

## Impact Of Customer Relationship Marketing Strategy And Customer Loyalty – A Study Of Banking Sector In South India

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**ABSTRACT:** This research study analyses Impact of Customer Relationship Marketing (CRM) Strategy and Customer Loyalty on banking sector in South India. Marketing has made a paradigm shift from transactional approach to relational approach. We are living in a globalized world, where competition has become an unavoidable element of business and customers have become scarce. This has led to a situation where all the firms in the same industry are trying to attract the same customers in various ways, even while offering similar products and services. They are using relationship marketing approach to ensure that the customers remain loyal and come back to them for the same products and services. Today, financial institutions can no longer rely on these committed relationships or established marketing techniques to attract and retain customers. This situation coupled with the pressures of competitive and dynamic markets has contributed to the growth of Customer Relationship Marketing in Banking Sector. This study also studies the impact of various demographic variables of the respondents in association with marketing variables on Customer Loyalty. The aim of this research paper is to understand the impact of Customer relationship marketing on Customer Loyalty. This research was specially studied in Banking sector how they are offering relationship marketing. This customer relationship marketing strategy creates any impact in the Chennai Urban customer's mind in Customer Loyalty regarding their selected financial institutions. This study was carried out a total of 300 customers in Public and Private Sector Bank account holders in Chennai City. A pilot survey of each sector 30 respondents was conducted to test validity of the questionnaire. A structured questionnaire was used for this complex research project. The target respondents are in each sector account holders. The research analysis was performed using SPSS Statistic 17.0. The statistical techniques applied for drawing statistical inferences and conclusions about the study may include descriptive statistics, one sample t test, one way ANOVA, reliability test, multiple regression analysis and discriminant Analysis. The results of this study clearly revealed that there is a positive relationship between Demographic factors and Customer relationship marketing strategy. The Customer Relationship Marketing Strategy has a positive impact on the customer loyalty in Banking sector. From the Discriminant analysis, Private Sector banks maintaining good Customer relationships comparatively Public Sector Banks.

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**Keywords:** Customer Relationship Marketing (CRM) strategy, Customer Loyalty (CL), Banking, Trust, Employees, Communication, Security, Service level, Customer focus, Customer's word of mouth.

### INTRODUCTION

The biggest management challenge in the new millennium of liberalization and globalization for a business is to serve and maintain good relations with the king - the customer. Over the last two and a half decades, marketing has witnessed a paradigm shift. The literature reveals that marketing has shifted from "transaction marketing to relationship marketing" (Lindgreen, 2011). Scholars have identified the need to retain customers to have a competitive advantage in the market. The challenge for a firm is to attract and retain loyal customers. Attracting new customer is costlier than serving an existing customer. It is claimed by Reichheld and Sasser (1990) that a 5 percent improvement in

customer retention can cause an increase in profitability between 25 percent and 85 percent (in terms of net present value) depending upon the industry. Relationship marketing aims at building and maintaining long-term relationship with customers. A firm can exploit customer relationship to have information regarding customers' needs and wants so that a suitable strategy can be designed to serve the customers more efficiently and effectively than the competitors.

### STATEMENT OF THE PROBLEM

Customer loyalty and customer retention are the most important challenges faced by the financial institutions across the world. At the same time, it is also found that effective relationship marketing

strategy helps the financial institutions to understand customers' needs, so that it can serve their customers better than their competitors, which finally leads to cost reduction and customer loyalty. The focus of this study is to empirically investigate bank account holders in South India - Chennai city, Tamil Nadu, the impact of relationship marketing variables on customer loyalty. The impacts of different demographical variables are also taken into consideration while examining the relationship between customer relationship marketing and customer loyalty.

#### **CUSTOMER RELATIONSHIP MARKETING**

The term 'relationship marketing' was popularized by Berry (1983); he defined relationship marketing as "the process of attracting, maintaining and, in multi-service organizations, enhancing customer relationships". Gronroos (1990) defined relationship marketing as "the process of establishing, maintaining, and enhancing relationships with the customers and other partners at a profit, so that the objectives of the parties involved are met. This achieved by a mutual exchange and fulfillment of promises."

#### **ATTRIBUTES OF CUSTOMER RELATIONSHIP MARKETING STRATEGY**

Relationship marketing can be understood as "an integrated effort to identify, maintain, and build up a network with individual customers and to continuously strengthen the network for the mutual benefits of both the sides, through interactive, individualized and value-added contacts over a long period of time. (Shani and Chalasani, 1992). Good relationship marketing creates trust about the institutions, service level, staffs' service, communication about the service, customer focus, security, customer prestige and word of mouth in the customers' mind. The relationship marketing aims at building long-term strong relationship with customers to cultivate and foster customer loyalty that will benefit both the customers and the financial institutions.

