CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The present study is undertaken primarily to analyze the impact of Customer Relationship Marketing strategy and Customer Loyalty on Financial products and services with reference to Banks, Life Insurance and Mutual funds in Chennai, Tamil Nadu. This research is designed as an empirical study, which is based on Banks, Life Insurance and Mutual funds located in Chennai. The heart of this thesis will focus on the proposed model and associated hypotheses. The goal of this study is to gain a better understanding of the impact of CRMS and Customer Loyalty, CRMS and techniques currently adopted by Chennai Financial institutions to achieve their targets, and maintaining existing customers, their life time value in business operations. Both the survey and the proposed model were derived from the literatures on the domain of CRMS and Customer loyalty.

3.2 RESEARCH DESIGN

As stated earlier, the main objectives of this research are, first, to study the empirical investigation of the impact of Customer Relationship Marketing Strategies on Customer Loyalty in Financial Products and Services offered by Banks, Life Insurance and Mutual Fund in Chennai, second, to identify the influences of Demographic variables to the implementation of CRMS and Customer loyalty, thirdly to identify and compare CRMS planning between Public and Private sector Banks, Life insurance and Mutual funds. In order to realize objectives, the research framework is developed as shown in Figures 3.1 to 3.3.
**Trust Factors**
- It provides reliable services
- Most popular bank of service providers
- Fulfills the customers’ obligations
- Sets the new trends for the Banking service
- It is too cheap to be of an acceptable quality
- Not having any hidden charges
- Has a higher/better opinion than others

**Employees Factors**
- Respect to the customers
- Professional approach
- Easy of contacting branch manager
- Friendly Staff and willing to help
- Knowledge and Skills

**Security Factors**
- The Bank is very concerned with the security for transaction
- Provides accurate and error free records
- Safe and secure transactions
- Secured Internet Banking

**Communication Factors**
- Informed about new service continuously
- Timely and trust worthy information
- Ads that are attractive and give a good feel Communicate
- Advertisements that grab my attention
- Advertisements clearly mention the benefits to the end users

**Customer Focus Factors**
- Offers customized services
- Bank is flexible in servicing needs
- Bank delivers on its promise
- Bank is for everybody
- Responds to customer complaints quickly

**Word of Mouth Factors**
- Feel proud to use this Bank.
- Recently heard a lot of good things about Bank.
- Recently talked to friends positively about this Bank.
- Recommended this Bank to my friends & others
- Love this Bank

**Service Level Factors**
- The Bank is flexible in servicing my needs
- An Innovative bank
- Offering competitive schemes and plans
- Large no. of branches and network of services
- Personal Attention
- Timely Service
- Delivering What is promised

**Customer Relationship Marketing Strategies**

**Customer Loyalty**

**Demographic Factors**
- Gender
- Age
- Occupation
- Educational Qualification
- Income
- Marital Status
- Types of Family
- Number of dependents
- Place of Living

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**Figure 3.1 Research framework – Banking sector**
Figure 3.2 Research framework – Life insurance sector
Figure 3.3 Research framework – Mutual fund sector
In Figures 3.1 to 3.3, the Customer Loyalty as the dependent variable and the Customer Relationship Marketing factors and Demographic variables as independent variables in Banking, Life Insurance and Mutual funds respectively. The arrows in Figures represent the relationships to be tested in order to achieve the research objectives. Figure 3.1 indicates that there are seven CRM research factors (Trust, Employees, Communication, Security, Service level, Customer focus and Word of mouth), Demographic variables with Customer Loyalty to be analyzed in Banking; Figure 3.2 indicates that there are eight CRM research factors (Trust, Employees, Communication, Security, Service level, Customer focus, Customer prestige and Word of mouth), Demographic variables with Customer Loyalty to be analyzed in Life Insurance; and Figure 3.3 indicates that there are eight CRM research factors (Trust, Employees, Communication, Security, Service level, Customer focus, Customer prestige and Word of mouth), Demographic variables with Customer Loyalty to be analyzed in Mutual funds. Within each of these research variables, a set of concept variables (or indicator statements) are included based on related literatures.

