CHAPTER-I

INTRODUCTION AND DESIGN OF THE STUDY
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1.1 INTRODUCTION

Banking sector plays a very important role in the development of the Indian economy. In India, banks have been regulated by Reserve Bank of India. Banks can be classified into commercial banks and cooperative banks. Commercial banks can be further divided into public sector and private sector banks and regional rural banks. There are 27 public sector banks, 30 private sector banks, 40 foreign banks and 1906 regional rural banks in India. The banking sector witnesses increasing competition on account of various regulatory changes like entry of private sector banks, foreign banks and subsequent to the recommendation of Narasimhan Committee (Thampy and Madanmohan, 1999\(^1\)).

1.2 CHANGING PERCEPTION OF CUSTOMERS

The customer perception is changing day by day. The purpose of a business is to attract and retain a customer (Drucker P.F. 1963\(^2\)). There is a phenomenal change and paradigm shift towards customer focus during the past five decades. It is presented with the help of the following flow chart:

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FIGURE 1.1
Flow Chart of Phenomenal Changes in Customers Focus

Serving the Customer (1950’s to 1960’s)

Satisfying the Customer (1960’s to 1980’s)

Pleasing the Customer (1980’s to 1990’s)

Delighting the Customer (1990’s to 2000 AD)

Retaining the Customer (2000 AD and beyond)


1.3 PARADIGM SHIFT IN INDIAN BANKING SECTOR

The following Table 1.1 exhibits paradigm shift-scenario of Indian Banking Sector:
**TABLE 1.1**
Paradigm Shift-Scenario in India

<table>
<thead>
<tr>
<th>Before 1991</th>
<th>After 1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seller’s market</td>
<td>Buyer’s market</td>
</tr>
<tr>
<td>Protected market</td>
<td>Open market</td>
</tr>
<tr>
<td>Projected markets</td>
<td>Increase in number of global brands</td>
</tr>
<tr>
<td>Friendly competition</td>
<td>Cut-throat competition</td>
</tr>
<tr>
<td>Patient customers</td>
<td>Demanding customers</td>
</tr>
<tr>
<td>Limited choice for customers</td>
<td>Increasing choice for customers</td>
</tr>
<tr>
<td>Limited television promotion</td>
<td>Extensive television promotion</td>
</tr>
<tr>
<td>Cost plus pricing</td>
<td>Competitive price-cutting</td>
</tr>
<tr>
<td>Limited role of service</td>
<td>Increased role of services</td>
</tr>
<tr>
<td>Slower marketing reflexes</td>
<td>Quicker marketing reflexes</td>
</tr>
<tr>
<td>Speed at will</td>
<td>Turbo speed</td>
</tr>
<tr>
<td>Fundamental stand alone system</td>
<td>Enterprise system (ERP/CRM)</td>
</tr>
<tr>
<td>IT Competitive advantage</td>
<td>IT enables</td>
</tr>
<tr>
<td>Gaining new customers</td>
<td>Retaining existing customers</td>
</tr>
<tr>
<td>Monologue</td>
<td>Dialogue</td>
</tr>
<tr>
<td>Transaction</td>
<td>Relationship</td>
</tr>
<tr>
<td>Standard of living</td>
<td>Quality of life</td>
</tr>
</tbody>
</table>

Thanks to maturing markets and global competition, bankers have been forced to explore the trade-off between gaining new customers and retaining old ones. The focus of marketing has been shifted to managing the relationship with customers (Panigrah, 2000). The banking industry around the globe is experiencing a period of rapid change. This instability has led many banks in adopting various relationship marketing strategies in order to gain a strategic competitive advantage in the marketplace. (Proenca and Decastro, 2005; Trethowan and Scullion, 1997; Crane and Eccles, 1993).

The winner in the Indian banking sector will be the player who can understand the customer, fulfill customer’s needs, and achieve high levels of customer retention, leveraging technology, knowledge and human resources to provide quality products and services, and manage risks and returns, thereby delivering value to all stakeholders (Kamath et al., 2003).


Therefore adopting customer centric strategies aimed at maintaining and enhancing relationship with existing customers are crucial for the survival of Indian banks. (Roy and Shekhar, 2010).

Several Indian banks have invested heavily in customer relationship management (CRM) technologies to develop and nurture a long-term and mutually benefiting relationship with customers (Uppal, 2008).

Service firms have been the pioneers in adopting CRM practices (Shainesh et al., 2001). CRM is a vital factor to improve the performance of the banks (Sugandhi, 2003) and the intense competitive nature of today’s business environment has resulted in a greater need for banks to build closer relationships with customers (Nelson Oly Ndubisi, 2007).

The strategy of relationship marketing is particularly important to the service industries because of the intangible nature of the service and their high level of customer interaction (Min-Hsin Huang, 2006). Customer retention is potentially an effective tool

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that banks can use to gain competitive banking industry (Thomas, 2001\textsuperscript{14}; Clayton Smith, 1996\textsuperscript{15}; Dawkins and Reichheld, 1996\textsuperscript{16}).

Therefore most of the banks realized that creating and maintaining customer relationships are important to them and the banks are aware of the positive value that relationship provides. (Colgate, et al., 1996\textsuperscript{17}).

1.4 CUSTOMER RELATIONSHIP MANAGEMENT - AN OVERVIEW

In the face of increased competition and mature markets, relationship marketing has gained increased importance as the strategy for retaining customers (Berry, 1995\textsuperscript{18}; Gummesson, 2002\textsuperscript{19}). The concept of relationship marketing has emerged within the field of service marketing and industrial marketing (Arturo Molina et al., 2007\textsuperscript{20}).

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But relationship marketing is not something new. It was practiced during the pre-industrial era when farmers and artisans sold their products directly to end user (Sheth J.N. and Parvatiyar, A. 2000\textsuperscript{21}).

Later after the industrial era, due to mass production, producers had to look for mass markets and so they started to concentrate on production and had to depend on middlemen. Because of the reliance on middlemen for ages, many large firms lost sight of the individual customers. Now they are discovering the advantage of relationship marketing for the first time and hence relationship marketing is only a new-old concept. (Berry, 1995\textsuperscript{22}).

In the marketing literature, the terms customer relationship management and relationship marketing are used interchangeably (Jagdish N. Sheth et al., 2001\textsuperscript{23}). As Nevin (1995)\textsuperscript{24} points out, these terms have been used to reflect a variety of themes and perspectives. A narrow perspective of customer relationship management is database marketing emphasizing the promotional aspects of marketing linked to database efforts (Bickert and Jock. 1992)\textsuperscript{25}.

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CRM is the only customer retention technique in which a variety of after marketing tactics is used for customer bonding or staying in touch after the sale is made (Varva, 1992). At a tactical level, CRM may mean database marketing or electronic marketing (Blattberg and Deighton, 1991). At a strategic level, CRM may mean customer retention or customer partnering (Peppers and Rogers, 1993). At a theoretical level, CRM may mean an emerging research paradigm in marketing. There has been an increase in the attention paid to CRM by practitioners and academics, but till date no systematic attempt has been made to develop a valid measure of it, or to assess its influence on business performance.

