Crm in the banking industry

Finance, Banks

Previously, many researchers have conducted research on topics such as CRM, Customer Satisfaction and Customer Loyalty as an individual variable on various banking industries like Australia, Korea, Russia, Canada, Malaysia, India, Costa Rica, Greek, Hong Kong, Kuwait, Nigeria, Taiwan, and UAE and so on.

CRM in banking industry has been studied by Smith (2006); Pedron & Saccol(2009); Menon & Connor (2007); Roy (2008); Zineldin(2006); Lin, et al(2009) ; Hubbel & Reeding((2003) and so on. Customer Satisfaction and Customer Loyalty have always been an important element of study and therefore, many a times has been connectively studied by Szwarc (2005); Hill & Alexander (2006); Titko & Lace (2010); Beerli, et all(2004); Ta & Har (2000) ; Mishra(2009) ; Kayis, et al(2003); Amin & Isa(2008) ; Hart, et al(2007); Blery, et al(2009) ; Winnie, et al(2001) and more.

But interconnectivity of all the three variables have never been studied before. Many authors have claimed that Customer Relationship Management (CRM) has evolved from the concept of Relationship Marketing. CRM as a customer's approach has been gaining importance in every industry of the world; especially in the service industries. Therefore, after considering all the theoretical and practical concepts and implications, an attempt has been made to inter-connectively study the concepts of CRM, Customer Satisfaction and Customer Loyalty prevailing in the Singapore Banking Industry.

The concepts of Customer Satisfaction and Customer Loyalty written by Researhers like Lin, et al(2009); Neilson & chadha(2008) ; Wugayan &

Pleshko(2010); Tariq & Moussaoui(2009) ; Ehigie(2006); Roig, et al(2009) ; Lin, et al(2009) ; Kassim & Souiden(2007) have been applied in the research.

However, the study conducted by Ndubisi, et al (2009) has been focussed primarily. The research framework and the variables of Relationship Marketing have been studied and applied in the research to achieve the aim and objectives of the research.

This dissertation has been prepared by using and modifying various concepts previously used by many researchers to explore, analyze and understand the impact of CRM on customer satisfaction and customer loyalty prevailing in the Singapore banking industry.

The research will focus on various theoretical concepts like CRM, CS and CL. Also, with the help of many journals and case studies, the practical implications of these concepts in the various banking industries across the globe have been studied and concluded.

The purpose of this research is to find out the relationship between CRM, customer satisfaction and customer loyalty in the banking industry of Singapore. Also, understanding the customer's expectation and satisfaction level is other primary aim of conducting the research. This research is expected to give some contribution to the bank managers who are a part of Customer services and relationship management area in the banking and financial industry of Singapore.

Overview

The Singapore government's decision to liberalize the banking sector, which was relatively sheltered from international competition before the financial crisis of 1997-98, has contributed to the country's growing role as a financial centre for the region and a destination of choice for global investors. Singapore's banking industry has shown an impressive growth over the past decade, ballooning to 114 banks (full, wholesale and offshore banks) in 2010 reflecting the high intensity of competition in the industry (Singapore Department of Statistics, 2010, p. 191).

With the estimated growth of Average Real GDP to 4. 4% over the next five years, Singapore's banking loan growth is expected to pick up the pace to 9% in 2010, after an estimate increase of just 4% in 2009(Business Monitor International Ltd, 2010, p. 28). Also, a rise in other products and services like credit cards, deposits, mutual funds, investments and securities are anticipated to grow in the near future. This indicates the continued commercial banking stability in the coming future. There is an intense competition among all the banks in the industry. With the expected increase in loan growth rate along with other product and services, it can be predicted that the banks will compete to the core in satisfying and retaining their customers to earn more profits.

Today's banking is not simply a function of accepting deposits, lending and money transmission. The banks have now diversified themselves into insurance, brokering, advisory services, merchant banking, factoring and almost every legitimate financial activities. The banks are now transforming

themselves into a customer centric service centers rather than the transaction- processing centers.

According to Roy (2008, p. 56.), along with providing good product attributes, acquiring new customers and transforming them into loyal customers through customer satisfaction has now become the main strategy of the global banking industry. The base of a successful business growth strategy for a bank is to ensure a good customer experience at each and every customer touch point. Here lies the importance of Customer Relationship Management.

Competence, Communication and Conflict handling are the key attributes in today's Customer Relationship Management.

In the highly competitive market, all the banks are faced with the challenges of attracting new customers and retaining the existing customers. Maintaining relationships with the existing customers is considered even more important than attracting new customers. One of the reasons supporting this argument is that the cost of attracting new customer is much higher than the cost of retaining the existing one. Thus, Customer satisfaction and loyalty are essential to a bank's success in the Singapore banking industry which can be achieved by undertaking effective CRM strategies.

The banks are continuously developing, re-designing and delivering the finest possible products and services which will strengthen the relationship between them and their customers. The global banking industry has

effectively started applying CRM strategy in a competitively market through many Customer- oriented and loyalty programs which can enhance the flow of information between the bank and its customer thereby increasing satisfaction and gaining customer loyalty.

Research Questions

What are the key factors taken into consideration by a customer while selecting a bank?

What impact does CRM have on customer satisfaction in a Banking industry?

Does customer satisfaction always result into customer loyalty in the Singapore Banking Industry?

Aim and objectives

This research introduces the theories and practical implementations of Customer Relationship Management, Customer Satisfaction, and Customer Loyalty in the overall banking industry. Also, the research discusses the importance of CRM in banking industry of Singapore and through suggestions and recommendations in the end, it provides thoughts on how it can be used to attract new customers and retain existing customers. The aim of this research is to find out the relationship between CRM, customer satisfaction and customer loyalty in the banking industry of Singapore. Also, understanding the customer's expectation and satisfaction level is other primary aim of conducting the research. This research is expected to give some contribution to the bank managers who are a part of Customer

services and relationship management area in the banking and financial industry of Singapore.