To indicate the degree or extent of each variable in Customer Relationship agreed level is identified in a five-point Likert scale (Rossi et al 1983) was used, ranging from ‘highly agreed level’ to ‘highly disagreed level’. Each CR variable is measured on a five-point Likert scale of 1-5, where level 5 indicates the highly agreed level of the CR offered by the Banks, Life Insurance and Mutual funds, while 1 indicates the highly disagreed level. In determining the measurement properties of the constructs used in the statistical analysis, reliability and construct validity were assessed (Dick and Hagerty 1971), using respectively, Cronbach’s alpha and Principal Components Analysis.
3.3 FORMULATION OF HYPOTHESES

The previous figures portray theorized relationships between the CRMS, Demographic variables and Customer loyalty. These proposed relationships form the basis of the hypotheses to be tested. This research is empirical in nature and this characteristic stems from its objectives. Thus, in order to identify the impact of CRMS and Customer loyalty in Banking, Life Insurance and Mutual funds in Chennai are required to be focused for this study. Based on the theoretical framework, the following hypotheses are investigated in the empirical analysis:

H₀: There is no impact between Demographic factors of the respondents and the Customer Loyalty in Banks, Life Insurance and Mutual Fund (Alternative Hypothesis H₁).

H₀: There is no relationship between Demographic factors of the respondents and the Customer Relationship Marketing Strategies in Banks, Life Insurance and Mutual Fund (Alternative Hypothesis H₂).

H₀: There is no impact between Customer Relationship Marketing variables and Customer Loyalty in Banks, Life Insurance and Mutual Fund (Alternative Hypothesis H₃).

H₀: Public and Private sector Banks, Life Insurance and Mutual Fund companies are offering same type of Customer Relationship Marketing Variables (Alternative Hypothesis H₄).

3.4 AREA OF STUDY

The study was conducted only in Bank account holders, Life Insurance account holders and Mutual Fund Investors in Chennai city.
3.4.1 Profile of the Area

Tamil Nadu is amongst the well developed states in the country. Tamil Nadu is the southern-most state of India, which lies in the peninsula between the Bay of Bengal in the East, the Indian Ocean in the South, the Western Ghats and the Arabian Sea on the West. Tamil Nadu adjoins Karnataka, Andhra Pradesh and Kerala in the North and West. Chennai has been successful in spreading economic activity across all areas, which has enabled all-round development. The following are its location advantages for financial service sectors:-

- According to the provisional results of 2011 census, the city had 4.68 million residents making it the sixth most populous city in India, which comprises the city and its suburbs.

- Chennai has a diversified economic base anchored by the automobile, software services, hardware manufacturing, health care and financial services industries. As of 2012, the city is India's second largest exporter of information technology (IT) and business process outsourcing (BPO) services. A major part of India's automobile industry is based in and around the city thus earning it the nickname "Detroit of India". The Tamil film industry, colloquially known as Kollywood, is based in the city.

- According to Forbes magazine, Chennai is one of the fastest growing cities in the world and the only Indian city to be rated in the "Forbes-Top 10 Fastest Growing Cities in the World".

- Prominent financial institutions, including the World Bank, Standard Chartered Bank, ABN AMRO, Bank of America, The Royal Bank of Scotland, Goldman Sachs, Barclays,
HSBC, ING Group, Allianz, Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Abu Dhabi Commercial Bank, Asian Development Bank, Credit Suisse, BNP Paribas Fortis, Deutsche Bank and Citibank have back office and development center operations in the city. Chennai is home to the national level commercial banks Indian Bank and Indian Overseas Bank and many state level co–operative banks, finance, insurance and mutual fund companies. Chennai has a stock exchange called the Madras Stock Exchange.

- The RBI ranked Chennai as fourth largest deposit centre and third largest credit centre nationwide as of June 2012.

