking from customers’ angle; never complain against a complaining customer. Branch manager’s role in branch performances is best conceived as part of a web of
environmental, personal and in-branch relationship that combine to influence organizational outcomes. It takes longer time and effort to get a new customer but it takes only few seconds to loose one. Also, the cost of servicing an existing customer is less than acquiring a new one.

A pertinent question arises: what are the determinants that make customer service effective, i.e. factors those contribute most towards the physical, financial, intellectual, psychological and emotional satisfaction of customers of banks.

Is it the variety of deposit and credit schemes, high tech products such as ATM, ABB, internet banking etc, infrastructure facilities of a branch, prompt service rendered by the branch staff, interest and other service charges or a combination of one or two more of these inputs make a branch more effective and attractive to a customer? Some experts are of the view that branch manager is the hub of the branch and it is he/she who makes or mars a branch. They are of the view that branch manager is the key person in the banking matrix who due to his/her abilities and competencies influences other staff members on one hand and customers on the other. Many officers claim that it is they who mainly help in the all-round development of the branch more particularly rendering best customer service. The clerical staffs on the other hand claim that it is because of their efficiency and involvement, customer service is excellent in branches, which lead to overall improvement of branches. The quality, competence and
character of branch staff may be the most significant factor influencing the quality of customer service and its contribution to business development of branch. International experiences and Indian research indicate that excellent customer service is largely due to branch based management and proactive support system from top management of banks.

Under this scenario, it is of paramount significance to study the customer satisfaction level of various banking products and services in banks in India.

With the aforesaid scenario, the present research is conducted to study the above aspect in major banks in Uttaranchal state.

**JUSTIFICATION**

Despite the need and potential to improve customer service with a view to attract and retain customers amidst stiff competition among the peer banks and more severely from the foreign and new private sector banks; little empirical research has been done regarding the views and expectations of customers and bankers on various products and services available in banks. In addition to the above, almost insignificant research has been done in this regard in Uttaranchal state.

Research focused on determining the variables influencing customer satisfaction level vis-à-vis staff motivation and staff involvement may ultimately contribute to banks’ ability to attract and retain customers for not only improving bottomline of banks, but also strengthening the banking system, which is an important tool for the growth of socio economic conditions of the public at large.
RESEARCH OBJECTIVES

The relevance of this research is both from banking (bank as well as customer) and academic point of view. The overall purpose of this research is to determine the effects of customers’ likes, dislikes, preferences, needs, grievances, views and expectations of various products and services of banks. The study particularly focuses on customers and bank staff of major commercial banks in Uttarakhand state. To accomplish the research purpose, the following objectives have been formulated. The objectives are to determine, for a sample of customers and bank staff:

1. Likes, dislikes, preferences, expectations, needs, views and grievances of the customers regarding various types of banking products & services
2. Involvement of staff members to meet the ever increasing needs and expectations of customers
3. Concern and proactiveness of top management of banks in meeting the expectations of customers
4. Concern and proactiveness of top management of banks in streamlining the work force to render effective customer service
5. Various determinants that facilitates customers’ satisfaction
6. Various determinants that help staff members achieve higher level of customers’ expectation
7. Various determinants those help top management of banks as well as other
policy makers such as Reserve Bank of India and Finance ministry to enhance customer satisfaction to optimum level

Relationship of opinion among three categories of bank staff (branch managers, officers and clerks) on different banking and non banking parameters

Relationship of opinion among customers depending on their period of banking experience, on different banking and non banking parameters

Relationship of opinion between bank staff and customers on various banking and nonbanking parameters

Opinion of customers regarding qualitative aspects of different categories of staff members of banks, in meeting the desired level of customer satisfaction

To suggest remedies for improving customers satisfaction at branch and bank level

In short, the present research aims to establish how banks can effectively and successfully market their products & services with the view to retain & enhance their customer-base amidst stiff competition among themselves and also from other foreign and private sector banks.

VARIABLES OF THE STUDY

Variables are the conditions or characteristics that the researcher manipulates, controls or observes. These variables should be operationally defined so that hypotheses can be tested. The researcher specifies what operations are conducted or test used to measure each variable.
There are three types of variables viz. independent variables, dependent variables and intervening or the extraneous variables. Independent variables are the conditions or characteristics that the researcher manipulates or controls in his attempt to ascertain their relationship to observe phenomena. The dependent variables are the conditions or characteristics that appear, disappear or change as the researcher introduces, removes or changes independent variables. The intervening or the extraneous variables are those variables, which put barriers in the way of independent variables and because of which it becomes difficult to study the effects on dependent variables accurately. If intervening variables are not controlled properly, the results of the research become inaccurate.

Independent variables of the study – These are the attempts on the part of branch managers, officers, clerks and top management for achieving total excellence in customer service.

Dependent variables of the Study – Dependent variables are the outcomes of the contribution of various groups viz. the branch managers, officers, clerks and top management in achieving the desired level of customer satisfaction. It has been seen how much each group contributes against its expected contribution towards achieving desired level of customer satisfaction.

Intervening variables of the study - The various impinging factors may be the outside disturbance that can disrupt the growth under which the various groups
are contributing their respective share. Such elements like the political system, environmental factors, government policy, industrial relations climate etc are controlled administratively. Another extraneous and intervening factor is the trade unions. These variables can accelerate customer service in a branch or otherwise.

LIMITATIONS OF THE STUDY

No empirical study of the present type can be conducted if its scope in terms of its variables and sample of subject is unlimited. The time factor, practicability and resources make it more necessary that the study be delimited in its scope. Due to the administrative and time constraints, the present study is limited to selected branches of selected banks of selected districts in Uttaranchal state with details as follows:

There are 13 districts, 39 banks and 1135 branches in the state of Uttaranchal but the present study is confined to 72 branches of 10 banks in 7 districts of the state. These seventy-two bank branches have branch managers (one at a branch), officers and clerks. The present study is confined only to those staff members who are interested to cooperate with the researcher in giving the response, both through questionnaire and interview schedule. Total 350 staff members (72 branch managers, 131 officers and 147 clerks) are selected as stated above.

The researcher has selected all the 343 customers attached to these 72 branches. Here also, the study is confined to those customers who are willing to cooperate
in giving response to both the questionnaire and interview schedule. To sum up, this study is confined to four to six customers and almost equal number of staff members per branch.