The Impact Of Electronic Customer Relationship Management (E-Crm) On Customer Loyalty In Banking Sector

Shamini Newton

Department of Management, Eastern University, Sri Lanka

shamnew91@gmail.com

Abstract:

Managing customer relationship has become one of the most important strategy for an organization to create and retain the loyal customers. Thus, organizations are seeking for effective relationship activities to enhance customer relationship by delivering better relationship benefits to the target customers. In such a way, Electronics customer relationship management (E-CRM) is an effective mechanism for measuring the performance of an organization and enhance customer loyalty towards the company product. The objective is to identify the level, relationship and impact of E-CRM on Customer loyalty (CL). Data were obtained from the sample of 177 customers in Batticaloa and convenience sampling was used. The descriptive statistics, correlation and regression analysis were used to analyze the data. The results revealed that E-CRM has strong positive relationship with CL and E-CRM was significantly impacted on CL. Further to that through the ANOVA analysis study confirmed that the impact of E-CRM on Customer loyalty (CL) vary depends on the name of the banks. This study can enhance the understanding of Electronic Customer Relationship Management (E-CRM) in e-banking. The present study can help managers get better understanding about retaining valuable customers, increasing customers' commitment and customer satisfaction with their employees behaviour, reducing dissatisfied customers, making trust on organizational activities and finally, improving the quality of service.
.

Keywords

E-CRM, Customer Loyalty, Banking industry

1. Introduction

Electronic business revolution has changed the landscape of running a business. At the same time, the electronic Customer Relationship Management (E-CRM) applications have developed quickly in recent decades. By the application of information technology (IT), firms are moving toward the intellectual and knowledge oriented based methods and CRM is getting more effective. Electronic Customer Relationship Management (E-CRM) is vital in an organization in the current context of information era, since it provides benefits to customers and organizations.

Kennedy[1] defines that, "*E-CRM is considered as strategic technology centric relationship marketing business framework*". E-CRM practices have simplified the life of the customers in modern banking system in many ways. Customer needs to increase his/her transactional dealings with the service provider. If the transactions are made more convenient, useful and less expensive for the customer, it is likely that such customer can offer service provider repeat business. It could be highly possible through the implementation of E-CRM.

This implies that creating CL from an organizational point of view is important for successful operation of a business. Hence, this study investigates the impact of the E-CRM on CL from the customers' perspective point of view. This study particularly in the Sri Lankan context empirically investigates the impact of E-CRM to CL in banking sectors, since the banking sector has intensified with diverse electronic banking systems, thus needing to explore the extent to which the E-CRM has impacts on creating CL in Sri Lanka.

1.2 problem statement

Electronics customer relationship management (E-CRM) is a business and marketing strategy that reflects about consumer's needs and their behavior in order to create an effective relationship between and organization and the target customers. However, Khalifa and Shen [2] argue that about more than 50% of E-CRM applications from a customers' point of view fail to positively create the CL; and instead,

those applications has negative impacts on CL. They indicate this conflicting negative relationship of E-CRM to CL from their theoretical positive relationship is due to the lack of understanding about E-CRM applications and features. This implies that the empirical evidence of the relationship between E-CRM and CL is not consistent with the theoretical explanations. This study explores this as the problem attempt to investigate empirically with the general research question:

Whether Electronic Customer Relationship Management has a relationship to Customer Loyalty?

Similar to this study, many investigations on this relationship of E-CRM to customer loyalty are carried out in different countries like Taiwan, Jordan, Romania and Logas [3] based on different banks. However, it is not identical whether this relationship is investigated in the Sri Lankan context, particularly in Batticaloa Manmunai North Divisional Secretariat. This study addresses this as the literature gap and fills such literature gap with this investigation.

