CHAPTER-II

CONCEPTUAL FRAMEWORK OF THE STUDY
CHAPTER-II
CONCEPTUAL FRAMEWORK OF THE STUDY

The present chapter explains the definitions, meaning, measurement methods and variables included to measure each concept in the present study. The included concepts are given below:

1) Concept of CRM
2) CRM practices
3) CRM strategies
4) Consequences of CRM

The CRM practices include customer acquisition, customer response, customer knowledge, customer information system and customer value evaluation whereas the CRM strategies include customer focus, CRM organization, knowledge management and technology based CRM. The consequences of CRM covers customer trust, reciprocity, service quality, customer interaction, customer retention, customer service strategies, customer satisfaction and customer loyalty.

Shani and Chalasani (1992)\(^1\) define relationship marketing as “an integrated effort to identify, maintain, and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualized and value-added contacts over a long period of time”.

Berry (1995)\(^2\) defined customer relationship in broader perspectives. He stressed that attracting new customers should be viewed only as an intermediate step in the marketing processes. Developing a closer relationship with these customers and turning them into loyal ones are equally important aspects of marketing. Thus he proposed relationship marketing as “attracting, maintaining and in multi service organizations enhancing customer relationship”.

Gronroos (1990)³ stated “Marketing is to establish, maintain and enhance relationships with customers and other partners at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises”.

Furthermore, Kotler et al., (2004)⁴ defined CRM as “The overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction”.

Jackson (1985)⁵ defined CRM as a “marketing orientation towards strong, lasting relationships with individual accounts”.

Hobby (1999)⁶ added that CRM is not only a marketing orientation but also a management approach that helps the organizations to identify, attract and increase retention of profitable customers by managing relationships with them.

2.1 CONCEPT OF CUSTOMER RELATIONSHIP MANAGEMENT

Building relationships with customers helps marketers to better understand and satisfy customers (Kotler, 2000⁷; Reichheld and Sasser, 1990⁸; Reichheld, 1993⁹). The transaction-based view of marketing has focused attention on the


beneficial effects of managing customer relationships (Gronroos, 1989; Howcroft and Durkin, 2000). The reasons behind the implementation of customer relationship management in banking sector are, complexity and intangibility of the financial service (Berry, 1996; Meadows and Dibb, 1988; Spekman, 1988), Service marketing has matured (Berry, 1995; Gummesson, 1999), deregulation has increased competition among financial service sector and technological change (Reichheld and Sasser, 1990; Turnbull and Valla, 1990), Customer benefits linked to relationship marketing approach, (Sally Dibb and Maureen Meadows, 2004).

2.2 CRM PRACTICES AT COMMERCIAL BANKS

The CRM practices in commercial banks as per the views of the customers have been examined with the help of customer acquisition, customer response, customer knowledge, customer information system and customers value evaluation due to the implementation of CRM at commercial banks. These are given in Figure 2.1.

FIGURE 2.1

<table>
<thead>
<tr>
<th>Customer Relationship Management Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer acquisition</td>
</tr>
<tr>
<td>Customer response</td>
</tr>
<tr>
<td>Customer knowledge</td>
</tr>
<tr>
<td>Customer information system</td>
</tr>
<tr>
<td>Customer value evaluation</td>
</tr>
</tbody>
</table>

The implementation of CRM practices in the commercial banks has been examined with the help of the above said five dimensions. The customers’ views on the above said five aspects due to the implementation of CRM at commercial banks have been measured and discussed in this chapter.

2.3 CUSTOMERS’ VIEWS ON IMPLEMENTATION OF CRM PRACTICES

Effective implementation and monitoring of the CRM practice in banks provide superior service to customers, enhancing revenue and customer loyalty (Sudalaimuthu and Lilly 2007\(^{20}\)). The CRM practices are improving bondage between

banks and customers (Mehdi Rouholamini and Venkatesh, 2011) and no organization can achieve commendable business success in the absence of CRM practices.