#### **CONTRIBUTION TO CURRENT KNOWLEDGE**

The contribution of this research study is threefold. First, to the findings of this study contribute to Relationship Marketing literature in general and to Customer Relationship Marketing Strategy in particular. Second, there has not been any reported research of the Customer Relationship Marketing Strategies and different demographical variables are influenced in Customer loyalty in banking in general, and in Chennai city in particular. Third, a very significant contribution of this research study is to identify the impact of Customer Relationship Marketing strategy and Customer

Loyalty in Public and Private sector account holders mind.

#### **RESEARCH QUESTIONS AND OBJECTIVES**

To analyze the Impact of Customer Relationship Marketing (CRM) Strategy and Customer Loyalty on Banking with reference to South India - Chennai, Tamil Nadu the researcher has developed three major research questions:

- 1) What are the Customer Relationship Marketing strategies adopted by Public and Private sector Banks in Chennai?
- 2) What are the Customer Relationship Marketing variables are influenced to Customer Loyalty in the respondents mind?
- 3) What are the different demographical variables taken into consideration while examining the Customer Relationship Marketing and Customer Loyalty?

These were the overall questions to be answered by the current study and defined by the following five objectives:

- 1) To study the empirical investigation of the impact of Customer Relationship Marketing Strategies on Customer Loyalty in Banks.
- 2) To explore the different demographical variables considered the Customer Relationship Marketing and Customer Loyalty.
- 3) To identify the Customer Relationship variables to frame the CRM strategy to influence the Customer Loyalty.
- 4) To identify the comparative relationship marketing analysis between Public and Private Banks in South India – Chennai, Tamil Nadu.
- 5) To offer guidelines for the successful strategy implementation in relationship marketing by Banks in South India – Chennai, Tamil Nadu.

#### **LITERATURE REVIEW**

##### **1. Overview of Customer Relationship Marketing**

The term "relationship marketing" was popularized by Berry (1983), he defined Relationship Marketing as "the process of attracting, maintaining and in multi-service organizations, enhancing customer relationship." Relationship marketing can be understood as "an integrated effort to identify, maintain, and build up a network with individual customers and to continuously strengthen the network for the mutual benefits of both the sides, through interactive, individualized and value-added contacts over a long period of time". (Shani and Chalsani, 1992). After considering various definitions of relationship marketing, Sheth and Parvatiyar (1995) argued that relationship marketing can be considered as "an ongoing process of engaging in-

cooperative and collaborative activities and programs with immediate and en-user customers to create or enhance mutual economic value at reduced cost”.

CRM aims at focusing all the organizational activities towards creating and maintaining a customer. CRM is a new technique in marketing where the marketer tries to develop long term collaborative relationship with customers to develop them as life time customers. CRM aims to make the customer climb up the ladder of loyalty.

## 2. Overview of Customer Loyalty

Customer loyalty is defined by Oliver (1999) as “a deeply held commitment to rebuy or repatronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behaviour. Czepiel (1990) argued that the problem-solving mechanism entails a higher degree of social exchange and mutual client-advisor relation that is likely to strengthen greater loyalty among clients. Reichheld (1993) believed that the customers who buy because of a personal referral are more loyal than the customers who buy because of an advertisement. He also opined that the customers who buy products at the standard price are more loyal than customer who buy on price promotion. Zeithaml et al. (1996) found strong association between overall service quality and service loyalty across multiple companies. Ball (2004) said that customer loyalty can be explained to a substantial degree by customer satisfaction, trust, and communication. Ndubisi (2006 and 2007), on the basis of his research of Malaysian bank customers, argued that the measurement of the ‘underpinning’ of relationship marketing can predict customer loyalty. At the same time, he also found significant gender difference in the trust loyalty relationship and concluded that women are significantly more loyal than men at higher levels of trust.

## 3. Overview of Customer Relationship Management

Scott (2001) defines CRM as “a set of business processes and overall policies designed to capture, retain and provide service to customers”. Companies are becoming increasingly aware of the many potential benefits provided by CRM. Some potential benefits of CRM are as follows: (1)

Increased customer retention and loyalty, (2) Higher customer profitability, (3) Creation value for the customer, (4) Customization of products and services, (5) Lower process, higher quality products and services (Jutla, Craig, & Bodorik, 2001).