CRM, as an emerging paradigm in marketing, will remain underdeveloped until its key dimensions have been identified and operationalized. In fact, Gummesson (2002) comments that CRM, as an emerging discipline, is in need of further theoretical development. The identification of the key dimensions of CRM is therefore very important. It is no longer sufficient to advise practitioners or researchers that the key to successful marketing is through CRM without providing information on what dimensions actually constitute relationships upon which CRM can be considered to exist.


Conventional marketing philosophy which revolved around transactions involving the basic marketing mix elements (Kotler, 1997)\(^30\) gradually paved way for relationship-based marketing which identified firms integrating in both forward and backward directions and creating networks (Webster 2000\(^31\), Hunt, 2000\(^32\)). Customer Relationship Management (CRM) is an offshoot to relationship marketing. CRM concept thematically goes beyond the process of just identification of valued customer, providing them with quality service and analyzing their preferences. Gray and Byun (2001)\(^33\) view CRM as a continuous flow of corporate changes in culture and processes that combine three focal areas: i) Customer, ii) Relationship and, iii) Management. Richard Barrington (2008)\(^34\) views that CRM systems evolved as a system to track customer interactions with an objective to offer personalized products and services to the customer.

Customer Relationship Management stimulates acquisition and growth of customers with predominant emphasis on effective customer retention (Light, 2003)\(^35\). Over the years, academic researchers tried to conceptualize and define CRM as a process focusing on successful retention of profitable customers by establishing and sustaining relationship. However a common and universal definition and domain

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identification are yet to be achieved (Boulding et al., 2005). One of the reasons that definition did not converge is the multi-dimensional aspect of CRM applicability and interactions between its critical components. CRM has been identified as integration of activities aimed towards the creation and maintenance of sustainable and profitable relationship with customers (Reinartz and Kumar, 2003). CRM has been considered as a critical precursor to build up customer loyalty perceived to be a positive behavioural consequence of a service which is influenced by relationship (Macintosh and Lockshin, 1997).

Customer Relationship Management (CRM) is generally viewed as a way to integrate sales, marketing and service strategies in order to increase customer benefits and optimize business customer relationship in the long term (Pulevska, 2008). The practice of CRM is often perceived as a win-win proposition, where a firm can “support worthwhile causes whilst at the same time building the business” (Atkins, 1999). CRM has become the new paradigm of modern marketing, and the main priority and essential tool for many business firms desiring to create long-term and profitable relationships.


with their clients (Kim, et al., 2010). Several reasons were there behind the adoption of the CRM approach, including the de-regulation policy (Yavas & Yasin, 2001), the removal of restriction between banks, building societies and insurance companies (Speed and Smith, 1992), and the vast expansion in the adoption and the use of information technologies (Bergeron et al., 2008). Furthermore, the changes in the traditional business models to keep abreast of technological development, and the move from mass marketing towards the era of customized marketing have also fostered the adoption of CRM approach (Karkostas et al., 2004). Consequently, mainly leading firms have taken advantage of utilizing CRM to expand their markets and create loyal customers (Verma and Chaudhur, 2009).


1.5 BENEFITS OF CUSTOMER RELATIONSHIP MANAGEMENT

In the era of mature markets and intense competitive pressure, many organizations realized that their most precious asset is the existing customer base. (Athanassopoulos, 200047; Jones et al., 200048; Thomas, 200149; Colgate et al., 199650; Paulin et al., 198851; Mols, 199852). The economic value of customer retention is recognized because of the following statements:

1. Successful customer retention lowers the need for seeking new and potentially risky customers and allows organizations to focus more accurately on the needs of their existing customers by building relationships (Dawes and Swailes, 199553; Engel, et al.; 199554).


2. Long term customers buy more (Paulin, et al., 1998\textsuperscript{55}; Ganesh, et al., 2000\textsuperscript{56}) and if satisfied may provide new referrals through positive word-of-mouth for the company (Ganesh, et al., 2000\textsuperscript{57}; Colgate, et al., 1996\textsuperscript{58}).

3. Long term customers become less costly to serve due to the bank’s greater knowledge of the existing customer and to decrease servicing costs (Ganesh, et al., 2000\textsuperscript{59}; Paulin et al., 1998\textsuperscript{60}).

4. They tend to be less sensitive to competitive marketing activities (Colgate, et al., 1996\textsuperscript{61}).

5. Losing customers not only leads to opportunity costs because of reduced sales, but also to an increased need for attracting new customers (Athanassopoulos, 2000\textsuperscript{62}) which is five to six times more expensive than


\textsuperscript{57} \textit{Ibid.}, p.22.


customer retention (Bhattacharya, 1998\textsuperscript{63}, Colgate and Danaher, 2000\textsuperscript{64}; Rasmusson, 1999\textsuperscript{65}).

By maintaining relationship with customers, the bank can understand and serve customers, which leads to cost reduction as the cost of serving one loyal customer is lesser than the cost of attracting and serving one new customer (Ndubisi, 2003\textsuperscript{66}; Rosenberg and Czepiel, 1983\textsuperscript{67}). Furthermore, loyal customers can also attract new customers by carrying positive word-of-mouth communication (Nelson, Oly Ndubisi et al., 2007\textsuperscript{68}).

Some of the benefits of strong relationship with key customers include increased profit through reduced risk, improved communication links and an increase in customer

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satisfaction leading to more loyal customers (Petersen and Rajan, 1994\textsuperscript{69}; Binks and Ennew, 1997\textsuperscript{70}; Ennew and Binks, 1999\textsuperscript{71}; Tyler and Stanley, 1999\textsuperscript{72}).

1.6 NEED FOR THE STUDY

The Indian banking sector which was operating in a protected environment prior to 1991, had undergone a large scale transformation with the opening up of the Indian economy. The banking sector is facing unprecedented challenges on account of liberalization, privatization and globalization. At present, there is a kind of intense competition among private sector banks, public sector banks, foreign banks and non-banking financial institutions regarding the introduction of multiple financial products and services. Customers are now demanding more on the price (interest rate), financial security, prompt service, convenience, attractive yields, low cost loan, professional services, easy access, simple procedures, friendly approach and a variety of services. Brand loyalty of banks among customers has also started to show a decline trend. The customers are switching over to competitor banks frequently to avail better services. All the above stated factors actually necessitate the banking sector to find new avenues and ways of improving profitability. So the banking sector can increase profitability by maintaining relationship with customers in the long run. Therefore banks are implementing CRM to enhance customer satisfaction and loyalty.


The level of expectation from the banks among the customers is ever changing. It also differs from one customer segment to another. The continuous evaluation of these aspects is essential to update the implementation of CRM practices and strategies in order to enhance the customer satisfaction and customer loyalty. Hence an attempt has been made in the present study with a view to focus on these aspects.

1.7 STATEMENT OF THE PROBLEM

With the onset of deregulation, globalization and implementation of advanced technology have increased the competitive pressure in the banking sector. Since the time financial sector reforms had started, banks have been given a greater degree of autonomy in determining the interest rate for deposits and advances, as well as offering a wide range of services. Customers are now demanding more from the bank and they are becoming tougher to convince. They are smarter, more price conscious, more demanding, less forgiving and they are approached by many competitors with equal or better offers. In a service industry like banking sector, the customer is and would continue to be one of the factors for competition. The banks have started to realize that “Customer is the King” and “Customer is the brand Ambassador” and retaining a customer is less expensive than creating a new customer for the services. A highly satisfied loyal customer stays longer with the bank and they also refer the bank to other customers.