3.5 RESEARCH INSTRUMENT

The purpose of this study was to identify the impact of CRMS and Customer loyalty in Banks, Life Insurance and Mutual funds in Chennai city and to highlight the understanding and agreed level of the Customer Relationship offered by Public and Private sector selected financial sectors. In order to achieve the objectives of the study, a survey instrument was developed by the researcher.

The development of the research instrument was mainly based on factor scales, because the researchers could identify some past studies and prepare scale from directly addressing all of the issues discussed in this research. However, and wherever possible, the researchers used validated measures that have been previously applied. The constructs, scale items and factor loadings obtained from exploratory factor analysis are presented on the data analysis section. Two consecutive rounds of pre-testing were conducted in order to ensure that the respondents could understand the measurement
scales used in this study. First, the questionnaire was reviewed by the academic researchers experienced in questionnaire design and development and next, the questionnaire was piloted with Public and Private Banks, Life Insurance, Mutual funds, Marketing experts/Branch Managers in Chennai. The process of developing the questionnaire also included a pilot study.

A total of three different questionnaires are prepared for Banks, Life Insurance and Mutual funds respectively to identify the impact of Customer Relationship Marketing strategies and Customer Loyalty in each sector. The questionnaire is containing Trust, Employees, Communication, Security, Customer focus, Customer prestige, Service level and Word of mouth – Relationship Marketing Factors, and each factor containing number of variables. Each variable using a five-point Likert scale was employed with a score of 1 relating to lowest value and 5 relating to highest value.

3.6 PILOT SURVEY

Having validated the questionnaire through expert validation, a pilot survey of 30 respondents in both Public and Private sector bank account holders, 30 respondents in Life Insurance account holders and 30 respondents in Mutual fund account holders, to check the validity of the questionnaire and to draft an effective questionnaire. All the selected respondents for the pilot study had implemented at least minimum 5 years account holder in their Prime Bank, Life insurance and Mutual funds. The pilot work took in the form of personal interview/face-to-face interview where the participants were first handed a copy of the questionnaire and asked to complete it followed by a discussion on any comments or questions they had with respect to major issues of this study.
3.7 INSTRUMENT DEVELOPMENT

In Banking, 39 items loaded on the five single factors each as suggested using the criteria of an eigenvalue greater than 1 and the extracted factors account for 82.210 of the total variance for the first single factor construct of Trust of the Bank, the extracted factors account for 87.898 of the total variance for the second single factor construct of Employees skills and services, the extracted factors account for 82.345 of the total variance for the third single factor construct of Communication, the extracted factors account for 86.564 of the total variance for the fourth single factor construct of Security feel from the respondents, the extracted factors account for 86.187 of the total variance for the fifth single factor construct of Customer focus, the extracted factors account for 85.078 of the total variance for the sixth single factor construct of Service level and the extracted factors account for 85.901 of the total variance for the seventh single factor construct of Customer’s word of mouth (Table 5.3).

In Life Insurance, 41 items loaded on the five single factors each as suggested using the criteria of an eigenvalue greater than 1 and the extracted factors account for 83.677 of the total variance for the first single factor construct of Trust of the Life insurance, the extracted factors account for 84.514 of the total variance for the second single factor construct of Employees skills and services, the extracted factors account for 88.181 of the total variance for the third single factor construct of Communication, the extracted factors account for 95.442 of the total variance for the fourth single factor construct of Security feel from the respondents, the extracted factors account for 85.706 of the total variance for the fifth single factor construct of Customer focus, the extracted factors account for 92.855 of the total variance for the sixth single factor construct of Customer prestige, the extracted factors account for 82.682 of the total variance for the seventh single factor construct.
of Service level and the extracted factors account for 87.565 of the total variance for the eighth single factor construct of Customer’s word of mouth (Table 5.33).

