Place of Customer Relationship Management in Enhancing Customer Satisfaction in the Banking Industry

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Abstract

There is a need for every organization to have special abilities in satisfying customers; hence, the broad aim of the study is to evaluate the effect of customer relationship management on customer satisfaction among Old generation bank.

The study adopted both the primary and secondary sources of data; hence a well-structured questionnaire was used to collect data. Random sampling technique was adopted to select four States in South- West Nigeria namely Oyo, Ogun, Osun and Ekiti State, with five local governments areas selected in each state and in each local government five respondents were also randomly selected. Quantitative approaches were adopted and data was analyzed using descriptive statistics, Analysis of Variance (ANOVA) and Cross Tab.

The major findings from the study showed that the relationship between Customer Satisfaction and CRM elements were all positive. Service quality (r= 0.4410, p< 0.0010), service access (r= 0.4250, p < 0.0010) and service feature (r= 0.3560, p < 0.0010) all showed a strong significant correlation with customer satisfaction. There exists a statistical significant difference between satisfied customers and non-satisfied customers on all identified CRM elements. Likelihood Ratio (LR= 255.971, p = 0.0000) and Linear Association (LLA = 40.288, p = 0.0000): were statistically significant. Also, inconsistent network availability was ranked 1st. from some challenges facing CRM services in this old generation bank

Therefore, this study concludes that good customer relationship management is very germane in ensuring customers satisfaction in the banking industry

Keywords: Customer relationship Management, Customers Satisfaction, Banking Industry

1.0   Introduction

Customer Relationship Management (CRM) is a term for the methodologies, technologies and e-commerce capabilities used by firms to manage customer relationships (Lancaster and Jobber, 2006). It is a model that builds the connection between company and customers for long term business relations. It involves the use of technology in organizing business processes, sales activities, thereby helping firms in marketing and providing technical support to numerous customers. A customer (sometimes known as a client, buyer, or purchaser) is the recipient of a good, service, product, or idea, obtained from a seller, vendor, or supplier for a monetary or other valuable consideration (Reizenstein, 2004). In addition, customer represents an individual or business that purchases the goods or services

produced by a business. The profit of any company is based on good customers and their inputs; hence, marketing views a customer as a king in a business enterprise.

Relationship simply refers to the way in which two or more people or things are connected, or the state of being connected. In terms of customers' relation to the company, it is multidimensional based on mutual connection and communication which is possible, short or prolonged, lasts longer and remains continuous or can be distinct (Wyner, 1999 as cited in Paul, 2001). Management in business and organization is the function that coordinates the efforts of people to accomplish goals and objectives by using available resources efficiently and effectively (Wikipedia, 2015). Therefore, Customer Relationship Management includes all the marketing activities which are designed to establish, develop, maintain, and sustain a successful relationship with the target customers.

Hence, IT is expected to help the banks improve their abilities to plan sale operations as well as marketing campaigns and provide services through the different ways of interaction with customer companies (including person-to-person communication, telephone, fax, web network, direct mail and e-mail).

In the banking field, a unique but complex 'relationship' exists between the customers and the bank. Understanding this uniqueness and complexity of these teaming customers is paramount in CRM. Despite substantial investments in customer relationship management (CRM) applications, there is a lack of research demonstrating the benefits of such investments. In particular, there has been limited research on the role and contribution of CRM applications in managing customer encounters (Bitner, Brown and Meuter, 2000; Meuter *et al.*, 2000). Although marketing and information systems researchers have developed theories about the effect of CRM application, with some progress toward empirical validation (Jayachandran *et al.*, 2005; Reinartz, kraf mft and Hoyer, 2004; Romano and Fjermestad, 2003; Srinivasan and Moorman, 2005), there is limited knowledge about the effect of CRM applications on a firm's customer knowledge and customer satisfaction.

Objectives of the study
The broad objective of the study is to evaluate the effect of customer relationship management on customer satisfaction. The specific objectives are to:
(i) Evaluate the significance of customer relationship management elements employed ,
(ii) Evaluate the relationship between customer relationship management and customer satisfaction, and
(iii) Examine the challenges faced by this old generation banks on customer relationship management services.

Hypothesis of the study
The null hypothesis to be tested is stated thus:
Ho: There exist no significant relationship between customer relationship management and customer satisfaction in this old generation bank.

Empirical Review of Literature
Kocoglue, (2012), in his study titled customer relationship management and customer loyalty in the banking industry, conducted on a sample of 350 staff employed in all the branches in denizili of T.C Ziraat Bank. The study concluded that all elements of CRM i.e. customer database, learning customer needs and complaints, and providing solutions peculiar to customers are positively correlated with customer loyalty. These factors are very important to increase customer loyalty and the benefits of the firm.