## 4. Benefits of CRM

Peppard (2000) noted that effective management of information has a very important role in CRM because it can be used to for product tailoring, service innovation; consolidate views of customers, and for calculating customer lifetime value. Greenberg (2004) emphasized that CRM can increase the true economic worth of a business by improving the total lifetime value of customer, adding that successful CRM strategies encourage customers to buy more products, stay loyal for longer periods and communicate effectively with a company. CRM can also ensure customer satisfaction through the allocation, scheduling and dispatching the right people, with the right parts, at the right time (Chou et al., 2002). CRM systems assists companies evaluate customer loyalty and profitability based on repeat purchases, the amount spent, and longevity. Bull (2003) added CRM makes it practicable for companies to find unprofitable customers that other companies have abandoned or jettisoned.

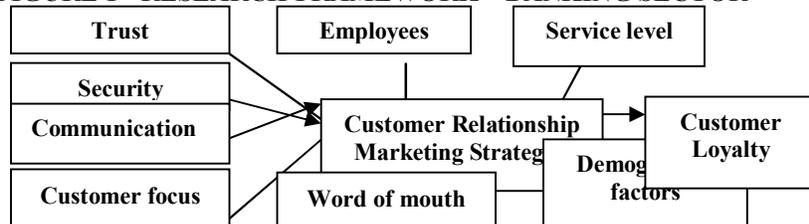
## RESEARCH METHODOLOGY & DESIGN

The methodology includes research framework; hypotheses formation; research instruments; sampling frame; and data analysis, results and discussions.

### 1. Research Framework

As stated earlier, the main objectives of this research are, first, are the Customer Relationship Marketing strategies adopted by Public and Private sector Banks in South India - Chennai, Tamil Nadu. Second, the Customer Relationship Marketing variables are influenced to Customer Loyalty in the respondents mind and third, the different demographical variables taken into consideration while examining the Customer Relationship Marketing and Customer Loyalty. In order to realize these objectives, the research framework is developed as shown in Figure 1.

**FIGURE 1 - RESEARCH FRAMEWORK – BANKING SECTOR**



## 2. Hypotheses Formulation

This research is empirical in nature and this characteristic stems from its objectives.

**H<sub>1</sub>:** There is an impact between Demographic factors of the respondents and the Customer Loyalty in Banks.

**H<sub>2</sub>:** There is a relationship between Demographic factors of the respondents and the Customer Relationship Marketing Strategies in Banks.

**H<sub>3</sub>:** There is an impact between Customer Relationship Marketing variables and Customer Loyalty in Banks.

**H<sub>4</sub>:** All Public and Private sector Banks offering same type of Customer Relationship Marketing Strategies.

## 3. Research Instrument

In order to achieve the research objectives, a survey instrument was developed by the researcher. A questionnaire is prepared for banking to identify the impact of Customer Relationship Marketing strategies and Customer Loyalty. The questionnaire is containing Trust, Employees, Communication, Security, Customer focus, 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. A pilot survey of 30 respondents in each sector was conducted to check the validity of the questionnaire.

## 4. Instrument Validity and Reliability

Discriminant validity was assessed using factor analysis. In order to ensure the use of factor analysis, the Berlett Test of Sphericity (BTS) and Kaiser-Meyer-Olkin (KMO) Test of appropriateness were carried out accordingly. All the factors come under single component, proved through Confirmatory factor analysis. Discriminant validity was assessed using Discriminant analysis. All the factor variables measuring the CRM Strategies were subjected to Canonical Discriminant Function Coefficients. In order to ensure the use of variables, the Hit ratio Test of Cross validation were carried out accordingly.

The Cross validation results in Banks are 90.60% for all the CRM variables, to discriminate between Public and Private sector Banks and the level of significance at  $P = 0.000$  indicated that the data are appropriate for the purpose of discriminant analysis. Statistically, this means that there exist relationships between the variables and that they can be appropriately included in the analysis (Bryman, 1989). The reliability of the constructs was assessed by the Cronbach  $\alpha$  reliability coefficient and exceeded Nunnally's standards for research (Nunnally, 1978).

## 5. Sampling Frame

The survey reported here was conducted at respondents are located in Chennai city area. After having validated the questionnaire through expert validation and pilot testing, a sample size of 300 was drawn at random from different Public and Private Banks in South India - Chennai City, Tamil Nadu. As a result, the researcher was able to receive 298 useful responses or the overall response rate of the research is 99.33%. The target respondents are belonging in each sector account holders. The analysis was performed using SPSS Statistic 17.0.

## DATA ANALYSIS, RESULTS & DISCUSSIONS:

The data analysis, results and discussions of the study are summarized below:

### 1. General Profile:

The respondents are selected in Public and Private sectors randomly. The respondents are selected based on Gender (Minimum 40%), Age group (Nearly 25% in each interval), Occupation (Minimum 10% and Maximum 26% in each Occupation), Education – Given more coverage from Under graduate (nearly 30%), Post graduate (nearly 30%), Doctorate (nearly 10%), Income group (minimum 15% in each scale), Marital status (2/3 of the respondents are Married), Type of family (minimum 1/3 Joint family) and Age on account is Minimum of three years, Type of account and Most often usage account. Respondents are selected randomly from leading Public and Private sector Banks. The respondents Prime Bank is selected from Age on account, Type of Account and Most often usage account. The data is collected Main places in Chennai City.