1.3 RESEARCH QUESTIONS

1. What is the level of E-CRM and Customer Loyalty among the customers of selected banks?

2. Is there any difference between E-CRM and Customer Loyalty towards the name of the banks?

3. What is the relationship between E-CRM on Customer Loyalty among the customers of selected banks?

4. What is the impact of E-CRM on Customer Loyalty among the customers of selected banks?

1.4 Objective of the study

In relation to selected banks customers in Batticaloa, the main objectives of this study to explore are:

1. To identify the level of E-CRM and Customer Loyalty among the customers of selected banks.

2. Identify the relationship and the impact of E-CRMon Customer LoyaltySecond and Following Pages

2. Literature review

2.1 Customer loyalty

Customer Loyalty is considered as one of the key contributing factors to the success of an organization. Gaining customer loyalty becomes a key objective for banking organizations which decide to adopt a relationship marketing perspective [4]. Liu [5] by citing Oliver [6] indicate that CL is a deep commitment to make repurchase products (of goods or services) continuously even in the future. CL defined by Oliver's as:

"*A deeply held commitment to re-buy or reuse a preferred product/service consistently in the future*"

A complete definition of bank loyalty views the construct as "the biased (nonrandom) behavioural response (revisit), expressed over time, by some decision-making unit with respect to one bank out of a set of banks, which is a function of psychological (decision-making and evaluative) process resulting in brand commitment" [7]. Ostrom&Iacobucci [8] believe that customer loyalty which is increases the customers' overall assessment of the product price, the product quality, the company's internal operating efficiency and service system, the staff's service attitude, professional knowledge, and ability, the company's overall performance, and the company's closeness to being an ideal company.

2.2 Electronic Customer Relationship Management E-CRM

Almir and Andela [9] point out that Electronic customer relationship management system (E-CRM) is acknowledged today as an essential concept of building customer relationship management in the world of services, E-CRM represents an upgrade of Customer Relationship Management (CRM) technologies and its usages to manage the relationship with customers.

Pelsemacker *et al.,* [10]defined that E-CRM means *"shift from the practice that employees directly take care of customers to the one where a buyer is enabled to use the self-service tools and become active participants in buying and services process".*

Chaffey *et al.,* [11] and Bergeron[12] define electronic customer relationship management (E-CRM) as the complete use of databases, personalized web access to the databases (intranet by employees and extranet by customers), e-mail and workflow to achieve CRM objectives. Bavarsad and Hosseinipour

[13] identified that E-CRM influenced by four major dimensions such as organizational factors, environmental factors, customer commitment and perceived risk. This study also adopt these four factors as study dimension .Figure and Table Captions.

2.3 Relationship of E-CRM and Customer Loyalty

Bavarsad and Hosseinipour [14] claimed that business can implement E-CRM as an integral part of their business processes for help to create E-loyalty. E-CRM can improve understanding of customer behaviour and delivering personal services to make customer loyalty and retention. Fjermestadand Romano[15] presented that the important benefit of successful E-CRM implementation such as increased customer loyalty, more useful customer information using, producing the suitable campaigns for customer, predicting purchasing behaviour and tracking any necessary information.

3.0. Methodology

Descriptive research design was adopted for the study. The type of research is deductive and variables are measured with quantitative analysis. Based on the duration period each bank has different amount of customers but this study selected its customer by asking an individual respondent whether you are an online user or not. If the respondent answer positively the questionnaire was issued to that particular respondent. Therefore the sample selection is based on convenience sampling by considering the activities of banks with the latest E-CRM practices. This study intends to consider about 200 sample respondents (customers) from Bank of Ceylon, People's Bank, Commercial Bank, Hutton National Bank, Seylan Bank and Sampth Bank in Batticaloa. As there are about more than 12 banks with branches in Batticaloa region, this study considers only selected (6) banks, since these are the leading high tech users to create relationship with customers in Batticaloa region (source: The Sri Lankan Banking Sector, 2012). Each customers investigated through structured questionnaires with closed statements measured with Likert's scale, was issued which was properly filled and returned. The data analysis done by the SPSS. As illustrated on the literature the following hypothesis formulated and assessed through the regression analysis.

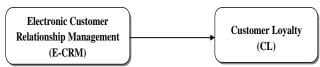*H1: The E-CRM has effect on customer loyalty*

3.1 Conceptual Model

Figure1-Conceptual model
Source: Developed for the study purpose

04. Data analysis and results

4.1 Reliability analysis

Table1-Reliability analysis for E-CRM and CL

Variable	Cronbach's Alpha coefficient
Organizational Factors	0.672
Environmental Factors	0.624
Customer Commitment	0.759
Perceived Risk	0.686
Overall E-CRM	**0.761**
Overall CL	**0.867**

All attributes of the E-CRM were tested for reliability analysis. The Cronbach's Alpha coefficient value for all E-CRM attributes was 0.761 and customer loyalty (CL) attributes was 0.867 which indicates a strong internal consistency among the attributes. Therefore, the variables used were concluded as reliable.