Chang, (2005) explores the relationship between service quality, customer satisfaction and loyalty in the Taiwanese Leisure Industry using a questionnaire method administered to visitors of Taiwan that visited the Yueh-Mei Sightseeing Sugar Mill. The results indicated that age and marital status did have a significant effect on the overall satisfaction as evaluated by the factors of service quality, customer satisfaction and loyalty. It indicated that married people were more satisfied than single people and that those of age 41-50 years were more satisfied than any other age groups in the study.

Fornell *et al.* (1996) evaluate the effect of customer relationship management on customer satisfaction. They used the data on key dependent and independent variables on separate sources to void common biased. The results indicated that there is positive relationship between customer relation management and customer satisfaction and knowledge.

Theoretical Framework

Customer Relationship management (CRM) can be defined as the development and maintenance of mutually beneficial long –term relationships with strategically significant customers (Kotler, 2000). CRM according to Bradshaw and Brash (2001) is an IT enhanced value process, which identifies, develops, integrates and focuses the various competencies of the firm to the 'voice' of the customer in order to deliver long-term superior customer value, at a profit to well identified existing and potential customers.

Customer relationship management focuses on strengthening the bond between customers and the firm by maximizing the value of the relationship for the benefit of both the customer and the firm. According to Ryals and Payne, (2009) Customer Relationship Management is a strategy that is used to learn more about customer's needs and behaviours in order to develop stronger relationships with them. Good customer relationships are at the heart of business success.

The application of CRM with technology could be problematic to the organization because of the lack of training among their staff, lack of technological support, inappropriate market target, and other minor problems. Other than that, the adaptation of CRM in every organization proposes to be part of the internal function of the management to help business leaders create sound decisions. The combination of CRM and IT can be described as another modernized communication, but it is more than just ordinary software. The essence of building the link between CRM and IT is to appropriately reach the customers without delay. The application of CRM deals with the monitoring of the current and future needs. This is a great innovative approach to every organization for it continuously adds value on their customers and corresponds to their market effectiveness. Although, it is difficult to pin down directly the demand of the customers, it is still believed that the strong relationship between the company and their clients can help dictate the flow of the competition as well as influencing the customers' buying and decision behaviors.

Conceptual Framework

Customer Profitability systems can be the most powerful backbone of a CRM implementation. Both systems should share the relationships captured, and provided by a CRM solution. They also should share the profitability data for the relationships produced by the profitability system. Traditionally, CRM solutions have focused on customer touch points. The solutions were driven by call centers and sales professionals to manage the customer relationship and sale cycle. And the two groups collected data regarding customer satisfaction and preferences for their own use.

Successful CRM programs have, in the past, increased customer loyalty and customer satisfaction. They have in many instances even increased company revenues. Unfortunately, customer satisfaction and loyalty do not always translate into revenues. More importantly, revenues don't always translate into increased profit. Furthermore, CRM was implemented in just one aspect of the business leaving all other areas, especially operations and development, isolated from the customer pulse.

Customer relationship management focuses on strengthening the bond between customers and the firm by maximizing the value of the relationship for the benefit of both the customer and the firm. As a business philosophy, CRM is based upon individual customers and customized products and services supported by open lines of communication and feedback from the participating firms that mutually benefits both by buying and selling in the organization. The buying and the selling firms enter into a `learning relationship', with the customer being willing to collaborate with the seller and grow as a loyal customer. In return, the seller works to maximize the value of the relationship customer's benefit. With the objective of most businesses today being to create and maintain loyal customers at a profit, CRM provides the platform for seeking competitive advantage by embracing customer needs and building value-driven long-term relationship (Kotorov, 2003)

Customer Value

Real customer relationships, those that result in the customer feeling a genuine sense of loyalty to the firm, are predicted on a series of satisfying experiences with the company. Relationships are not developed overnight. Until the customer senses some attachment to the company, then no relationship can be said to exist. What, then, drives customer satisfaction? Surely it is the ongoing creation of value in the mind of the customer. Bristol Group, (2004). But value creation has been approached from diverse perspectives. Butz and Goodstein, (1997) defined it as the emotional bond established between a customer and a producer after the customer has used a salient product or service produced by that supplier. Woodruff, (1997) defined customer value as a customer-perceived preference for, and evaluation of, product attributes, attribute performances, and consequences in terms of the customer's goals and purposes.