The customers’ views on the implementation of CRM practices at any organization is measured either by technological (Jayachandran et al., 2005), organizational (Sabherwal et al., 2006) or strategic aspects (Bell et al., 2002). The implementation of CRM practices can be evaluated using a more holistic approach. Successful implementation requires changes in organizational structure, employees’ motivation and project management (Day and vander Bulte, 2002). In the present study, the customers’ views on the implementation of CRM is evaluated with the help of the variables developed by Mithas et al., (2005), Colgate and Danaher, 2000.


Palmatier et al., (2007) and Boulding et al., (2005). These are customer acquisition, customer response, customer knowledge, customer information system and customer valuate evaluation.

### 2.3.1 Customer Acquisition

The customer acquisition is one of the important components of Customer Relationship Management practices (Campell, 2003). It represents the practices implemented by the bank to meet the needs of the customers (Eid, 2007). The variables related to the customer acquisition are drawn from the review of previous studies (Lassar et al., 2008; Liu, 2003; Lu and Shang, 2007). These are given in Table 2.1.

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### TABLE 2.1
Variables in Customer Acquisition (CA)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Variables in CA</th>
<th>Sl. No.</th>
<th>Variables in CA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Bank uses different measures to meet customer requirements</td>
<td>6.</td>
<td>Bank fulfills its promises on time</td>
</tr>
<tr>
<td>2.</td>
<td>Bank uses different approaches to attract large customers</td>
<td>7.</td>
<td>Bank is able to tailor its products and services</td>
</tr>
<tr>
<td>3.</td>
<td>Bank uses different customer information to attract new customer</td>
<td>8.</td>
<td>Bank provides the total financial solutions</td>
</tr>
<tr>
<td>4.</td>
<td>Bank provides a variety of services</td>
<td>9.</td>
<td>Bank has knowledgeable staff</td>
</tr>
<tr>
<td>5.</td>
<td>Bank meets specific requirements of customers</td>
<td>10.</td>
<td>Bank staff have sincere interest on customers</td>
</tr>
</tbody>
</table>

The customers are asked to rate the above said variables at five point scale according to the order of existence at their banks.

#### 2.3.2 Customer Response

It shows the response of the banks on the customers’ call (Kim, et al., 2010\(^{35}\)), customers’ request (Lamparello, 2000\(^{36}\)) and customers’ complaints (Verma and Chaudhuri, 2009\(^{37}\)). The variables related to customer response are drawn from

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the review of previous studies (Morgan, 2009\textsuperscript{38}, Yavas and Yasin, 2001\textsuperscript{39}). These are given in Table 2.2.

**TABLE 2.2**

**Variables in Customer Response (CR)**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Variables in CR</th>
<th>Sl. No.</th>
<th>Variables in CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Bank communicates customers immediately</td>
<td>5.</td>
<td>Bank’s response on individual attention</td>
</tr>
<tr>
<td>2.</td>
<td>Bank responds to customers’ problems</td>
<td>6.</td>
<td>Bank supplies required information</td>
</tr>
<tr>
<td>3.</td>
<td>Bank understands customers’ expectations</td>
<td>7.</td>
<td>Bank renders the required services</td>
</tr>
<tr>
<td>4.</td>
<td>Bank responds to complaints</td>
<td>8.</td>
<td>Bank staff are empowered to respond</td>
</tr>
</tbody>
</table>

The customers are asked to rate the above said variables at five point scale according to the order of existence at their banks.

**2.3.3 Customer Knowledge**

The customer knowledge is included as one of the important aspects of CRM (Sami and Ibrahim, 2011)\textsuperscript{40}. It reveals the customers’ views on the knowledge of the staff on the CRM at their banks and various services offered by the banks (Molina, et

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The variables related to the customer knowledge are drawn from the review of previous studies (Tham and Khan, 2008; Chan, 2005). These are given in Table 2.3.