**Table 1: General Profile of the study – Demographic variables**

Particulars	No. of Respondents	Percentage of the Respondents
<b>Gender</b>		
Male	166	55.7
Female	132	44.3
<b>Total</b>	<b>298</b>	<b>100</b>
<b>Age Group</b>		
UPTO 25	79	26.51
26-35	81	27.18
36-45	64	21.48
Above 45	74	24.83
<b>Total</b>	<b>298</b>	<b>100</b>
<b>Occupation</b>		
Student	33	11.07
Govt. Employee	78	26.17
Pvt. Employee	75	25.17
House wife	33	11.07
Business man	39	13.09
Professional	40	13.42
<b>Total</b>	<b>298</b>	<b>100</b>
<b>Educational Qualification</b>		
Doctorate	34	11.41

Post Graduate	91	30.54
Under Graduate	96	32.21
Diploma	28	9.39
Hoc/SSLC	45	15.11
School Incomplete	4	1.34
<b>Total</b>	<b>298</b>	<b>100</b>
<b>Monthly Income</b>		
Upto Rs.10,000	43	14.43
Rs.10,001-Rs.20,000	59	19.8
Rs.20,001-Rs.30,000	58	19.46
Rs.30,001-Rs.40,000	62	20.81
Above Rs.40,000	76	25.5
<b>Total</b>	<b>298</b>	<b>100</b>
<b>Marital Status</b>		
Unmarried	101	33.89
Married	197	66.11
<b>Total</b>	<b>298</b>	<b>100</b>
<b>Type of Family</b>		
Joint family	114	38.25
Nuclear family	184	61.75
<b>Total</b>	<b>298</b>	<b>100</b>

Source: Primary data

## 2. Descriptive Statistics of Research Variables:

The primary objective of this study was to find the respondents agreed level in Customer Relationship Marketing. The results are found to be very different from the mid-point 3.0.

## 3.

**Table 2: Mean & t test value of Customer Relationship Marketing**

CRM Factors	Mean	Std. Dev.	Std. Error Mean	T	Sig. (2-tailed)
Trust	3.61	1.364	0.079	45.74	0.000**
Employees	3.69	1.32	0.076	48.33	0.000**
Communication	3.59	1.197	0.069	51.81	0.000**
Security	3.67	1.266	0.073	50.01	0.000**
Customer focus	3.59	1.239	0.072	49.96	0.000**
Service level	3.51	1.356	0.079	44.63	0.000**
Word of mouth	3.68	1.207	0.07	52.65	0.000**

Source: Primary data \*\* Reject at 1% level (2 tailed)

**In Banking**, all the factor variable results were found to be above the average mean value. In overall Employees factor variables were considered to be the most significant agreed level with highest mean (3.69). The Customer's Word of Mouth came second with a mean of 3.68 and the Security factors variables came third (Mean = 3.67).

**Table 4. Analysis of Variance on factors considered to build Customer Loyalty in respect to Demographic Factors of the Respondents Dependent Variable : Customer Loyalty**

Demographic Factor	Particulars	Mean	S.D.	F Value	P Value	
<b>Gender</b>	Male	3.46	1.301	<b>6.032</b>	<b>0.01**</b>	
	Female	3.84	1.336			
	<b>Age Group</b>	UPTO 25	4.08	1.174	<b>6.144</b>	<b>0.00**</b>
		26-35	3.27	1.255		
		36-45	3.78	1.215		
ABOVE 45	3.42	1.508				
<b>Occupation</b>	Student	4.36	0.859	<b>4.674</b>	<b>0.00**</b>	
	Govt Employee	3.71	1.28			
	Private Employee	3.51	1.256			
	House wife	3.33	1.362			

The association between Customer relationship variables and Customer Relationship Marketing strategies through One-sample t test. A one-sample test was conducted to determine whether these observed means of the Customer relationship variables are significantly different from the mid-point 3.0. The results are found to be very significantly different from the mid-point 3.0 ( $p < 0.01$ ). This confirms that all the Customer relationship marketing variables are in the positive side. Thus, the researcher has come to conclusion that the Customer relationship marketing variables positively affect the implementation of the Customer relationship marketing strategy in Banks.