Methodology

The area of study for this work is the old generation banks. The study adopted both the primary and secondary sources of data; hence a well-structured questionnaire was used to collect data on socio-economic characteristics of this bank. Random sampling technique was adopted to select four States in South- West Nigeria namely Oyo, Ogun, Osun and Ekiti State. I n each state five local government's areas were selected and in each local government five respondents were also randomly selected. Quantitative approaches were adopted and data was analyzed using Cronbach alpha test, Cross - tab, Pearson and Spearman Correlation.

2.0   Result
Customer Relationship Management Elements Employed by First Bank Nig. Plc

This study adopted three variables of customer relationship management elements following Sanuallah*et al*. (2014). This includes service quality, service access and service feature. Using statiscal package for social sciences (SPSS) IBM version 21, the reliability of instrument was tested. Table 4 presents the values of Chronbach alpha for each measurement group of elements being tested for (i.e. service quality, service access and service features). For each group, as the value of cronbach alphas were above 0.5, it means that data collected from respondents was reliable and consistent with the scale.

Furthermore, correlation test was conducted to ascertain the casual link between these elements (service quality, service access and service feature) and customer satisfaction using cross-tab. This is an inferential statistic that describes the degree of relationship between two variables. It further measures the extents to which an independent variable predicts a dependents variable. The correlation coefficient represented by (r) ranges between – 1 and +1 and the closer the r value to +1, the stronger the relationship between the variables of study.

As presented in Table 2, result shows that the relationship between the dependent (customer satisfaction) and independent variables (CRM elements) were all positive. The result presented by the cross-tab analysis shows that most of the measurement groups were strongly correlated and statistical significant. Service quality shows a strong significant correlation with customer satisfaction with a coefficient of (r) = 0.4410, at a probability (p)<0.0010. In addition, customer satisfaction shows a strong significant correlation with service access with a coefficient of (r) = 0.4250, at a probability (p) < 0.0010 and customer satisfaction shows a strong significant correlation with service feature with a coefficient of (r) = 0.3560, at a probability (p) < 0.0010.

Hence, it could be deducted that service quality, service access and service feature influenced customer satisfaction among First Bank Nigeria Plc customers since it recorded strong correlation with customer satisfaction. This influence is significant, reliable and consistent.

Table 1: Reliability Analytical Result

CRM ELEMENTS	Cronbach Alpha	Cronbach's Alpha Based On Standardized Items	Friedman's Chi Square	Mean	Intra Class Correlation Coefficient
SERVICE QUALITY	0.5590	0.5640	14.7060*	3.5500	0.3880*
SERVICE ACCESS	0.8660	0.8800	74.9370*	3.5139	0.418*
SERVICE FEATURE	0.6060	0.5060	37.6670*	3.4889	0.2350*

Source: Field survey, 2017
NOTE: * Means statistically significant at 0.00

Table 2: Cross-Tab Analytical Result

CRM ELEMENTS	Pearson Chi-Square	Likelihood Ratio	Linear by Linear Association	Pearson's R
SERVICE QUALITY	27.0830*	34.1640*	19.2580*	0.4410*
SERVICE ACCESS	58.3333*	61.8900*	17.8980*	0.4250*
SERICE FEATURE	37.5000*	44.6290*	12.5440*	0.3560*

Source: Field survey, 2017
NOTE: * means statistically significant at 0.000.

Furthermore, the pooled data on CRM elements were analyzed against customer satisfaction using cross tab. The result presented by the cross-tab analysis shows that the dependent (customer satisfaction) and independent variables (CRM elements) were positive, strongly correlated and statistical significant (Table 3). The Asymptotic value of Pearson Chi-Square was recorded (x^2=291.667, p = 0.0000), Likelihood Ratio (LR = 255.971, p = 0.0000) and Linear by Linear Association (LLA = 40.288, p = 0.0000); were statistically significant. Pearson's R coefficient was also recorded (r = 0.638, p = 0.0000) as well as Spearman's Correlation (r = 0.709, p = 0.0000); all showed a strong significant correlation with customer satisfaction.

From the above results, it can be concluded that CRM elements has significant influence on customers' satisfaction; hence we reject the null hypothesis and accept the alternate hypothesis that there exist significant relationship between customer relationship management and customer satisfaction.

Table 3: Cross-Tab Analytical Result of Customer Relationship Management and Customer Satisfaction

PARAMETERS	CRM ELEMENTS Vs. CUSTOMER SATISFACTION
Pearson Chi-Square	291.667*
Likelihood Ratio	255.971*
Linear by Linear Association	40.288*
Pearson's R	0.638*
Spearman's Correlation	0.709*

Source: Field survey, 2017
NOTE: *, **, *** means statistically at 1%, 5% and 10% respectively.