The following factors force the banks to maintain relationship with customers: Global competition, dynamic changing customer expectations, shrinking profit margin, demanding nature of customers, customers who become less loyal, increasing customer churn, shrinking duration of service life cycle, entry of foreign banks, competition from non-banking financial institutions, extensive use of information technology, easy access to information, deregulation of lending and deposit rate. Of late, the banks have started to change their direction from transaction marketing to the cultivation of relationships with the customer for a long period. The long term relationship with customers will facilitate the banks to understand the customer needs. Moreover, it is also an opportunity
to introduce tailor-made products on service and cross-sell their products to the customers. The customers can also understand the bank and its procedures which will reduce the operating cost arising out of customer related error. Since the cost of acquiring a new customer is more than retaining the existing customer, banks are using customer relationship management (CRM) as a strategic tool to maintain long term relationship with customers. In order to maintain a relationship with customers, banks have implemented various CRM practices, CRM strategies and have also started to identify the consequences of implementation of CRM.

In this connection, the researcher intends to know the views of business customer and household customers on implementation of CRM practices, CRM strategies and its consequences. Hence the present study is an attempt to analyse the customers' views on the implementation of CRM practices, CRM strategies and consequences in Theni district.

1.8 RELATED REVIEWS

The related reviews of the previous studies are presented below:

M.Saravanakumar and Senthilkumar (2013)\textsuperscript{73} examined the impact of customer relationship marketing strategy and customer loyalty in South India. The study clearly indicated that there is a positive relationship between demographic factors and customer relationship marketing strategy. Furthermore, the study revealed that private sector banks maintain good customer relationships compared with public sector banks.

Arunkumar Agariya and Deepali Singh (2012)\textsuperscript{74} developed a CRM scale with reference to Indian banking sector. They identified organizational structure, customer


support, service quality, trust, technology, personalization and market orientation were the critical factors of CRM in Indian banking sector.

A study conducted by Anamica Chopra et al., (2012)\textsuperscript{75} evaluated the customer perception of CRM practices in selected banks in Delhi city. The study identified the following CRM dimensions: pre-transaction services, during transaction services, post-transaction services and behavioural factors. The study found that there is no significant difference in the perception of respondents of various age groups in all CRM dimensions. Furthermore, perception towards all the CRM dimensions is interrelated with each other.

Chris Adalikwu (2012)\textsuperscript{76} examined whether the CRM implementation is associated with customer satisfaction in banks. The study found that CRM implementation is associated with customer satisfaction. Furthermore, the study established that there were significant interactions amongst information technology capability, contact rate management, and recovery management with customer satisfaction.

Sonia Kalra (2012)\textsuperscript{77} made an attempt to compare the CRM practices of public and private sector banks in Punjab. The study noticed that some CRM practices of private sector banks are better than a public sector bank. Furthermore, private sector banks are ahead in terms of well organized, building up modern infrastructure, monitoring service quality programmes and taking feedback from bank customers.


Geetha et al., (2012)\textsuperscript{78} made an empirical analysis of what constitutes customer relationship marketing. The dimensions they identified were, trust, commitment, empathy, reciprocity, interactions, quality attraction, emotional element, customization and social responsibility.

Duygu Kocoglu and Sevcon Kirmaci (2012)\textsuperscript{79} studied the relationship between the Customer Relationship Management in banking sector and customer loyalty. The study found that CRM affects customer loyalty in the banking sector.

Elijah E. Ocbadu and Abdullabi Usman (2012)\textsuperscript{80} examined the importance of Customer Relationship Management in Nigeria banks. The study observed that there is a relationship between banks’ performance and effective Customer Relationship Management. Furthermore, the study also noticed that there is a direct relationship between customer relationship management and banks profitability.

Padmavathy et al., (2012)\textsuperscript{81} developed scales for measuring customer relationship management effectiveness in Indian Retail Banks. They identified that organizational commitment, customer experience, process driven approach, reliability and technology orientation, customer satisfaction are the five dimensions of customer relationship management effectiveness. The study also revealed that organizational commitment, process driven approach and reliability have a positive effect towards customer satisfaction.

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Zuliana Zulkifli and Izah Mohd Tahir (2012)\textsuperscript{82} conducted a study on developing and validating Customer Relationship Management practices construct. The findings of the study showed that customer acquisition, customer responses, customer knowledge, customer information system and customer value evaluation are the essential dimensions of CRM.

Vanisha Oogarah-Hanuman et al., (2012)\textsuperscript{83} investigated the front-end effectiveness of CRM strategies in the banking sector in India by studying the customer perception of CRM initiatives. The study revealed that there are several loopholes in the existing tactical CRM strategies in Indian Banking Sector. To gain a competitive advantage in today’s market, bank must build strong relationships with their customers.

Zuliana Zulkifli and Izah Mohd Tohir (2012)\textsuperscript{84} made an attempt to examine the relationship between customers' perception on CRM practices and demographic factors. The study indicated that there is no significant difference between customer’s perceptions of CRM practices and demographic factors in terms of gender, age, education level, employment and online usage.

Basar Oztaysi et al., (2011)\textsuperscript{85} developed a measurement tool for customer relationship management process. The study identified that targeting management, customer information management, production / service customization, expansion

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management, referrals management, termination management and win back are the seven measurement tools for customer relationship management process.

Hisham Sayed Soliman (2011)\(^{86}\) examined the Customer Relationship Management and its relationship to the marketing performance. The study identified that there is a positive relationship between Customer Relationship Management and marketing performance.

G.Y. Shitole and James Jacob (2011)\(^{87}\) examined CRM practices of urban cooperative banks and level of satisfaction. The study revealed that the urban cooperative banks have achieved a high level of customer satisfaction through their CRM initiatives.

Muhammad Mudassar Abbasi et al., (2011)\(^{88}\) studied the impacts of service empowerment on service quality and customer satisfaction in the Pakistan banking sector. The study identified that the employee empowerment results in a higher level of service quality and customer satisfaction in Pakistani banks.

Uma Sankar Mishra et al., (2011)\(^{89}\) studied the CRM practices of public sector banks and private sector banks in India. The study found that the public sector banks are ahead of the private sector banks in terms of attracting and retaining customers. Furthermore, customers in the public sector banks are highly satisfied compared with


private sector banks. The study also stressed that the role of front office people are important in attracting and retaining the customers.

A study conducted by Sergios Dimitriadis (2011) explored the benefits that a customer expects from long-term relationships with bank and cost involved in a relationship. The study identified five types of expected benefits and two types of costs involved in maintaining a relationship with the bank.

Parviz Hajizadeh et al., (2011) investigated Customer Relationship Management practices in the Iranian banking industry. The researchers collected samples of 400 respondents representing top, middle and lower management of private and public sector banks. The study found that the attitude of Iranian Bank Personnel towards CRM practices is unfavourable.