**TABLE 2.3**

Variables in Customer Knowledge (CK)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Variables in CK</th>
<th>Sl. No.</th>
<th>Variables in CK</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Well trained staff at banks</td>
<td>5.</td>
<td>Convenient operating hours</td>
</tr>
<tr>
<td>3.</td>
<td>Customized service at banks</td>
<td>7.</td>
<td>Innovative products and services</td>
</tr>
<tr>
<td>4.</td>
<td>Comprehensive range of investment products</td>
<td>8.</td>
<td>Encourages customers</td>
</tr>
</tbody>
</table>

The customers are asked to rate the above said variables at five point scale according to the order of existence.

**2.3.4 Customer Information System (CIS)**

The provision of information to the customers is one of the important banking activities today (Jayachandran et al., 2005). The provision of electronic banking services to their customers is one of the components of CRM at commercial banks

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(Abratt and Russell, 1999). The customers’ views related to CIS at commercial banks have been measured with the help of variables drawn from the reviews (Cho et al., 2003; Kassim and Abdulla, 2006). The variables are listed in the Table 2.4.

**TABLE 2.4**
Variables in Customer Information System (CIS)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Variables in CIS</th>
<th>Sl. No.</th>
<th>Variables in CIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Telebanking facilities</td>
<td>5.</td>
<td>Communication network</td>
</tr>
<tr>
<td>2.</td>
<td>Internet banking facilities</td>
<td>6.</td>
<td>Easier system</td>
</tr>
<tr>
<td>4.</td>
<td>Automation at banks</td>
<td>8.</td>
<td>Ready response to information request</td>
</tr>
</tbody>
</table>

The customers are asked to rate the above said variables at five point scale according to the order of existence at their banks.

2.3.5 **Customer Value Evaluation (CVE)**

The customer value evaluation represents the worth of the CRM and its consequences as per the views of the customers (Madhu and Kapoor, 2008). It reveals the value of the services, quality of services, trust on the services, worthiness

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of services, etc., (Crosby et al., 1990\(^{49}\)). The variables related to CVE are derived from the reviews (Ali and Harper, 2011\(^{50}\); Duygu and Kirmachi, 2012\(^{51}\), Izah Mohd Tahir and Zuliana Zulkifli, 2011\(^{52}\)) These are given in Table 2.5.

**TABLE 2.5**

**Variables in Customer Value Evaluation (CVE)**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Variables in CVE</th>
<th>Sl. No.</th>
<th>Variables in CVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Delivers only superior services</td>
<td>5.</td>
<td>Protection of customers’ request</td>
</tr>
<tr>
<td>2.</td>
<td>Offers high quality services</td>
<td>6.</td>
<td>Pride to be the customer of the bank</td>
</tr>
<tr>
<td>3.</td>
<td>Creation of customers’ belief on banks</td>
<td>7.</td>
<td>Positive word of mouth about the bank</td>
</tr>
<tr>
<td>4.</td>
<td>Appealing and pleasing services</td>
<td>8.</td>
<td>Confidence with the bank</td>
</tr>
</tbody>
</table>

The customers are asked to rate the variables at five point scale according to their order of perception.

**2.4 IMPLEMENTATION OF CRM STRATEGIES**

CRM is a business strategy to select and manage the most valuable customer relationship (Gayathry, 2012\(^{53}\)). CRM has become as a powerful concept to align the

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interest of a firm and its customers (Boulding et al., 200554), its success depends upon the appropriateness of the firm’s CRM strategy as well as the effectiveness of CRM implementation. (Arun Kumar Agariya, 201255). Successful CRM implementation requires attention to four critical areas, strategy, people, processes and technology (Crosby and Johnson, 200156). In the case of commercial banks, the CRM strategies have been identified with the help of previous studies (Zhang et al., 200357; Eid et al., 200258; Allen et al., 200259; Teo and Ang 199960; Poon and Wagner (2001)61; Wali et al., 200362; Yusof and


Aspinwall 2003\textsuperscript{63}, These are customer focus, CRM organization, knowledge management and technology based CRM.