## 4. Chi-square and ANOVA test between Demographic factors and Customer Loyalty

## 5.

**Table 3. Chi-square on factors considered to build customer loyalty in respect of demographic factors of the respondents**

Demographic Factors	Chi-square Value	D.f.	Sig.	Result
Gender	18.906 <sup>a</sup>	4	<b>0.01**</b>	<b>Sig.</b>
Age Group	28.761 <sup>a</sup>	12	<b>0.01**</b>	<b>Sig.</b>
Occupation	36.305 <sup>a</sup>	20	<b>0.01**</b>	<b>Sig.</b>
Educational Qualification	59.392 <sup>a</sup>	20	<b>0.00**</b>	<b>Sig.</b>
Monthly Income	85.692 <sup>a</sup>	16	<b>0.00**</b>	<b>Sig.</b>
Marital Status	15.262 <sup>a</sup>	4	<b>0.00**</b>	<b>Sig.</b>
Type of family	15.181 <sup>a</sup>	4	<b>0.00**</b>	<b>Sig.</b>

Source: Primary data \*\*Correlation is significant at the 0.01 level (2-tailed)

Note: - D.F. is get differed because test is done for the different demographic factors.

**In Banking**, the chi-square value between Customer loyalty and demographic variables are, Gender group (18.906<sup>a</sup>), Age group (28.761<sup>a</sup>), Occupation of the respondents (36.305<sup>a</sup>), Educational qualification (59.392<sup>a</sup>), Monthly income (85.692<sup>a</sup>), Marital status (15.262<sup>a</sup>) and the Type of family (15.181<sup>a</sup>). There is a significant relationship between customer loyalty and the demographic factors of the respondents i.e., the p value is less than 0.01.

	Business man	3.05	1.589		
	Professional	3.92	1.269		
Educational Qualification	Doctorate	3.41	1.019		
	Post Graduate	4.23	1.096		
	Under Graduate	3.28	1.367		
	Diploma	3.25	1.43		
	Hoc/SSLC	3.53	1.471		
	School Incomplete	4	0.816	<b>6.326</b>	<b>0.00**</b>
Monthly Income	Upto Rs.10,000	3.14	1.104		
	Rs.10,001 to Rs.20,000	4.44	1.087		
	Rs.20,001 to Rs.30,000	3.4	1.297		
	Rs.30,001 to Rs.40,000	3.27	1.345		
	Above Rs.40,000	3.75	1.348	<b>9.703</b>	<b>0.00**</b>
Marital Status	Unmarried	3.99	1.229		
	Married	3.45	1.341	<b>11.59</b>	<b>0.00**</b>
Type of family	Joint family				
		3.89	1.306	<b>7.453</b>	<b>0.01**</b>
	Nuclear family	3.47	1.318		

Source: Primary data \*\* 1% Significant level

P value is less than 0.01, the null hypothesis is accepted at 1% level of significance, i.e., the significant value of Brand Loyalty denotes that the Gender group, Age group, Occupation, Educational Qualification, Monthly Income and Marital status and the Type of family attributed to chance to build Customer loyalty. The mean value of each demographic variables are above the mid value (i.e., above 3.00).

In ANOVAs results shows that (F) in Gender group (6.032), Age group (6.144) Occupation of the respondents (4.674), Educational qualification (6.326), Monthly income (9.703), Marital status (11.586) and the Type of family (7.453). Since, the observed significance level was less than 0.01, (1% reject level) i.e., the demographic variables influence Customer loyalty.

**Table 5. ANOVAs Test: Customer Relationship Marketing Strategy with Demographic variables**

The hypothesis two of this research study can be expressed through ANOVAs as described below:

Independent Variable	Dependent Variable	F Value	P Value
Occupation	Trust	<b>2.41</b>	<b>0.04*</b>
	Employees	<b>3.947</b>	<b>0.00**</b>
	Communication	<b>3.278</b>	<b>0.01**</b>
	Security	<b>5.011</b>	<b>0.00**</b>
	Customer focus	<b>4.272</b>	<b>0.00**</b>
	Service level	<b>2.194</b>	<b>0.05*</b>
	Word of mouth	<b>3.124</b>	<b>0.01**</b>
Educational Qualification	Trust	<b>5.199</b>	<b>0.00**</b>
	Employees	<b>3.213</b>	<b>0.01**</b>
	Communication	<b>9.109</b>	<b>0.00**</b>
	Security	<b>6.883</b>	<b>0.00**</b>
	Customer focus	<b>4.249</b>	<b>0.00**</b>
	Service level	<b>7.988</b>	<b>0.00**</b>
	Word of mouth	<b>4.877</b>	<b>0.00**</b>
Monthly Income	Trust	<b>7.214</b>	<b>0.00**</b>
	Employees	<b>7.85</b>	<b>0.00**</b>