Satya Narayana Chary and Ramesh (2011) in their attempt to compare customer relationship management as a tool of banking sector in retention of customer with reference to SBI and HDFC banks in Warangal district of Andhra Pradesh. The study found that working performance of HDFC and SBI is similar, but there is a significant difference between the perception of customers of SBI and HDFC banks towards CRM.


Arpita Khare (2010)\(^93\) analysed the extent of influence of online banking in India and its role in fostering relationships with customers. The study concluded that there is a significant relationship between improvement in quality of services in online banking and maintaining relationship with customers.

Mansor et al., (2010)\(^94\) examined the understanding of CRM practices among Agro bank staff. The study identified four variables as marketing, sales, information technology and information system. The study concluded that the variable of marketing has significantly influenced the understanding on the CRM.

Vutla Padmaja Rani and Madhysudhan Prasad (2010)\(^95\) investigated the Indian Banking Customers attitude towards Customer Relationship Management practices among five public sector commercial banks located in Hyderabad and Secunderabad City of Andhra Pradesh State. The study revealed that the education profile of the respondents has no influence on the perception of CRM.

Shamsher Singh (2010)\(^96\) studied the Internet Banking Services as a Tool for CRM. The findings of the study indicated that internet banking services of private sector banks are more customer friendly compared to the public sector banks.

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Alexander Krasnikov et al., (2009)\textsuperscript{97} examined the impact of Customer Relationship Management implementation on cost and profit efficiencies of US commercial banking industry. The study indicated that CRM implementation has resulted in decline in cost and increased profit.

Alok Mittal and Harsh Ramgir (2009)\textsuperscript{98} in compared CRM practices of ICICI bank and State Bank of India and identified that there is no significant difference in the CRM practices followed by these two banks. The study also concluded that the reliability, personalization, transaction comfort, responsiveness, social responsibility, relatedness, facilities, flexibility and problem handling are the desired factors expected by the customers of the banks.

Bryan Foss et al., (2008)\textsuperscript{99} made an attempt to study the critical factors which determine the success and failure of CRM system implementations. The study concluded that poor planning, lack of clear objectives and not recognizing the need for business change were the important reasons for CRM failures.

Chantal Rootman et al., (2008)\textsuperscript{100} examined the variables influencing the Customer Relationship Management of banks from bank employees' perspective. The study revealed that the knowledge ability and the attitude of bank employees and two way communications played a significant role in influencing the CRM in banks.


Salim Hilal Al-mamari and Miguel Baptista Nones (2008)\textsuperscript{101} studied the barriers to the adoption of CRM in the banking sector in Oman. The study identified the following barriers: lack of organizational commitment, lack of strategic planning, lack of clear business strategy, lack of customer relationship strategy, lack of change management and lack of commitment.

Sanjit Kumar Roy (2008)\textsuperscript{102} examined the benefits of CRM Implementation in ICICI Banks. The study identified that the banks have reduced the cost, the opportunity to understand customer needs, offering personalized products, reducing response time, improvement in effectiveness of bank service are the benefits of CRM implementation.

Aihie Osarenkhoe and AZ-Eddine Bennani (2007)\textsuperscript{103} made an attempt to investigate the core components of CRM and the implementation of CRM strategies. The study revealed that relationships are not only a tactical weapon but also represent a different and strategic approach, buyer-seller relationship. Furthermore, implementing CRM requires commitment from top management, systematic cross-functional communication and mandatory customer loyalty training programmes for all employees.

Gritti and Foss (2007)\textsuperscript{104} found that banks should develop and maintain long term relations with customers which will enhance firm’s performance and avoid several problems. Furthermore, customer may share their valuable ideas for the improvement of

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banking services and focus on customer needs and service quality which may enhance customer satisfaction and retention.

Molina et al., (2007)\textsuperscript{105} identified that the bank performance measured in terms of customer satisfaction was greater for firms that have a strong relationship marketing strategy.

Nelson Oly Ndubisi et al., (2007)\textsuperscript{106} studied the impact of the relationship marketing motives and customer loyalty. The study revealed that relationship marketing strategies namely communication, commitment, competence and conflict handling are indirectly associated with customer loyalty whereas trust and relationship quality are directly associated with loyalty.

Jain et al., (2007)\textsuperscript{107} developed a two-dimensional measure of customer relationship management effectiveness. The study identified “customization” as the first dimension which included personal touch, concern for customers, customer centricity, technology orientation and promotion through customers. Furthermore, the study identified "credence" as the second dimension of measuring the effectiveness of customer relationship management which included ethical practices, modesty and being proactive.


Paulissen et al., (2007)\textsuperscript{108} examined the CRM literature for a period of five years from 2000 to 2005. The study identified that less attention was given to the implementation issues of customer relationship management.

Sulaiman A.I. Hudhaif (2007)\textsuperscript{109} made an attempt to identify the critical success factors which determine the effectiveness of CRM in the banking sector of Saudi Arabia. The study revealed that the top management support, layout at a clear and distinct CRM strategy and selection of CRM software are the critical factors which influenced customer retention in the banking sector.

Tim Coltman (2007)\textsuperscript{110} conducted a study on superior CRM capabilities that improve the performance in banking sector. The findings also indicated that superior CRM capability can deliver improved performance. The study also pointed out that the combination of technical, human and business capabilities are essential for successful CRM programmes.

Evangelia Blery et al., (2006)\textsuperscript{111} conducted a study on the implementation of CRM in a Greek bank and identified the benefits, the problems, success and failure factors in implementing CRM in banks. Their study concluded that good CRM project management, a realistic time schedule, perfect programming co-operation with project teams are the critical success factors of CRM.


Lawrence Ang and Francis Buttle (2006)\textsuperscript{112} examined the CRM software applications and business performance in the Australian context. The study noticed that CRM software is extensively utilized for customer retention and development compared with customer acquisition activities. Furthermore, Australian companies are satisfied with CRM software with regard to customer retention and development.

Olorunniwo et al., (2006)\textsuperscript{113} pointed out that satisfied customers who maintain a long term relationship with service provider tend to increase profitability through their repeat business, shrinking expenditure on advertising, promotion and start up activities and spreading positive word of mouth.

Payne and Frow (2006)\textsuperscript{114} argue that successful implementation of CRM programmes depends upon four critical factors. They are: CRM readiness assessment, CRM change management, CRM project management and Employee engagement.

Malte Geib et al., (2006)\textsuperscript{115} made an attempt to identify the key issues of collaborative customer relationship management in financial services network. The study identified that privacy constraints, CRM process integration, customer information exchange and CRM system integration are the key issues.


Lindgreen et al., (2006)\textsuperscript{116} developed relationship management assessment tool to help managers to make self assessment about the stages of relationships. The study revealed that customer strategy, customer interaction strategy, brand strategy, value creation strategy, culture, people, organization, information technology, relationship management process, knowledge management and learning are the elements in relationship management assessment tool.

Cao et al., (2005)\textsuperscript{117} opined that successful CRM begins with the acquisition of the right customer and hence the firm must identify the loyal customers.

Ekta Rastogi (2005)\textsuperscript{118} examined the CRM implementation issue in the Indian banking sector. The survey was conducted among the selected Indian and Foreign banks which implemented the CRM. The study revealed that CRM is gradually picking up and considered as a viable proposition by banks to improve service to the customers.