2.4.1 Customer Focus

Customer focus involves an overwhelming customer centered focus (Sheth et al., 2000\textsuperscript{64}) and continuously delivering superior and added value to selected key customers through personalized/customized offerings (Ryals and Knox, 2001\textsuperscript{65}). In the banking sector, it includes key customer lifetime value identification (Jain and Singh, 2002\textsuperscript{66}), Personalization (Dyche, 2002\textsuperscript{67}) and interactive co-creation marketing (Narayandas and Rangan, 2004\textsuperscript{68}). The variable in customer focus is presented in Table 2.6.


TABLE 2.6
Variables in Customer Focus (CF)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Variables in customer focus</th>
<th>Sl. No.</th>
<th>Variables in customer focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Works with individual customer</td>
<td>4.</td>
<td>Provides tailor made products</td>
</tr>
<tr>
<td>2.</td>
<td>Customized services</td>
<td>5.</td>
<td>Customer orientation</td>
</tr>
<tr>
<td>3.</td>
<td>Meets customers’ specific needs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The customers are asked to rate the above said variables at five point scale.

2.4.2 CRM Organisation

CRM means fundamental changes in the way that firms are organized (Agarwal et al., 2004)\textsuperscript{69} and business processes are conducted (Hoffman and Kashmeri, 2000\textsuperscript{70}). The CRM organizational structural designs effectively optimise the customer relationship activities which include the establishment of process teams, customer focused teams, cross-discipline segment teams, and cross functional teams (Sheth and Sisodia, 2002\textsuperscript{71}). The variables in CRM organization in the present study are drawn from the reviews (Yau, et al., 2000\textsuperscript{72}; Zahay and Griffin 2004\textsuperscript{73}) and given in Table 2.7.


TABLE 2.7
Variables in CRM Organisation (CRMO)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Variables in CRMO</th>
<th>Sl. No.</th>
<th>Variables in CRMO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Experitization in services</td>
<td>4.</td>
<td>Reclaiming lost customer</td>
</tr>
<tr>
<td>2.</td>
<td>Resources to succeed in CRM</td>
<td>5.</td>
<td>Analysing the causes for customer exit</td>
</tr>
<tr>
<td>3.</td>
<td>Trained personnel in CRM</td>
<td>6.</td>
<td>Customer oriented organizational structure</td>
</tr>
</tbody>
</table>

The customers are asked to rate the above said variables at five point scale according to the order of existence.

2.4.3 Knowledge Management

The knowledge management is one of the components of CRM strategies applied by the commercial banks (Agarwal et al., 2004\(^74\)). It is related to the knowledge on service, CRM willingness to serve and eagerness of learning of CRM among the employees (Abboth et al., 2001\(^75\)). The variables related to knowledge management have been identified with the help of the previous studies (Chan, 2005\(^76\); Gebert, et al., 2003\(^77\); Mylonakis, 2009\(^78\)). These are given in Table 2.8.


**TABLE 2.8**

Variables in Knowledge Management (KM)

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Variables in KM</th>
<th>Sl.No.</th>
<th>Variables in KM</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Employees’ knowledge in service</td>
<td>4.</td>
<td>Two way communication</td>
</tr>
<tr>
<td>2.</td>
<td>Employees’ willingness to help customers</td>
<td>5.</td>
<td>Provision of various channels to enable knowledge sharing with customers</td>
</tr>
</tbody>
</table>

The customers are asked to rate the above said variables at five point scale according to the order of existence at their banks.

**2.4.4 Technology-based CRM**

The CRM formulation and establishment in the commercial banks may be done through automation (Storbacka and Jarma, 2001\(^79\)) and information system (Greenberg Paul, 2005\(^80\)). It requires a lot of technical knowledge and willingness to adopt the changes among the employees at banks (Dyche Jill, 2005\(^81\)). The variables in the technology based CRM in the present study are measured with the help of the variables drawn from reviews (Gupta and Donald, 2005\(^82\); Arpita, 2008\(^83\)). These are given in Table 2.9.