Research Objectives

To understand and compare the theoretical and practical approach of CRM in banking industry.

To understand the consumer behavior of customers of banks.

To find out the relationship between CRM, customer satisfaction and customer loyalty.

To understand the factors taken into consideration by the customers while selecting a bank.

Research Method

In order to have good quality coverage and representative sample, 250 bank customers from different banks having different age group, gender, educational background and occupation were taken from different parts of Singapore. The data have been collected from the structured questionnaires which were filled by the respondents at the time of survey. Also the observation technique was used by the researcher as a potential customer to understand the current practices adopted by various banks to retain and satisfy the customers.

The survey questionnaire, once completed, is analyzed by the researcher with the help of SPSS software to conclude the findings and provide future recommendations.

Contribution to Knowledge

The result from this research can be used as additional information and contributions to service providers in banking industry in the form of service quality consideration and can help to understand the consumer behavior and help to reach the benchmarks of the service quality in the banking industry.

Theoretical Benefit

This research theoretically introduces the concepts of CRM, Customer Satisfaction and Customer Loyalty. Also, Theories related to service quality and consumer behavior are a part of this research. The theoretical concepts can help the reader to understand the nature and requirements of these variables in the service industry.

Practical Benefit

For service provider, especially in the banking industry, great benefit can be obtained from this research that can be applied for getting a better service quality in order to make more market share in the industry. Also with the research conducted, the service providers can get information on current customer's expectations from the banks and the feedbacks which can help in improvement in the product/ service quality of the banks.

Research Limitations

There were constraints and limitations in this research:

The sample of mere 100 respondents may not accurately represent all the banking customers of Singapore.

The survey was carried out in the absence of a surveyor, and there may be some misinterpretation of the questions.

Structure of the thesis

The following is a brief outline of all the chapters that follow in this dissertation.

Chapter 2 – Literature Review

This chapter critically explores into the concepts of CRM and its three variables, Customer Satisfaction and Customer Loyalty. Work of various authors on the subject has been studied with reference to the context of present research. The flow of the chapter continues with understanding the relationship between Customer satisfaction and Customer loyalty done by previous researchers which will be valuable in answering the research questions set for this research. A detailed investigation on the Customer satisfaction and loyalty, and current practices undertaken by various banking industry in different countries of the world is highlighted in this chapter. Lastly the chapter ends with the research framework created as the interconnections that have emerged as a result of the study of these variables.

Chapter 3 – Research Methodology

The methodology adopted for the research has been discussed in this chapter. The research follows both quantitative as well as qualitative methodology in the form of survey questionnaire and observation respectively. The reason for use of the above methods along with other information has been discussed in this chapter.

Chapter 4 – Data and Analysis

Each questionnaire was individually analysed in respect of the main points and issues sought to be highlighted and discussed. Care has been taken to structure the analysis on a uniform pattern so that the findings could later be used to draw further conclusions and recommendations for the research.

This chapter has been structured in a way as to answer the research questions. All three questions listed earlier in this introduction have been answered in the chapter. Additional observations, not falling with the preview of the original question sought to be answered, has also been discussed in this chapter.

Chapter 5 -Conclusion

Based on the research and the opinion formed and observations made by the researcher, over the conduct of this research, certain conclusions have been arrived which has been written in this chapter. The limitation of the research work has also been discussed in this chapter.

Chapter 6 – recommendation

This is the concluding chapter of the dissertation, providing some recommendations and remarks of the overall findings and a brief comment on the outcome of the research. References have been listed after this chapter, listed in alphabetical order and under appropriate heads.

Chapter 2 Literature Review

Introduction to CRM

Customer Relationship Management (CRM) has been recognized since the mid 1990's, mainly due to the fact that many industries were experiencing increased demand from their customers for higher quality and less fuzzy access to service. This emphasis on renewed customer services drove corporations and the top managers to rethink the more effective way of providing services. (Smith, 2006, p. 87)Generally speaking, there is no clear definition of a successful CRM. A successful CRM implementation is one that meets the business objectives. These objectives can be customer acquisition, customer retention, customer satisfaction, customer loyalty, better customer service or any other objectives that are set by the organisation.

2. 2 Definitions of CRM

Different CRM definitions can be found in the current global world. Pedron and Saccol(2009) concludes CRM as a philosophical approach where a firm operates its working by thinking and functioning from a customer oriented point of view at every point of interaction between them and the customer to build and develop long term relationships. Whereas, KinCaid (2003,) is of the opinion that CRM is the planned and strategic use of combination of technology, information, processes and people to handle and manage the relationships with customers across the whole customer life cycle. On the other hand, Peppers and Rogers (2004) believe that CRM is a technological approach which helps to generate and broadcast the ideas in the form of software applications to enable better customer services.

Thus after understanding many definitions, CRM approaches can be divided into three possible perspectives as follows:

CRM as a Philosophy

CRM as a Strategy

CRM as a Technology

The approach of CRM as a philosophy is used in this research to understand and analyze the customer oriented culture of Banks in Singapore.

Now-a-days, the success of any company is directly correlated to how its customers are served in terms of both product and service. Every company have started adopting the combination of different CRM approaches for customer retention, customer satisfaction and improvement of service quality.

For example, Georgia B & T of Augusta(File 59), uses both approaches of CRM as a technology and as a philosophy. The Bank uses technology approach by implementing Synapsys, a CRM application which helps the fast growing bank staff to execute customer relationship. On the other hand, as a philosophical approach, the bank avoids thinking of expansion of its relationships with a given customer as a sale and believes that it is better to see such transactions as an improvement in its own services to serve customers.