Age Group	Communication	<b>10.441</b>	<b>0.00**</b>
	Security	<b>11.715</b>	<b>0.00**</b>
	Customer focus	<b>5.5</b>	<b>0.00**</b>
	Service level	<b>8.756</b>	<b>0.00**</b>
	Word of mouth	<b>8.492</b>	<b>0.00**</b>
	Trust	<b>3.986</b>	<b>0.01**</b>
	Employees	<b>3.092</b>	<b>0.03*</b>
	Communication	<b>7.924</b>	<b>0.00**</b>
	Security	<b>7.37</b>	<b>0.00**</b>
	Customer focus	<b>6.325</b>	<b>0.00**</b>
	Service level	<b>5.441</b>	<b>0.00**</b>
	Word of mouth	<b>3.479</b>	<b>0.02**</b>

Source: Primary data \*\* 1% Significant level  
\*5% Significant level

**In Banking**, ANOVAs results shows (F) between Customer Loyalty and Occupation, Educational qualification, Income group, Age group. The observed significance level was less than 0.01, (1% reject level) between all the above demographic variables and Customer loyalty.

## 6. Multiple Regression Analysis: Customer Relationship Marketing Strategy Vs. Customer Loyalty

The hypothesis third of this research study can be expressed through Multiple Regression Analysis as described below:

### **In Banking**

In this study, the dependent variable is Customer Loyalty, Independent variables are Customer Relationship Marketing Strategies.

From the R value (0.975<sup>a</sup>) it is clear that a positive relationship on Customer Loyalty adopted by CRM Strategies by the Banks. R square denotes that 95% of the variation in perception among the respondents in respect to Customer Loyalty on CRM Strategies. The Durbin-Watson statistic for this model is 1.923. The desired value is in the range 1.5 to 2.5.

**Table 6.1 Regression Analysis on CRM strategies towards Customer Loyalty**

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
0.975 <sup>a</sup>	0.952	0.95	0.296	1.923

a Predictors: (Constant), Customer's word of mouth, Security, Customer Focus, Trust, Service level, Employees, Communication

b Dependent Variable: Customer Loyalty

Since P value is less than 0.01, the null hypothesis is rejected at 1 percent level of significance. Hence, concluded that there is significant difference between Customer Loyalty and Customer Relationship Strategies.

From the significant value it is found that enough evidence to conclude that the slope

of the population regression line is not zero and hence that these attributes are found to be useful to study the difference on perception in respect to CRM strategies influence the Customer Loyalty of the Banking sector.

**Table 6.2. Analysis of Variance on Customer Loyalty<sup>b</sup> towards CRM strategies**

	Sum of squares	Df	Mean Square	F	P value
Regression	498.027	7	71.147	<b>813.3</b>	<b>0.000<sup>a</sup></b>
Residual	25.369	290	0.087		
Total	523.396	297			

a. Predictors: (Constant), Customer's word of mouth, Security, Customer Focus, Trust, Service level, Employees, Communication

b Dependent Variable: Customer Loyalty

**Table 6.3. Coefficients on CRM strategies towards Customer Loyalty**

Customer Relationship Marketing Strategies	Unstandardized Coefficients		Standardized Coefficients	T	P value
	B	Std. Error	Beta		
(Constant)	-0.492	0.061		-8.086	<b>0.000**</b>
Trust	0.182	0.023	0.187	7.827	<b>0.000**</b>
Employees	0.253	0.026	0.252	9.822	<b>0.000**</b>
Communication	0.153	0.028	0.138	5.479	<b>0.000**</b>
Security	0.173	0.030	0.165	5.818	<b>0.000**</b>
Customer Focus	0.102	0.022	0.096	4.706	<b>0.000**</b>
Service level	0.181	0.025	0.184	7.123	<b>0.000**</b>
Customer's word of mouth	0.093	0.027	0.085	3.508	<b>0.001**</b>

a Dependent Variable: Customer Loyalty

\*\* Reject at 1% level

Since P value is less than 0.01, the null hypothesis is rejected at 1% level of significance in Trust factor, Employees factor, Communication factor, Security factor, Customer focus, Service level factor and Customer's word of mouth.

The estimated regressions equation is

$$\text{Customer Loyalty} = -0.492 + 0.182 (\text{Trust}) + 0.253 (\text{Employees}) + 0.153 (\text{Service}) + 0.173 (\text{Security}) + 0.102 (\text{Customer Focus}) + 0.181 (\text{Service level}) + 0.093 (\text{Customer's word of mouth})$$

The results of multiple regression show that 95 percent of the observed variability in the Customer relationship marketing strategies is explained by the seven independent variables ( $R^2 = 0.952$ , Adjusted  $R^2 = 0.950$ ). ANOVA Results show that the ratio of the seven mean squares (F) was 71.147 (F-Value = 813.299,  $P < 0.01$ ). Since, the observed significance level was less than 0.01, the seven factor variables influence Customer relationship toward Customer loyalty.