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TABLE 2.9
Variables in Technology-based CRM (TBCRM)

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Variables in TBCRM</th>
<th>Sl.No.</th>
<th>Variables in TBCRM</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Technical knowledge among the employees</td>
<td>5.</td>
<td>Availability of hardware to serve customers</td>
</tr>
<tr>
<td>2.</td>
<td>Technology support at banks</td>
<td>6.</td>
<td>Information availability at each point of contact</td>
</tr>
<tr>
<td>3.</td>
<td>Technology with the customer service</td>
<td>7.</td>
<td>Comprehensive data base</td>
</tr>
<tr>
<td>4.</td>
<td>Availability of software to serve customers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The customers are asked to rate the above said variables at five point scale.

2.5 CONSEQUENCES OF IMPLEMENTATION OF CRM

Customer satisfaction with the relationship is an outcome of buyer-seller relationships (Smith and Barclay, 1997\textsuperscript{84}) and trust is viewed as an essential ingredient for buyer-seller relationships (Morgan and Hunt, 1994\textsuperscript{85}; Gundlach et al., 1995\textsuperscript{86}). Customer retention improves profitability (Reichheld and Kenny, 1990\textsuperscript{87}; Reichheld, 1990\textsuperscript{88}) customer retention is a competitive weapon (Dawkins and


Reichheld 1990\(^89\). Improved service quality increased customer satisfaction in the banking sector (Lanka et al., 2009\(^90\); Bedi, 2010\(^91\)).

The consequences of CRM include customer trust, reciprocity, service quality, customer interaction, customer retention, customer service strategies, customer satisfaction and customer loyalty.

### 2.5.1 Customer Trust

Customer trust on banking is one of the outcomes of the CRM at Commercial Banks (James et al., 1997\(^92\)). It represents the trust on banking products, services and service quality offered by the banks (Peggy and Chandry 2007\(^93\)). The customer trust on banking on account of implementation of CRM has been measured with the help of variables drawn from the reviews of previous studies (Uma and Prabaraj, 2011\(^94\); Mittal and Kumar, 2001\(^95\)). These are given in Table 2.10.

---


TABLE 2.10
Variables in Customers Trust (CT)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Variables in CT</th>
<th>Sl. No.</th>
<th>Variables in CT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Frankness in their dealings</td>
<td>6.</td>
<td>Dealing in a caring fashion</td>
</tr>
<tr>
<td>2.</td>
<td>Revealing information with clarity</td>
<td>7.</td>
<td>Willingness to provide extra services</td>
</tr>
<tr>
<td>3.</td>
<td>Readiness to respond</td>
<td>8.</td>
<td>Dependability during the times of crisis</td>
</tr>
<tr>
<td>5.</td>
<td>Instilling confidence</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The customers are asked to rate these variables at five point scale according to their order of perception on it.

2.5.2 Reciprocity

The reciprocity on CRM indicates the value, benefits and willingness to accommodate with the CRM among the customers (Handing et al., 200496). If the reciprocity from the CRM is high, it is the real worth of the implementation of CRM (Berry, 200297). The reciprocity of CRM at commercial banks in the present study is measured with the help of the variables drawn from the reviews (Day, 200398, Stefanov et al., 200399). These are given in Table 2.11.

---

TABLE 2.11
Variables in Reciprocity (RY)

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Variables in RY</th>
<th>Sl.No.</th>
<th>Variables in RY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Attaching value to the reciprocal benefits</td>
<td>5.</td>
<td>Attentiveness in handling transactions</td>
</tr>
<tr>
<td>2.</td>
<td>Commitment in problem solving</td>
<td>6.</td>
<td>Provision of equal treatment for all</td>
</tr>
<tr>
<td>3.</td>
<td>Willing to make co-operative changes</td>
<td>7.</td>
<td>Economical cost of service</td>
</tr>
<tr>
<td>4.</td>
<td>Adopting 'we' attitude</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The customers are asked to rate these variables at five point scale.

2.5.3 Service Quality in Banks

Service quality has been described as a form of attitude, but not equivalent of satisfaction that results from the comparison of expectations with performance (Parasuraman et al., 1988\textsuperscript{100}). Several studies demonstrated its positive relationship with profits, increased market share, return on investment, customer satisfaction, and future purchase intentions (Buzzell and Gale, 1987\textsuperscript{101}; Boulding et al., 1983\textsuperscript{102}; Anderson, 1994\textsuperscript{103}; and Rust and Oliver, 1994\textsuperscript{104}). Service quality is one of the most critical issues in maintaining sustainable relationship with the customers (Peng &


\textsuperscript{101} Buzzell R D and Gale B T (1987), The PIMS Principles, New York.