In Mutual funds, 35 items loaded on the five single factors each as suggested using the criteria of an eigenvalue greater than 1 and the extracted factors account for 85.669 of the total variance for the first single factor construct of Trust of the Mutual fund, the extracted factors account for 90.206 of the total variance for the second single factor construct of Employees skills and services, the extracted factors account for 93.760 of the total variance for the third single factor construct of Communication, the extracted factors account for 94.815 of the total variance for the fourth single factor construct of Security feel from the respondents, the extracted factors account for 85.824 of the total variance for the fifth single factor construct of Customer focus, the extracted factors account for 82.552 of the total variance for the sixth single factor construct of Customer prestige, the extracted factors account for 72.197 of the total variance for the seventh single factor construct of Service level and the extracted factors account for 81.090 of the total variance for the eighth single factor construct of Customer’s word of mouth (Table 5.65).

3.8 SOURCE OF DATA

In order to achieve the objectives of the study and test the forgoing hypotheses, data were collected from the Banks, Life Insurance and Mutual fund account holders in Chennai city. The primary data were collected by interacting with the well experienced respondents in Banks, Life Insurance and Mutual funds. All the respondents are having minimum One Public and One Private account with 5 years age of account in Banks, Life Insurance and Mutual fund. They may include Trust, Employees skills, Communication, Security, Customer focus, Customer prestige, Service level and Word of
mouth – Relationship Marketing Factors, and Customer Loyalty. For this purpose, a self-administered questionnaire was used to collect the primary data via personal interview. The questionnaire was fine tuned during the pilot survey. Secondary data about the various facets of CRMS and Customer Loyalty in Financial sector were collected from the rich websites and the research papers carried out previously in this area. The secondary data about the respondent banks, life insurance and mutual fund institutions were obtained from their websites and directories.

3.9 SAMPLING TECHNIQUE

The survey reported here was conducted at Banks, Life Insurance Branches, Mutual fund branches located in Chennai city. After having validated the questionnaire through expert validation and pilot testing, a sample size of 300 in each financial sector i.e., from Banks 300 respondents, 300 from Life insurance and 300 from Mutual fund account holders was proposed for the survey. The survey population of this study was defined as all Banks, Life Insurance and Mutual fund account holders located in Chennai city. A sample size comprised of 900 respondents in different places in Chennai city was drawn at convenience based on area sampling from the Directories of Chennai city – Nungambakkam, Anna Nagar, Vadapalani, Kodambakkam, Guindy, Anna salai, T.Nagar, Paris, Arumbakkam, and Purasaivakkam. The reliability of the research constructs was assessed by the Cronbach’s α reliability coefficient. Second order construct validity of the research construct variables was checked using Confirmatory Factor Analysis (CFA) approach.

3.10 CHALLENGES ENCOUNTERED

The researcher had faced a lot of challenges in collecting data and information from the respondents. The respondents whenever the researcher
approached were very busy with their day-to-day official commitments and tight schedule. In order to get the questionnaire filled up, the researcher has to meet certain respondents more than five times in spite of fixing prior appointments. Some of the respondents declined to furnish information due to their not willing to share their personal information. In a few cases, the appointments given by the respondents were abruptly cancelled and the researcher has to seek afresh for the study. Initially the response rate was not healthy, the researcher employed several tactics to improve the response rate from the respondents.

3.11 CONCLUSION

The prime objective of this study was to investigate the impact of CRMS and Customer loyalty in Financial sector. In order to achieve this objective, a survey instrument was developed and modified after having validated the questionnaire through expert validation and pilot testing. A total of eight constructs were proposed, which were felt to be important for CRMS implementation. For scoring purpose, a five-point Likert scale was employed. A sample of 900 respondents at different Bank, Life Insurance and Mutual fund account holders was selected at convenience from Chennai city. The data used for the subsequent analyses were gathered through a field survey using self-administered questionnaires and facilitating face-to-face/personal interviews with experienced respondents. This procedure resulted in 888 useful responses or a 99 percent overall response rate. The responses were analyzed using SPSS Version 17.0 statistical package.