Roh, T.H. et al., (2005)\textsuperscript{119} emphasized that companies that implement CRM make better relationship with their customers, achieve loyal customers and a substantial pay back, increased revenue and reduced cost.


Ndubisi and Wah (2005)\textsuperscript{120} examined the bank customer relationship and customer satisfaction in the Malaysian banking sector. The results revealed that relationship of customer and bank depends on the bank's competence, communication, commitment, conflict handling and trust.

Srinivasan and Moorman (2005)\textsuperscript{121} studied the effects of CRM investments on satisfaction. The study concluded that the firm's strategic commitments of CRM system investments and CRM capabilities are positively associated with satisfaction.

Xu and Walton (2005)\textsuperscript{122} identified the reasons for implementing CRM in the companies. They are as follows: improving customer satisfaction level, retaining the existing customers, enhancing the customer lifetime value, providing better strategic information to sales, marketing, finance, attracting new customers and cost savings.

A study conducted by Newell F. (2004)\textsuperscript{123} identified the causes of failure in CRM initiatives. The study revealed that organizational change, company politics and inertia, lack of CRM understandings, poor planning, lack of CRM skills, budget problems, software problems, and bad advice are the identified reasons for failure of CRM in organization.


Hansemann and Albinsson (2004)\textsuperscript{124} argued that existing satisfied customers are found to be less price-sensitive, more willing to buy additional products, and more resistant to competitor's offers.

Venetis and Ghaouri (2004)\textsuperscript{125} examined the relationship between service quality and the establishment of long term relationship with customers. The study found that service quality strongly contributes to the maintenance of long-term relationship with customers.

Alok Mittal et al., (2003)\textsuperscript{126} highlighted the need for improvement on some of the components of CRM such as customer communication, customer orientation, customer care and handling of complaints in both public and private sector banks. The study also revealed that the aged employees in the public and private banking institutions need to improve CRM skills in order to compete with their younger counterparts.

David C. Gilbert et al., (2003)\textsuperscript{127} examined the relationship marketing practices in Hong Kong banking industry and also studied Western or Eastern ownership of a bank and its impact on relationship marketing. The study indicated that there are significant differences in relationship marketing practices among the different ownership of the banker.


Gilbert and Choi (2003)\textsuperscript{128} argued that if a bank develops and sustains good relationship with its customer, the competitor cannot easily replace them and further this relationship will provide for sustained competitive advantages.

Jonghyeokkim, et al., (2003)\textsuperscript{129} developed a model for evaluating the effectiveness of CRM by using a balanced scorecard. They identified four customer centric perspectives, namely customer knowledge, customer interaction, customer value, and customer satisfaction.

Markus (2003)\textsuperscript{130} found that customer acquisition costs 5 to 7 times higher than customer retention costs. Furthermore, research has shown a negative correlation between the number of lost customers and the business revenue.

Henning and Thuraue (2002)\textsuperscript{131} observed that customer’s satisfaction, commitment and trust are the three dimensions of the relationship quality with the customer, which directly or indirectly affect the loyalty of customers.

Jagadish N. Sheth (2002)\textsuperscript{132} identified factors contributing to the rise of relationship marketing in practice. The study identified three factors namely energy crisis, the emergence of service marketing and supplier partnering that contribute to emergence of relationship marketing practice.

\begin{itemize}
  \item[(130).] Markus Helfert, (2003), \textit{Customer Regain Management in E.Business-Processes and Measures-School of Computing}, Dublin City University.
\end{itemize}
Shanthakumar and Xavier (2001)\(^{133}\) identified the scale to measure the depth of relationship. The dimensions they identified are reciprocation, mutual benefit, trust, transparency, concern, interdependency, commitment, shared values, and adaptation.

Talley (2001)\(^{134}\) in his study observed that bank customers wanted a truly integrated relationship with their bankers. He conducted a gap analysis to identify the areas of customer relationship strategy that require greater focus. The study revealed that customers really wanted a banking relationship, in which they are well understood, their needs are anticipated and their business is valued, no matter where or how they interacted with their financial institution.

Athanassopoulos, (2000)\(^{135}\) argued that loosing customers not only lead to opportunity costs, but also to an increased need for attracting new customers which is five to six times more expensive than customer retention.

Colgate and Danaher (2000)\(^{136}\) examined the effects of implementing the customer relationship strategy in banks with respect to customer satisfaction and loyalty. The study revealed that if the Customer Relationship Management is implemented in a highly skillful way, it results in enhancing customer satisfaction and loyalty.

Pete Nande and Francis Battle (2000)\(^{137}\) identified the issue of relationship quality and highlighted what constitutes good or poor quality relationship with

---


customers. They identified that trust, needs fulfillment, integration, power and profit are the dimensions of high quality relationship.

Sheth and Parvatiyar (2000) identified five macro environmental forces for the growth of the relationship orientation in marketing. The factors identified are, rapid technological advancements, the adoption of total quality programmes by companies, the growth of the service economy, organizational development processes leading to empowerment of individuals and team and an increase in competitive intensity leading to concern for customer retention.

Zineldin (2000) opined that customer satisfaction brings several benefits to the organization. Furthermore, satisfied customers are less sensitive, are less influenced by competitors, stay loyal for a longer period and buy additional products.

Payne et al., (1999) observed that the tone of conversation has changed from customer acquisition to retention. Many organisations have now realized that long-term relationship with customers is one of the most important aspects of the entire organisations.

Kotler et al., (1999) observed that the cost of attracting a new customer may be five times the cost of keeping the current customer happy.

Reichheld (1996) examined the reasons for developing and using customer retention strategies. The study highlighted that increasing the customer retention rate by


140. Payne, Adrian (1999), “Customer Relationship Management, Choosing the Appropriate Strategy and Data Warehousing Technology to Win and Retain Customer”, Cranfield University for Oracle, Copyright @ 1999 oracle.


5 per cent may have dramatic effects on average customer lifetime profits with an increase of 25-100 per cent.

The drivers of customer satisfaction and retention are examined by Levesque and McDougall (1996)\textsuperscript{143}. The study concluded that service problems and the bank’s service recovery ability have a major impact on customer satisfaction and intentions to switch.

Hallowell (1996)\textsuperscript{144} argued that customer satisfaction on its own cannot produce life time customers even though satisfaction can result in retention.

Sheth and Parvatiyar (1995)\textsuperscript{145} identified four important benefits that an organization can gain by adopting the relationship marketing. They are: achieving greater efficiency in decision making, reducing the task of information processing, achieving more cognitive consistency in their decisions and reducing the perceived risks associated with future purchase choices.

Keltner (1995)\textsuperscript{146} found that German Banks in contrast to American banks, managed to maintain a stable market position during 1980s and early 1990 as a consequence of relationship oriented banking strategies.


Petersen and Rajan\textsuperscript{147} (1995) opined that strong relationship with business customers do increase profit, improve communication and enhance satisfaction, creating loyalty.

Reichheld (1995)\textsuperscript{148} opined that customer retention brings many benefits that are: employee retention and satisfaction, better service, lower cost.