Wang, 2006\textsuperscript{105}). The service quality of the banks has been measured with the help of variables identified by the previous studies. (Parasuraman et al., (1988)\textsuperscript{106}, and related studies of Parasuraman et al., (1985\textsuperscript{107}, 1988\textsuperscript{108}, 1991a\textsuperscript{109}, 1991b\textsuperscript{110} and 1994\textsuperscript{111}). These are given in Table 2.12.


### TABLE 2.12

**Variables in Service Quality (SQ)**

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Service Quality variables</th>
<th>Sl.No.</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Attractive Interior Design</td>
<td>12</td>
<td>Employees’ behavior</td>
</tr>
<tr>
<td>2</td>
<td>Information and Guidance</td>
<td>13</td>
<td>Awareness on latest banking services</td>
</tr>
<tr>
<td>3</td>
<td>Courteousness among employees</td>
<td>14</td>
<td>Credibility of the employee</td>
</tr>
<tr>
<td>4</td>
<td>Time Schedule for operations</td>
<td>15</td>
<td>Redressal of customer complaints</td>
</tr>
<tr>
<td>5</td>
<td>Feeling of safety</td>
<td>16</td>
<td>Staff sincerity in service</td>
</tr>
<tr>
<td>6</td>
<td>Requests of customers are honoured</td>
<td>17</td>
<td>Employee’s Promptness</td>
</tr>
<tr>
<td>7</td>
<td>Neat and professional appearance of the employee</td>
<td>18</td>
<td>Employee’s adopt service to the customer needs</td>
</tr>
<tr>
<td>8</td>
<td>Well handling of customer at peak hours</td>
<td>19</td>
<td>Comfortable Parking facility</td>
</tr>
<tr>
<td>9</td>
<td>Error free services</td>
<td>20</td>
<td>Visually Appealing Facilities</td>
</tr>
<tr>
<td>10</td>
<td>Time taken for operations</td>
<td>21</td>
<td>Quality and Appearance of Forms</td>
</tr>
<tr>
<td>11</td>
<td>Understanding customer’s specific problems</td>
<td>22</td>
<td>Customer’s Best Interest</td>
</tr>
</tbody>
</table>

The customers are asked to rate the above said variables at five point scale according to their level of perception on service quality in their commercial banks.
2.5.4 Customer Interaction

The customer interaction is the primary aim of the CRM at commercial banks (Ryals and Payne, 2001\textsuperscript{112}). It is essential to evaluate customer interaction on account of CRM establishment in the banks (Vandermerwe, 2004\textsuperscript{113}). In the present study, the customer interaction due to the implementation of CRM has been measured with the help of eight variables which are drawn from the reviews (McGovern and Panaro, 2004\textsuperscript{114}; Paracha and Bulusu, 2002\textsuperscript{115}). These are presented in Table 2.13.

**TABLE 2.13**

Variables in Customer Interaction (CIA)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Variables in CIA</th>
<th>Sl. No.</th>
<th>Variables in CIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Pro-active in Communication</td>
<td>5.</td>
<td>Directing the complaints to suitable persons</td>
</tr>
<tr>
<td>2.</td>
<td>Listening to customer complaints</td>
<td>6.</td>
<td>Taking timely feedback</td>
</tr>
<tr>
<td>3.</td>
<td>Creating opportunities to contact</td>
<td>7.</td>
<td>Responding to feedback</td>
</tr>
<tr>
<td>4.</td>
<td>Frequency of customer contact</td>
<td>8.</td>
<td>Informing latest information</td>
</tr>
</tbody>
</table>

The customers are asked to rate the variables at five point scale.