### 7. Discriminant Analysis – CRM Strategies between Public and Private Banks:

The hypothesis fourth and fifth of this research study can be expressed through Discriminant Analysis as described below: The one of objectives of this research is to compare the Public and Private sector CRM strategies explore the influential relationships between the Customer Relationship Marketing strategies offered by Public sector Banks, Life Insurance, Mutual funds and Customer Relationship Marketing strategies offered by Private sector Banks, Life Insurance and Mutual funds. This objective can be achieved by using Discriminant analysis. The summary of the results corresponding to each sector is given below.

In **Banking**, the Public sector banks mean value is less than the Private sector banks in all the factors. The one-way ANOVA a significant difference in the mean exists for all the factor variables p value is less than 0.01 (the p value is 0.00) exists between Public and Private Banks. As per Classification Function Coefficients (Fisher's linear discriminant functions) all Private sector factor variables scored high comparatively Public sector banks.

The two groups (Public/Private) are to be compared on the basis of eight groups of customer relationship factors of the Banking sectors. The mean scores,

along with the standard deviations of the seven groups of the customer relationship factors.

**Table 7.1. CRM Mean & Standard deviation between Public and Private Banks**

Public/ Private Banks	Customer Relationship Factors	Mean	Std. Dev.
Public Sector	Trust Factor	2.62	1.177
	Employee Factor	2.75	1.179
	Service Factor	2.81	1.049
	Security factor	2.74	1.098
	Communication factor	2.87	1.135
	Customer Focus	2.52	1.044
	Word of mouth	2.85	1.038
Private Sector	Trust Factor	4.6	0.613
	Employee Factor	4.64	0.56
	Service Factor	4.38	0.74
	Security factor	4.59	0.545
	Communication factor	4.3	0.875
	Customer Focus	4.5	0.794
	Word of mouth	4.52	0.664

As per mean value, the Public sector banks mean value is less than the Private sector banks in all the factors. The standard deviation is also low in Private Banks comparatively Public sector Banks.

**Table 7.2. Tests of equality of group means**

CR FACTORS	Wilks' Lambda	F Value	Sig.
Trust Factor	0.472	331.712	0.000**
Employee Factor	0.488	310.936	0.000**
Service Factor	0.572	221.283	0.000**
Security factor	0.467	337.856	0.000**
Communication factor	0.666	148.245	0.000**
Customer Focus	0.466	339.708	0.000**
Word of mouth	0.519	274.128	0.000**

\*\*1 % significant level

As per the one-way ANOVA a significant difference exists between Public and Private Banks. The significant difference in the mean exists for all the factors p value is less than 0.01 (the p value is 0.000).

**Table 7.3. Unstandardised Canonical Discriminant Function Coefficients**

CR FACTORS	Function 1
Trust Factor	0.339
Employee Factor	0.263
Service Factor	0.015
Security factor	0.311
Communication factor	0.051
Customer Focus	0.388
Word of mouth	0.139
(Constant)	-5.077

The estimated unstandardised discriminant function is:

$$Y = -5.077 + 0.339 X_1 + 0.263 X_2 + 0.015 X_3 + 0.311 X_4 + 0.051 X_5 + 0.388 X_6 + 0.139 X_7$$

(Y - Discriminant Score,  $X_1$  - Trust Factor,  $X_2$  - Employees Factor,  $X_3$  - Service Factor,  $X_4$  - Security Factor,  $X_5$  - Communication Factor,  $X_6$  - Customer focus factor,  $X_7$  - Word of mouth factor)

**Table 7.4. Eigen values**

Function	Eigen Value	Percentage of variance	Cumulative Percentage	Canonical Correlation
1	1.822 <sup>a</sup>	100	100	0.803

a. First 1 canonical discriminant functions were used in the analysis.

A higher eigenvalue is always desirable in discriminant function, as per the analysis the eigen value is 1.822<sup>a</sup>. The simple correlation coefficient between the discriminant score and their corresponding group (Public/Private) is 0.803. The square of the canonical correlation is  $(0.803)^2 = 0.6448$ , which means 64.50% of the variance in the discriminating model between Public and Private Banks is due to the changes in the seven predictor customer marketing relationship factors.