Selnes (1988)\textsuperscript{149} found that satisfied customers are motivated to continue the relationship with the supplier and trust is a strong antecedent of motivation to enhance the scope of relationship.

1.9 RESEARCH GAP

Even though, there are several studies related to CRM in banks, the studies have focused either the customers’ perception on CRM at banks or the implementation of CRM practices at banks. There is no exclusive study on the linkage between the implementation of CRM practices, strategies and its outcomes. Hence, an attempt has been made in the present study to fill up the research gap with the proposed research model.

1.10 PROPOSED RESEARCH MODEL

The proposed research model of the present study is given in Figure 1.


1.11 OBJECTIVES OF THE STUDY

Based on the proposed research model, the objectives of the study are confined,

i) To reveal the profile of the customers;

ii) To measure the customers' views on the implementation of CRM practices and strategies at commercial banks;
iii) To identify the discriminant CRM practices and strategies among the household and business customers;

iv) To analyse the various consequences of CRM practices and strategies at commercial banks;

v) To examine the impact of implementation of CRM practices and strategies on the various consequences of CRM; and

vi) To evaluate the mediator role of customer satisfaction in between the implementation of CRM practices, strategies and customer loyalty among the customers.

1.12 METHODOLOGY

Research methodology is the way of systematically solving the research problem. It is a science of studying how research is conducted scientifically. Under it, the researcher acquaints himself/herself with various steps generally adopted to study a research problem, along with the underlying logic behind them. The advanced Learner’s Dictionary of Current English lays down the meaning of research as “a careful investigation or inquiry specially through a search for new facts in any branch of knowledge”150. Redman and Mory (1923) defined research as “looking for new facts in any branch of knowledge”151. In the present study, research methodology covers the research design, locale of research, selection of the study area, scope and period of the study, population of the study, description of the study area, sample unit, sampling procedure, data collection, response rate on the questionnaire, framework of analysis and limitations of the study.

1.13 THE RESEARCH DESIGN OF THE STUDY

Research design is a framework or blueprint for conducting the research projects. It details the procedures necessary for obtaining the information needed to structure or solve research problems. It lays the foundation for conducting the project. Research design is the arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Selltiz et al., 1962)\(^ {152}\).

In the present study, the descriptive and diagnostic type research design has been administered. Since this research describes the profile of the customers, their views on the implementation of CRM practices and strategies in commercial banks and its consequences, it is descriptive in nature. Meanwhile, this study analyses the impact of implementation of CRM practices and strategies in the commercial banks on various consequences of CRM namely customer trust, reciprocity, customer interaction, service quality, customer retention, customer service strategies, customer satisfaction and customer loyalty. Hence, it is diagnostic in nature. Besides, the present study focuses attention on the formation of the objectives of the study, proper designing of the methods of data collection, sample collection, processing and analysis of the collected data and reporting the finding. Hence, it is descriptive and diagnostic in nature.

1.14 LOCAL OF RESEARCH

On account of globalization and liberalization, the banking industry is facing a stiff competition from the new private sector banks and foreign banks. The customers are expecting efficient and prompt service from the banks. In such a banking environment, the banks are vying to adopt suitable strategies to retain their existing customers and also to attract the new customers. One of the important expectations of the customers in the banking industry is, understanding the customer’s needs and

provision of personalized services. Hence the banks are adopting CRM practices and strategies in their banks to have better relationship with their customers. Keeping this in view, the nature of the study is to expose the customers' views on the implementation of CRM practices and CRM strategies in commercial banks as per the view of their customers and its consequences.

1.15 SELECTION OF THE STUDY AREA

Theni district was purposively selected as the study area by the researcher for the following reasons:

1. Theni is one of the developing districts in Tamilnadu.

2. Familiarity with the culture, local dialect and infrastructural facilities available in this district would help the researcher to develop a good rapport with the employees and customer of the banks in the district. Hence, better and valid responses could be received. Hence the researcher is interested to focus on the commercial banks in Theni district.

3. There are no recent exclusive studies about the CRM in banking sector in Theni district.

1.16 SCOPE AND PERIOD OF THE STUDY

The scope of the study is confined to the customers' views on the implementation of CRM in commercial bank branches in Theni district only. The period of the study is limited to the years of 2011-12.

1.16.1 Population of the study

The population of the study represents the customers of commercial banks situated in Theni district, Tamil Nadu.
1.16.2 Commercial Banks in Theni District

The Theni district is divided into five Taluks namely Theni, Bodi, Periyakulam, Uthamapalayam and Andipatti. The number of public and private sector banks in the five taluks during 2011-2012 is given in Table 1.2.

**TABLE 1.2**

**Commercial Banks in Theni District**

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Taluks</th>
<th>Number of Banks</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Public Sector</td>
<td>Private Sector</td>
</tr>
<tr>
<td>1.</td>
<td>Theni</td>
<td>19</td>
<td>9</td>
</tr>
<tr>
<td>2.</td>
<td>Bodi</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>3.</td>
<td>Periyakulam</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>4.</td>
<td>Uthamapalayam</td>
<td>30</td>
<td>14</td>
</tr>
<tr>
<td>5.</td>
<td>Andipatti</td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td><strong>43</strong></td>
</tr>
</tbody>
</table>

Source: Annual Credit Plan, Lead Bank, 2010-12.

As a maximum, 44 bank branches are noticed in Uthamapalayam Taluk which consists of 30 public sector and 14 private sector banks. It is followed by Theni Taluk with 28 bank branches which consists of 19 public sector and 9 private sector banks. In total, the public sector banks constitute 65.04 per cent to the total whereas the remaining 34.96 per cent belongs to private sector banks.

1.17 DESCRIPTION OF THE STUDY AREA

Theni District is one of the South Western districts of Tamilnadu. The geographical extent of Theni District is 3242.3 square kilometer. It is bound on the west by Idukki district of Kerala state, on the east by Madurai district, on the north by Dindigul district and on the south by Virudhunagar district. Theni District comprises 5
taluks (Theni, Bodi, Periyakulum, Uthamapalayam, Andipatti) 8 blocks and 183 villages. The district has a total population of about 12,43,684 lakhs, comprising 6,24,922 males, 6,18,762 females. The district is basically agrarian district and also offers scope in the field of textile mills, sugar mill, fruit processing, cardamom procuring, coir cluster and ready-made garments.

1.18 SAMPLING UNIT

The sampling unit comprises of household and business customers of commercial banks in Theni district.

1.18.1 Sampling Plan

The sampling plan consists of sample size and sampling procedure.

1.18.2 Sample Size

The sampling size of the customer for this study was scientifically determined by using the given formula:

\[ n = \left[ \frac{Z \sigma}{D} \right]^2 \]

Where

- \( n \) - Number of sample size
- \( Z \) - Z statistics at five per cent level (1.96)
- \( \sigma \) - Standard deviation of customer satisfaction on banks at pilot study = 0.800
- \( D \) - Error of acceptance = 0.05

\[ n = \left[ \frac{1.96 \times 0.800}{0.05} \right]^2 = 984 \]

Hence, the sample size of the customers was determined as 984 for the study.
1.19 SAMPLING PROCEDURE

The judgement sampling has been followed to select the sample from each bank. In total, four each household customers and business customers are identified with the help of the branch manager of commercial banks. The distribution of sampled customers in the present study is illustrated in Table 1.3.