---


2.5.5 Customer Retention

Customer retention refers to the longevity of a client’s relationship with a service providing firm (Menon and Connor, 2007\textsuperscript{116}). The banking industry is highly competitive not only with banks, but also with non-banks and other financial institutions (Kaynak and Kreukemiroglu, 1992\textsuperscript{117}). Therefore customer retention is an effective tool for retaining a customer in the ever-changing banking environment. The cost of attracting a new customer may be five times of retaining an existing customer (Rust et al., 1993\textsuperscript{118}). The cost of acquiring customers to replace those who have been lost are high (Ehigie, B.O., 2006\textsuperscript{119}), long term customers also take less of the company’s time and are less sensitive to price change (Reichheld, and Kenny, 1990\textsuperscript{120}, Burton et al., 2005\textsuperscript{121}), reducing customer defection by five per cent can double the profit (Healy, T.J., 1999\textsuperscript{122}). Customer service is the basis for customer retention. When there is high customer retention rate, it indicates that these retained customers are satisfied with the service of the organization (Kotler et al., 2001\textsuperscript{123}). In

\begin{itemize}
  \item Healy, T.J., (1999), “Why You should Retain Your Customers”, American’s Community Banker, 8 (9), September, pp.22-26.
  \item Kotler, P, Armstrong, G. Brown, L and Adam, S. (2001), Marketing, 5\textsuperscript{th} ed; Prentice Hall, Australian Pty Ltd, Sydney.
\end{itemize}
the present study customer retention variables are measured with the help of fifteen
variables.

TABLE 2.14
Variables in Customer Retention

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Variables in Customers Retention</th>
<th>Sl.No.</th>
<th>Variables in Customers Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Complaint management system</td>
<td>9.</td>
<td>Identifying the changing needs of the customer</td>
</tr>
<tr>
<td>2.</td>
<td>Innovative services</td>
<td>10.</td>
<td>Value added services</td>
</tr>
<tr>
<td>4.</td>
<td>Employee involvement</td>
<td>12.</td>
<td>Information management system</td>
</tr>
<tr>
<td>6.</td>
<td>Modern banking services</td>
<td>14.</td>
<td>Nominal service charges</td>
</tr>
<tr>
<td>7.</td>
<td>Advanced Technology</td>
<td>15.</td>
<td>Providing diversified services</td>
</tr>
<tr>
<td>8.</td>
<td>Feedback system</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The customers are asked to rate the above said variables at five point scale.

2.5.6 Customer Service Strategies

Customers are the driving force of enterprise and hence the survival of the enterprise depends on its customers (Lewis, 2000\textsuperscript{124}, Kotler et al., 2001\textsuperscript{125}). In the banking context, customer services are performed to assist customers to achieve their needs and wants with the help of banking counters, personal financial assistance, automatic teller machines, telephone banking and internet banking (Khong Kok Wei


\textsuperscript{125} Kotler, P, Amstrong, G. Brown, L and Adam, S. (2001), Marketing, 5\textsuperscript{th} ed; Prentice Hall, Australian Pty Ltd, Sydney.
and Mahendhran Nair 2006\textsuperscript{126}. The range of service strategies of the banks include, single window services (Sheth and Parvathiyar (1995)\textsuperscript{127}; Anywhere banking (Romano and Fjermestad, 2002)\textsuperscript{128}; Any time banking; Charge free banking; phone banking; Electronic fund transfers; Doorstep services, Internet banking and so on (Anand, 2008)\textsuperscript{129}. In the present study, the customer service strategies are measured with the help of thirteen variables.

\textbf{TABLE 2.15}

\textbf{Variables in Customer Service Strategies (CSS)}

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Variables in CSS</th>
<th>Sl.No.</th>
<th>Variables in CSS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Cross-selling of products</td>
<td>8.</td>
<td>24 hour service</td>
</tr>
<tr>
<td>2.</td>
<td>Up-selling of products</td>
<td>9.</td>
<td>Anywhere banking</td>
</tr>
<tr>
<td>3.</td>
<td>Mobile banking</td>
<td>10.</td>
<td>Mutual fund services</td>
</tr>
<tr>
<td>4.</td>
<td>Bancassurance</td>
<td>11.</td>
<td>Preferential pricing</td>
</tr>
<tr>
<td>5.</td>
<td>Door step services</td>
<td>12.</td>
<td>Insurance advice</td>
</tr>
<tr>
<td>7.</td>
<td>Single window services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The customers asked to rate the variables at five point scale.