Challenges Faced by this Old Generation Bank on Customer Relationship Management Services

Some identified CRM services challenges include inconsistent network availability, budget constraints, lack of professional trainings, upgrading challenges and customer-related problems.

Inconsistent network availability is a notorious challenge be-devilling the banking industry. This simply means the complete or partial failure of a component or components of a network because of malfunction or natural or human-caused disasters. They very nature of a networking can cause intermittent slowdowns. These intermittent slowdowns are to be expected; however, customers are never found comfortable with this. Network challenges stems from incompatibility of old wares and newly introduced ones. Thus, system upgrading is needful from time, and this usually comes with high costs which often possess threats to the financial status of the financial institution due to budget constraint. In a bid to manage the situation, most often, situation grow worse and becomes highly unbearable for customers. Usually, these challenges often result in negative dissonance leading to most customers' disloyalty to the bank and swift decision to move their account to a perceived better or more stable network providing bank. These findings are in line with those of Helms, 2001 who revealed that huge investments are needed to maintain a customer database and additional expenses are needed for computer hardware, software and personnel. The costs involved are enormous and most often than not the resultant returns on investment from the CRM implementation fail to cover the cost involved.

In addition, lack of professional trainings for bank staffs contributes immensely to the challenges being discussed. Apart from the cost implication of the trainings, professionals

who are competent to handle such are lacking in the nation. The available ones are overburdened thereby increasing the cost of obtaining such trainings.

Besides, customer-related problems contributed immensely to these challenges. This includes ignorance, impatience, fear of bank-related frauds, various fraudulent acts etc. many of the challenges facing CRM in Nigerian banking sector in particular, arise from the following factors: the pluralistic nature of these institutions, wide variety of customer groups – e.g., students, business, community groups, staff and wide spread of services that the institution delivers.

In Table 4, challenges facing CRM in this old generation bank is presented showing the ranking pattern. Inconsistent network availability was ranked first. Budget constraints, upgrading challenges, customer-related problems and lack of professional trainings were ranked 2nd, 3rd, 4th and 5th, respectively.

Table 4: Challenges facing Customer Relationship Management

S/No	Challenges facing CRM	Rank
1	Inconsistent Network Availability	1st
2	Budget Constraints	2nd
3	Lack of Professional Trainings	5th
4	Upgrading Challenges	3rd
5	Customer-Related Problems	4th

Source: Field survey, 2017

Summary, Conclusion and Recommendations
Summary

This study evaluated the effect of customer relationship management on customer satisfaction. The specific objectives were to: (i) evaluate the significance of customer relationship management features, (ii) evaluate the relationship between customer relationship management and customer satisfaction in this old generation bank and (iii) examine the challenges faced by this bank in customer relationship management services.

The major findings from the study showed that;

(i)   The data collected from respondents were reliable and consistent with the scale

(ii)   The relationship between Customer Satisfaction and CRM elements were all positive.

(iii)   Service quality (r= 0.4410, p< 0.0010), service access (r= 0.4250, p < 0.0010) and service feature (r= 0.3560, p < 0.0010) all showed a strong significant correlation with customer satisfaction

(iv)   The asymptotic value of Pearson Chi-Square was recorded (x^2= 291.667, p = 0.0000), Likelihood Ratio (LR= 255.971, p = 0.0000) and Linear Association (LLA = 40.288, p = 0.0000): were statistically significant. Pearson's R coefficient was also recorded (r= 0.638, p = 0.0000) as well as Spearman's Correlation (r = 0.709, p = 0.0000); all showed a strong significant correlation with customer satisfaction

(v)   There exists significant relationship between customer relationship management and customer satisfaction

(vi)   Challenges facing CRM services in this old generation bank and its ranking pattern are: inconsistent network availability ranked 1st. budget constraints, upgrading challenges, and customer-related problems and lack of professional trainings were ranked 2nd, 3rd, 4th and 5th respectively.

Conclusion

This study, which evaluated the effects of customer relationship management on customer satisfaction, concluded that there exist significant relationship between customer

relationship management and customer satisfaction. Moreover, there exit a statistical significant difference between satisfied customers and non-satisfied customers on all identified CRM elements. And the relationship between customer satisfaction and CRM elements were positive.

Recommendations

In view of the above findings, it is suggested that

(i)   Commercial banks in Nigeria should ensure that customer relationship management in their institution is improved upon, sustained and maintained so as to establish an age-long customer loyalty among customers.

(ii)   There is the need to improve on their network services so as to encourage existing customers and potential customers.

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