**TABLE 1.3**  
**Sampled Respondents**

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Taluk</th>
<th>No. of banks</th>
<th>Number of respondents in</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Household customer (HC)</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Theni</td>
<td>28</td>
<td>112</td>
<td>224</td>
</tr>
<tr>
<td>2.</td>
<td>Bodi</td>
<td>14</td>
<td>56</td>
<td>112</td>
</tr>
<tr>
<td>3.</td>
<td>Periyakulam</td>
<td>18</td>
<td>72</td>
<td>144</td>
</tr>
<tr>
<td>4.</td>
<td>Uthamapalayam</td>
<td>44</td>
<td>176</td>
<td>352</td>
</tr>
<tr>
<td>5.</td>
<td>Andipatti</td>
<td>19</td>
<td>76</td>
<td>152</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>123</strong></td>
<td><strong>492</strong></td>
<td><strong>984</strong></td>
</tr>
</tbody>
</table>

From each branch, four each household and business customers have been included as the sample of the study. Hence, the total sampled customers came to 984 which consists 492 household customers and 492 business customers. As a maximum, 352 customers are included as a sample from the Uthamapalayam taluk since the branches are high in number there. As a minimum, 112 customers are selected from Bodi taluk since the number of bank branches are only 14.
1.20 DATA COLLECTION

Since the research study mainly depends on the primary data, special care was taken to design the questionnaire. The questionnaire method was used to collect primary data from the business customers and the household customers. The questionnaire consists of three important parts. The first part of the questionnaire covers the profile of the customers whereas the second part of the questionnaire includes the views of the customers on the implementation of CRM practices and strategies at commercial banks. The third part of the questionnaire covers the customers' views on the various consequences of CRM at commercial banks. The relevant variables related to the CRM practices, strategies and consequences of CRM are drawn from the review of previous studies. The level of agreement about the various aspects of CRM practices, CRM strategies and consequences of implementation of CRM were measured using five point Likert Scale. The scores awarded to the response of each component were Very High-5, High-4, Moderate-3, Low-2, Very Low-1. The respondents' views on customer satisfaction and customer loyalty were measured using five point Likert Scale. The scores awarded to the response of customer satisfaction were Highly Satisfied-5, Satisfied-4, Moderate-3, Dissatisfied-2, Highly Dissatisfied-1 and customer loyalty were Highly Agree-5, Agree-4, Moderate-3, Disagree-2, Highly Disagree-1. To achieve the prescribed objectives of the study secondary data was collected from journals, magazines, previous dissertation and websites of the banks. A pilot study was conducted among 10 customers from each taluk, totalling 50 customers. From the feedback on the questionnaire of the pilot study, certain modifications, additions and deletions have been carried out. The findings of the pilot study enabled the researcher to frame hypothesis and design of the study. A final draft of the questionnaire was prepared to collect the primary data from the customers.
1.21 RESPONSE RATE ON THE QUESTIONNAIRE

Several attempts were taken to collect the primary data from the customers. The response rate to the questionnaire among the household and business customers has been presented in Table 1.4.

**TABLE 1.4**

**Number of Responded Sample**

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Type of Customer</th>
<th>Number of customers responded</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Household Customer (HC)</td>
<td>223</td>
</tr>
<tr>
<td>2.</td>
<td>Business Customer (BC)</td>
<td>239</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>462</td>
</tr>
</tbody>
</table>

In total, the response rate among the household and business customers are 45.32 per cent and 48.57 per cent to its total of 492 customers respectively. Hence, total sample size included for the analysis is 462 customers.

In social science, this rate is considered reasonable, especially that one of the studies that was conducted in Egypt demonstrated that the response rate in case of using other means like telephone, reached 33 per cent. (Hishan Sayed Soliman\(^{153}\)).

1.22 FRAMEWORK OF ANALYSIS

The data after collection have to be processed and analysed in accordance with the outline laid down for the purpose at the time of developing the research plan. The collected data was analysed with the help of appropriate statistical tools according to the relevance of information required and the nature of the scale of data. The applied statistical tools and tests are shown below.

1.22.1 T-test

Several hypotheses in marketing are related to any parameters from two different populations. In order to find out the difference between two means related to any parameters, the ‘t’ test has been applied. There is one condition on the nature of data, that is, the data related to any parameter are in interval scale. The t-statistics can be calculated by

\[ t = \frac{\overline{X}_1 - \overline{X}_2}{\sqrt{\frac{(n_1 - 1)s^2_1 + (n_2 - 1)s^2_2}{n_1 + n_2 - 2}} \times \sqrt{\frac{1}{n_1} + \frac{1}{n_2}}} \]

With the degree of freedom of \((n_1 + n_2 - 2)\)

Where
\[
\begin{align*}
    t & = \text{t-statistics} \\
    \overline{x}_1 & = \text{mean of the first sample group} \\
    \overline{x}_2 & = \text{mean of the second sample group} \\
    \sigma^2_1 & = \text{standard deviation of the first sample group} \\
    \sigma^2_2 & = \text{standard deviation of the second sample group} \\
    n_1 & = \text{number of samples in first group} \\
    n_2 & = \text{number of samples in second group}
\end{align*}
\]

In the present study, the ‘t’ test has been administered to find out the significant difference between the household and business customers regarding various aspects related to the implementation of CRM practices and strategies at commercial banks. It is also applied to find out the significant difference between the two group of customers regarding their views on the various consequences of CRM in commercial banks.

1.22.2 One-way Analysis of Variance (ANOVA)

Analysis of variance is used for examining the differences in the mean values of the dependent variable associated with the effect of the controlled independent variables, after taking into account the influence of the uncontrolled independent variables.
Essentially, ANOVA is used as a test by means of two or more populations (Rick Turner and Julian Thayer 2001). One-way analysis of variance involves only one categorical variable or a single factor. ANOVA is applied when the categorical variables are in interval scale.

\[
F \text{ ratio} = \frac{\text{Variance between groups}}{\text{Variance within groups}}
\]

is calculated and compared with the respective table value of \( F \) \([(k-1)/(n-k+1)]\) degree of freedom whereas \( k \) – number of groups and \( n \) – number of samples.

In the present study, the one way analysis of variance has been used to examine the association between the profile of commercial bank customers and their views on the implementation of various aspects of CRM practices, CRM strategies and consequences of CRM.

1.22.3 Multiple Regression Analysis

Multiple regression analysis is used when there is one dependent variable and more than one independent variables. But these independent and dependent variables are in interval scale. The impact of independent variables on the dependent variable is measured with the help of multiple regressions. The fitted regression model in the present study is

\[
Y = a + b_1 x_1 + b_2 x_2 + \ldots + b_n x_n + e
\]

Where

\[
\begin{align*}
Y & = \text{Dependent variable} \\
x_1, \ldots, x_n & = \text{Independent variables} \\
b_1, \ldots, b_n & = \text{Regression co-efficient of independent variables} \\
a & = \text{intercept and} \\
e & = \text{error term}
\end{align*}
\]

In the present study, the multiple regression analysis is applied to find out

i) the impact of CRM practices implemented in commercial banks and the customer’s perception on various consequences of CRM;

ii) the impact of implementation of CRM strategies in commercial banks on the various consequences of CRM.