**Table 7.5. Significance of discriminant function model**

Test of Function(s)	Wilks' Lambda	Chi-square	d.f.	Sig.
1	0.354	303.415	7	0

\*\*1% significant level

The statistical test of significance for Wilks' lambda is carried out with the chi-squared transformed statistic is 303.415 with 7 degrees of freedom (Number of factors groups) and p value of 0.000. The p value is less than 0.01, it is inferred that the discriminant function is significant and can be used for further interpretation of the results.

**Table 7.6. Classification Function Coefficients**

CR FACTORS	Public/Private Banks	
	Public	Private
Trust Factor	0.629	1.541
Employee Factor	0.887	1.594
Service Factor	1.33	1.369
Security factor	0.684	1.521
Communication factor	0.511	0.648
Customer Focus	0.135	1.178
Word of mouth	1.547	1.92
(Constant)	-8.849	-22.507

Fisher's linear discriminant functions

In Public banks,

$$Y = -8.849 + 0.629 X_1 + 0.887 X_2 + 1.330 X_3 + 0.684 X_4 + 0.511 X_5 + 0.135 X_6 + 1.547 X_7$$

(Y is Discriminant Score,  $X_1$  – Trust Factor,  $X_2$  – Employees Factor,  $X_3$  – Service Factor,  $X_4$  – Security Factor,  $X_5$  – Communication Factor,  $X_6$  – Customer focus factor,  $X_7$  – Word of mouth factor)

In Private banks,

$$Y = -22.507 + 1.541 X_1 + 1.594 X_2 + 1.369 X_3 + 1.521 X_4 + 0.648 X_5 + 1.178 X_6 + 1.920 X_7$$

(Y is Discriminant Score,  $X_1$  – Trust Factor,  $X_2$  – Employees Factor,  $X_3$  – Service Factor,  $X_4$  – Security Factor,  $X_5$  – Communication Factor,  $X_6$  – Customer focus factor,  $X_7$  – Word of mouth factor)

**Table 7.7. Classification Results<sup>c</sup>**

		Public/ Private	Predicted Group Membership		Total
			Public	Private	
Original	Count (%)	Public	126	23	149
			(84.6)	(15.4)	(100)
	Private	5	144	149	
			(3.4)	(96.6)	(100)
Cross-validated (a)	Count (%)	Public	124	25	149
			(83.2)	(16.8)	(100)
	Private	5	144	149	
			(3.4)	(96.6)	(100)

- a. Cross validation is done only for those cases in the analysis.  
In cross validation, each case is classified by the functions derived from all cases other than that case.

$$\text{Hit ratio} = \frac{\text{No. of corrected predictions}}{\text{Total number of cases}}$$

$$= \frac{126 + 144}{298} = 90.60\%$$

As per analysis, **90.60%** of original grouped cases correctly classified.

### EXECUTIVE SUMMARY

1) It was clear from the Chi-square test that the Demographic variables directly influence Customer Loyalty. It is also proved from ANOVAs test that the demographic variables influence Customer loyalty in Banks irrespective of Public and Private sector.

2) This study clearly indicates that the bank must consider the customer's demographic factors for framing CRM strategies, which are need for maintain long-term relationship with the customers.

3) It was evident from the study that all the Banks are continuously implementing different types of Customer Relationship Marketing strategies to maintain good Customer Relationship. The outcome of the study portrays that all the factors are positively influencing the Customer Loyalty irrespective of Public and Private Banks; it is proved through the Multiple Regression analysis.

4) The study revealed that **in Banks**, Private Banks identifying the Customer relationship needs continuously and implementing in different Customer Relationship Marketing strategies comparatively Public Sector Banks.

### CONCLUSION AND MANAGERIAL IMPLICATIONS

The financial institution should make all our efforts to retain customers by reinforcing their loyalty and bondage with them. As markets break down into heterogeneous segments, a more precisely targeted marketing technique is required, which creates a dialogue with smaller groups of customers and identifies individual needs.

The financial institutions are in the competitive pressures to adopt Customer Relationship Marketing strategies including Service quality, Employees quality services, on-time Communication facility, Customer focused service,

increase the Customer's Trust, Security facilities, feel Customer's Prestige and positive customer's word of mouth, etc.,

From the study, it was witnessed that both Public and Private Banks were continuously identified, practiced and implemented Customer Relationships strategies. One of the main objectives of this study was the impact of Customer Relationship Marketing strategy and Customer Loyalty. Based on the results of this study, the following managerial implications are drawn by the researcher.

- The Public sector Banks continuously identify the Customers needs in services, compare with Private sector Banks the services what they offered, especially Customer focus Communication factors.
- In financial market Customer Relationship Marketing strategies are highly correlated with Customer's Loyalty in South India – Chennai, Tamil Nadu.
- Financial institutions to frame the Relationship strategy based on Customers Demographic factors because it is directly leads to Customer loyalty.

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