2.5.7 Customer Satisfaction

Customer satisfaction is an important theoretical as well as a practical issue for most marketers and consumer researchers (Dabholkar, P.A., 1995\textsuperscript{130}). Customer satisfaction is the feeling or attitude of a customer towards a product or service after it has been used and is generally described as the full meeting of one’s expectation (Oliver, R.L., 1980)\textsuperscript{131}. Customer satisfaction is the state of mind that customers have about a company when their expectations have been met or exceeded over the lifetime of the product or service (Kevin Cacioppo, 1995\textsuperscript{132}, Kumbhar, 2010\textsuperscript{133}). With banks losing 8 per cent of their clients every year (Storbucka, K., 2000\textsuperscript{134}), customer satisfaction is increasingly becoming a corporate goal as more and more companies strive for quality in their products and services (Bitner et al., 1994\textsuperscript{135}). If customers are satisfied with particular service offering after its use, then they are likely to repeat purchase and try line extension (East, R., 1997\textsuperscript{136}). Customer

\begin{itemize}
\item \textsuperscript{133} Kumbahr Vijay, M., (2010), “Reliability and Validity of ‘e bankqual’ scale in ATM Service Settings: A Study in VINIMAYA”, \textit{National Institute of Bank Management}, Vol.xxxi, No.4, Pune.
\end{itemize}
satisfaction depends on how products and services meet or surpass customer expectation (Kotler et al., 2000\textsuperscript{137}).

The customer satisfaction on the service offered by the provider has been measured by a few or more variables, depending upon the industry (Kristen et al., 2000\textsuperscript{138}, and Oh, H, 1999\textsuperscript{139}). In the present study, the customer satisfaction is measured by the given statements in Table 2.16.

**TABLE 2.16**

**Variables in Customer Satisfaction**

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Current bank meets all my purchase expectations</td>
</tr>
<tr>
<td>2</td>
<td>Overall service of bank is good</td>
</tr>
<tr>
<td>3</td>
<td>Satisfied with the current bank</td>
</tr>
<tr>
<td>4</td>
<td>Satisfied with the overall service package of bank</td>
</tr>
<tr>
<td>5</td>
<td>Worthiness of spending on the services</td>
</tr>
</tbody>
</table>

The customers are asked to rate the statements at five point scale according to the satisfaction.

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2.5.8 Customer Loyalty

Customer loyalty refers to a favourable attitude towards a particular brand and also leads to repeat purchase of the same brand (Day, 1969)\(^{140}\). Customer loyalty is a relationship between relative attitude towards on entity and repeat patronage behaviour (Dick and Basu, 1994)\(^{141}\). Customer loyalty is a key mediating variable in explaining customer retention (Pritchard and Howard, 1997\(^{142}\)). The loyal customers are less likely to switch over to a competitor on account of a given price inducement and these customers make more purchases compared to less loyal customers (Baldinger and Rubinson, 1996\(^{143}\)). Customer loyalty has been considered as an important source of long business success (Rust and Zahorik 1993\(^{144}\)) and building a relationship with a customer is a good way to retain loyal customers in the long term (Sheaves and Barnes, 1996\(^{145}\)).

In the present study, the variables related to customer loyalty are drawn from reviews (Zeithaml, et al., 1996\(^{146}\)). These are presented in from Table 2.17.


**TABLE 2.17**  
Variables in Customer Loyalty

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Variables</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I will continue using the services offered by this bank</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>I recommend my bank to others</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>I encourage friends and relatives who plan to avail the services</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>My current bank is a leading one in banking sector</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>My current bank has a positive image</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>I wish to have one more bank account in the same bank</td>
<td></td>
</tr>
</tbody>
</table>

The customers are asked to rate the above said variables at five point scale.