1.22.4 Reliability Co-efficient

It explains the reliability of the variables in each factor. It is also called as Cronbach Alpha. The reliability of the variables included in each construct had been computed with the help of Cronbach Alpha. The minimum threshold of Cronbach Alpha is 0.60 (Nunnally, 1978155).

In the present study, the reliability test has been applied to test the reliability of various concepts generated for the study. These are customer acquisition, customer response, customer knowledge, customer information system, customer value evaluation, customer focus, CRM organization, knowledge management, technology based CRM, customer trust, reciprocity, service quality, customer interaction, customer retention, customer service strategies, customer satisfaction and customer loyalty.

1.22.5 Confirmatory Factor Analysis (CFA)

The confirmatory factor analysis is one of the multivariate statistical tools which is applied to confirm the extracted variable in the factor by the exploratory factor analysis which explains the factor in a reliable manner or not (Segars and Grover, 1993156). The content validity, convergent validity and discriminant validity have been

tested through the confirmatory factor analysis (Chan, 1997\textsuperscript{157}; Li et al., 2007\textsuperscript{158}). In the present study, the CFA had been administered to examine the content, convergent and discriminant validity of the concepts generated for the present study.

**1.22.6 Discriminant Analysis**

The discriminant analysis is used to identify the importance of discriminant variables in the discriminant functions. It is applied when the dependent variable is in nominal scale and the independent variables are in interval scale. The discriminant analysis model involves linear combinations of the following form:

\[ Z = b_0 + b_1x_1 + b_2x_2 + \ldots + b_nx_n \]

Where,

\[ Z \quad = \quad \text{Discriminant Score} \]

\[ b_1, \ldots, b_n \quad = \quad \text{Discriminant co-efficients on weights} \]

\[ x_1, \ldots, x_n \quad = \quad \text{Predictors or independent variables} \]

\[ b_0 \quad = \quad \text{Constant} \]

The Wilks Lambda was calculated as a multi-variant group difference over discriminating variables. The higher Wilk's Lambda indicates lower discriminate power of the variables (Shajahan, 2005\textsuperscript{159}) whereas the lower Wilk's Lambda represents higher discriminate power of the variable (Malhotra, 2003\textsuperscript{160}).


\textsuperscript{160} Naresh K. Malhotra (2003), \textit{Marketing Research: An Applied Orientation}, Pearson Education Private Ltd., India, pp.559-570.
The relative discriminant power of the variables was calculated by

$$I_j = k_j (\bar{X}_{j1} - \bar{X}_{j2})$$

Where

- $I_j$ = the important value of the $j^{th}$ variable
- $K_j$ = unstandardized canonical discriminant co-efficient of the variable ‘$j$’
- $\bar{X}_{jk}$ = mean of the $j^{th}$ variable for the $k^{th}$ group.

The relative importance of a variable $R_j$ is given by

$$R_j = \frac{I_j}{\sum_{j=1}^{n} I_j}$$

The Wilk’s Lambda was calculated as a multi-variant measure of group difference over discriminating variables. Its value varies between 0 and 1. Large value of Wilk’s Lambda indicates that the group means do not seem to be different small values of Lambda indicate that the group means seem to be different. The confusion or prediction matrix contains the number of correctly classified cases and misclassified cases by the estimated discriminant function.

The two group discriminant analysis has been administered to identify:

i) the important discriminant CRM practices between the household and business customers;

ii) the important discriminant CRM strategies between the household and business customer and

iii) the important discriminant consequences of CRM between the household and business customers.

1.22.7 Derivation of scores on various aspects in CRM at banks

The score on various aspects related to the implementation of CRM in commercial banks are drawn from the mean score of the level of implementation of CRM at commercial banks as per the view of the household and business customers in
each commercial bank. The score on various aspects related to the consequences of CRM in commercial banks are drawn from the mean score of the variables in each outcome of CRM among all the customers in commercial banks.

1.22.8 Structural Equation Modeling (SEM)

Structural Equation Modeling (SEM) has become a useful method in social and behavioral sciences for specifying estimating and testing hypothesized interrelationships among a set of substantively meaningful variables (Crowley and Xitao, 1997)\(^{161}\).

The SEM has been adopted with the help of Analysis of Moment Structures (AMOs). It is applied to examine the direct and indirect effect of implementation of CRM practices and strategies on the customer loyalty towards the banks.

1.22.9 Exploratory Factor Analysis (EFA)

Factor analysis is a very useful method of reducing data complexity by reducing the number of variables being studied. It is a better way of resolving the confusion and identifying latent or underlying factors from an array of seemingly important variables. In a more general way, factor analysis is a set of techniques which, by analyzing correlations between variables, reduces their number into fewer factors which explain much of the original data, more economically (Rajendra Nargundar, 2004\(^{162}\)). In the present study the factor analysis has been administered to narrate the variables in the components of service quality.

1.23 LIMITATIONS OF THE STUDY

The present study is subjected to the following limitations:

1) The scope of the study is confined to only Theni district.


2) The customers are selected on personal judgement of the bank managers in each branch.

3) The foreign banks are excluded from the present study since the size is too thin.

4) The response rate from the customers is too poor even though the researcher made several attempts to collect the data.

5) The impact analysis has been applied under an assumption of a linear relationship between the dependent and independent variables and

6) The bank employees’ views on the implementation of CRM have been excluded from the study.

1.24 OPERATIONAL DEFINITIONS

1.24.1 Customer

A person who has an account in the bank and has availed any services from the bank.

1.24.2 Household Customers

Household customers are the customers who opened the account in their personal name and their main sources of income are from agriculture, private employment, Government employment, professional employment and others.

1.24.3 Business Customers

Business customers are the customers who opened the account in the name of their business concern and their main source of income is from business.

1.24.4 Theni District

Theni district means Theni District only.

1.24.5 Commercial Banks

Commercial banks mean public sector and private sector banks in Theni district.
1.25 CHAPTERISATION

For neat and clear presentation of the report, the study is presented in six chapters.

The I Chapter includes the introduction, need for the study, statement of the problem, related reviews, research gap, research model, objectives of the study, methodology, limitations and chapterisation of the study.

The II Chapter covers the meaning, definitions, measurements methods and variables related to each concept developed and used in the present study.

The III Chapter describes the background of the bank customers and their views on the implementation of CRM practices and strategies in commercial banks, associations between their profile and their views on the implementation of CRM practices and strategies and discriminant CRM practices and strategies between the household and business customers.

The IV Chapter explains the customers’ views on various consequences of CRM namely customer trust, reciprocity, service quality, customer interaction, customer retention, customer service strategies, customer satisfaction and customer loyalty in commercial banks and discriminant consequences between the household and business customers.

The V Chapter explains the linkage between the implementation of CRM practices and strategies on various consequences of CRM and the mediator role of customer satisfaction in between implementation of CRM practices, strategies and the customer loyalty.

The VI Chapter consists of summary of the findings, conclusions, managerial implications and scope for future research.