4.2 SAMPLE PROFILE
Descriptive statistical analysis was run on respondents' demographic variables. The results are shown in Table2.

Table 2: Summary of demographic information

International Journal of Research

Available at

https://edupediapublications.org/journals

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 04 Issue 10
September 2017

Demographic Profile		Frequencies	Percentages (%)
Age groups	Below 20	11	6.2
	20-35	89	50.3
	36-50	56	31.6
	Above 50	21	11.9
Occupation	Student	35	19.8
	Public sector	36	20.3
	Private sector	77	43.5
	Business/ Professional	29	16.4
Eductional level	Primary	7	4
	Secondary	42	23.7
	Diploma	65	36.7
	Degree/ Above	63	35.6
E-banking service	Credit cards	20	11.3
	ATM	73	41.2
	Internet banking	34	19.2
	Mobile banking	43	24.3
	Debit cards	07	04

As per the table 2, the choice of e-banking service of the respondents for this study is represented by 177 respondents. The choice of e-banking service of respondents were classified into five categories on which most of the respondents(41.2%) accessing ATM service.

Table-3 Level of overall E-CRM and CL in Banks

Dimension	Mean	Standard Deviation	Decision Attribute
Organizational Factors	3.7062	0.603	High Level
Environmental Factors	3.5164	0.565	High Level
Customer Commitment	3.6271	0.875	High Level
Perceived Risk	3.2288	0.731	Moderate Level
E-CRM	**3.5196**	**0.459**	**High Level**
Customer Loyalty	**3.7066**	**0.47807**	**High Level**

This gives clear picture about the level of E-CRM and CL of the samples of selected banks in Manmunai North of Batticaloa. Overall E-CRM found to be High Level (see Table3). It is also well-known that only Perceived Risk found to be moderate level and other three dimensions were found to be high level separately. To conclude E-CRM and CL found to be High Level at selected banks in Manmunai North of Batticaloa district that means there has high level attention in conducting the E-CRM mechanism.

4.3 ANOVA

To assess whether E-CRM and CL will vary across in the name ofselected banks in Manmunai North Batticaloadistrict, the following hypothesis have been formulated;

Hypotheses 02: Assess the differences between name of the organization and two variables(E-CRM and CL)

H_0: There are no differences across name of the organization towardsE-CRM and CL ($p \geq 0.05$)

H_1: There are differences acrossname of the organization towards E-CRM and CL ($p < 0.05$)

Table-4 One- way ANOVA: Name of the organization

Variable	F	P-Value
E-CRM	7.125	0.000
CL	6.708	0.000

P-values from the above ANOVA table indicate that there are differences toward E-CRM and CL across name of the organization. Therefore it can be concluded as follows;

As the P-value, 0.000 of the ANOVA test for E-CRM and CL are less than the significance level of 0.05, it can be concluded that "*there are differences across name of the organization towards E-CRM and CL*"**.** To find out detail variations in E-CRM and CL across name of the banks, Post Hoc analysis was also used.

1.4 Relationship between Electronic Customer Relationship Management and Customer Loyalty (E-CRM and CL)

Correlation analysis of this study is used to measure the relationship between the dependent variables of E-CRM and independent variables of CL.

Table 5-Correlation Analysis

Variables	Overall E-CRM	Overall CL
Overall E-CRM Pearson Correlation Sig.(2-tailed) No	1 177	0.753 0.000 177
Overall CL Pearson Correlation Sig.(2-tailed) No	0.753 0.000 177	1 177

The Pearson correlation analysis revealed the relationship between E-CRM and CL. The correlation of coefficient (r) was **0.753**, which was significant at 0.000 levels. In addition, there is a higher level of E-CRM likewise higher level of CL in selected banks in Manmunai North of Batticaloa district. Thus the result interpreted as there is strong positive correlation**(r> 0.5)** between E-CRM and CL.

1.5 Regression Analysis

Table 6- Regression analysis of variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.753	0.566	0.564	0.316

According to the regression analysis the r square is 0.566; it indicated that 57% of customer loyalty has been influence by E-CRM. That means if any increase in E-CRM will increase the customer loyalty by 57% and if any decrease in E-CRM that leads to decrease the customer loyalty by 57%.

05. Conclusions and suggestions

After successively collected and analyzed the data the research concluded thatE-CRM has strong positive relationship with CL.Further, drawing from the findings of this research, both e-CRM implementation and customer loyalty showed stronger positive influence on selected banks. Thus, in today's competitive and constantly changing business market, Sri Lankan operators must consider e-CRM implementation as very critical issues and constantly attempt to expand their e-CRM.

Thus, the study suggest that banking industry should design and provide high quality electronic services to its customers by understanding their needs, giving individual attention and carry out their given promises to the customers. And also they should design E-CRM tools and systems more flexibility in order to create satisfied customers. This research only focuses on the banking industryin Batticaloa. Additional studies need to be undertaken to examine E-CRM and customer loyalty in other regions and with larger samples. However, this can be further expanded into fields such as insurance, leasing and other financial sectors.

References

[1] Kennedy, A. (2006). Electronic Customer Relationship Management (e-CRM): Opportunities And Challenges in a Digital World, *Irish Marketing Review*, Vol. 18, No. 1-2.

[2] Khalifa, M. &Shen, N. (2005).Effects of electronic customer relationship management on customer satisfaction: a temporal model. *Proceedings of the 38th Hawaii International Conference on System Sciences,* Vol. 5, pp. 171-178.

[3] Melodi, O., Olufayo, O. &Gbadamosi, T. (2012).Appraisal of Customer Relationship Management in the Banking Sector: A study of four selected Banks in Lagos State. *International Journal of Arts and Commerce,* Vol. 1 No. 5.

[4] Filip, A. &Anghel, D. L. (2009).Customer Loyalty and its Determinants in a Banking Services Environment.*Quality Management in Services*, Vol. 11, No. 26, pp. 1-10

[5] Liu, Y. (2007). The Long-Term Impact of Loyalty Programs on Consumer Purchase Behavior and Loyalty.*Journal of Marketing*, Vol. 71, pp. 19–35.

[6] Oliver & Richard L. (1999).Whence Consumer Loyalty.*Journal of Marketing*, Vol. 63, pp. 33–44.

[7] Bloemer, J. de Ruyter, K. and Peeters, P. (1998), "Investigating Drivers of Bank Loyalty: The Complex Relationship between Image, Service Quality and Satisfaction", International Journal of Bank Marketing, Vol. 16, No. 7, PP. 276 – 86

[8]   Ostrom, A., Iacobucci, D., 1995. Consumer trade-offs and the evaluation of services. J. Mark. 59 (1), 17–28.

[9]   Almir, P. &Andela, L. (2011).Impact of Electronic Customer Relationship Management (e-CRM) on efficiency of Rent - a – Car Sector in Bosnia and Herzegovina.*Economic Analysis,* Vol. 44, No. 1-2, pp 47-58

[10] Pelsemacker, Patrick, Geuens, Maggie, and Van den Bergh, Joeri. 2005. *Foundations of marketing communications: A European perspective*. Pearson Education

[11] Chaffey, D. & Smith, P. (2008).eMarketingeXcellence: Planning and optimizing your digital marketing. 4th ed., Routledge, USA.

[12] Bergeron, P. (2004), Essentials of CRM: A guide to customer relationship management*,* John Wiley and sons publishers.

[13] Bavarsad. B., &Hosseinipour. G. (2013). Studying the factors affecting the customer relations management (CRM) in Marun petrochemical company. Interdisciplinary Journal of Contemporary Research in Business, 4, 845-854

[14] Bavarsad. B., &Hosseinipour. G. (2013). Studying the factors affecting the customer relations management (CRM) in Marun petrochemical company. Interdisciplinary Journal of Contemporary Research in Business, 4, 845-854

[15]   Fjermestad, J. & Romano, N. (2003). Electronic customer relationship management: revisiting the general principles of usability and resistance – an integrative implementation framework. *Journal of Business Process Management*, Vol.9, No.5, pp.572-591.