
**EFFECT OF CUSTOMER RELATIONSHIP
MANAGEMENT ON CUSTOMER SATISFACTION AND
LOYALTY**

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ABSTRACT

The Customer Relationship Management (CRM) is the highly valued in market for existing and current customers. In this research we explore the effect of CRM on factors such as customer satisfaction and customer loyalty. Since CRM is defined as an important key in business among companies to maintain and increase their customers base. In this study we look for various factors that are necessary for an effective CRM. In this research, we concentrate on these issues that are fetching importance to higher level officials in an organization: is there a relationship between CRM with customer satisfaction and loyalty in Indian organizations? If so then how we can relate CRM with customer satisfaction and loyalty? With globalization industries are growing rapidly and with ever growing industries, competition is also increasing. Further with appropriate statistical analysis the hypotheses framed in this study is validated and the results shows high positive correlation among the variables considered for the study.

Keywords: Customer Relationship Management (CRM), Customer Satisfaction, Customer Loyalty.

INTRODUCTION

In 1980s the concept of Direct Marketing was greatly dependent on customer databases that were available with the organization. The concept of relationship centric marketing and the impact of relationship with customers were first introduced by Christan Gronroos and Evert Gummesson of the 'Nordic School' and Theodore Levitt. Further to this they also provided the corresponding marketing tools. Treacy and Wiersema (1995) described three Value Disciplines out of which familiarity with

client was one which later depicted as Customer intimacy. These are few initial developments that lead to the generation of concept CRM and customer relationship management came into existence. With growing time and increase penetration of web based tools CRM again transformed into web based contact management. The concept of CRM is defined in number of ways by many researchers. Some of them discussed and highlighted the impact of information technology in CRM while some emphasized CRM to be a preliminary concept of business strategy. Systematic efforts were made to collate some of the definitions of CRM to identify the key areas in the Customer Relationship Management.

Peelen (Customer Relationship Management, 2006) pointed out that the description by Gartner Group (2004) about CRM is more convincing which describes CRM as IT enabled strategy that if practiced will lead to profitability increasing the revenue of an organization. The IT part of CRM helps in organizing the customer database in systematic manner and foster customer relationship with the organizations through practicing quality services and delivering values. There are a number of working definitions for CRM. In fact the letters CRM have been used to identify Continuous Relationship Marketing, Customer Relationship Marketing and Customer Relationship Management. Each term represents the same process. CRM can be defined as a process that maximizes customer value through on-going marketing activity founded on intimate customer knowledge established through collection, management and leverage of customer information and contact history. CRM is about perfecting relationships to maximize customer's satisfaction and loyalty over time.

The concept of CRM changed the focus of the organizations. The significant impacts on an organization through CRM were:

1. Changing the focus from product to customer.
2. Advocate proposition based on customer requirements.

NEED OF CRM IN AN ORGANIZATION

The definitive rationale of CRM, like any managerial inventiveness, is to augment income through customer satisfaction. In that case, CRM accomplishment is mostly by providing a enhanced quality services to your customers. Further the significant need of CRM is listed below:

- a. To understand Customers' Expectations
- b. To understand how to Manage Customers
- c. To focus on building relationships
- d. For generating a customer focused CRM solution
- e. To understand and initiate Customers Need

CRM PRACTICES ADOPTED IN INDUSTRY

Maintaining relationships with customers and offering them absolute customer satisfaction seems is the foremost agenda of industries these days. Customer Relationship Management (CRM) seems to offer the much needed strategy and solution to keep customers happy, smiling and connected with the organization across their lifetime. CRM has multiple facets and implications for the organizations that always seem to be eager to go that extra mile in order to be able to retain their customer base, prevent cannibalization from competitors and for keeping their loyal customers coming back to them for more. The researcher broadly focuses on the effect of CRM strategy and practices on customer satisfaction and loyalty. It was observed that customer satisfaction increased

with the successful implementation of CRM practices across the organization. Repeat buying through exchange schemes and loyalty additions were more accepted by the customers who were happy with their previous buying experiences and post sales service from organization. It is also experiential through the many studies that effective word of mouth contributed to higher sales and it was easier to cross-sell new offerings to existing customers than to acquire new customers and convince them about the product benefits and offerings. Listed below were few CRM strategies that were adopted globally as well as in India by industries as a whole for an effective CRM process.

- a. **Better management of customers:** As evident from various surveys, certain agencies/companies do not conform with philosophy of customer care, leading to unsatisfied customers and bad word-of-mouth. Much care is taken to ensure that each organization should fully understand the importance of customer service and customer satisfaction and promptly deliver the same to the consumers. A standardized policy of pricing, discount and incentive schemes should be devised, so that there is no disparity in the deal received by the customers at different outlets.
- b. **Reducing Complaint Redressal Time:** Continuous efforts were made by organizations to reduce the complaint redressal time which is highly valued by the customers.
- c. **Regular communication with customers:** The Company tries to keep in constant touch with its customers through phone calls to understand the services provided by them regarding their performance, satisfaction level, etc, and collect suggestions and feedback. This creates a feeling of belongingness in the customers mind, and also an impression that the company cares.

THEORETICAL BACKGROUND & LITERATURE REVIEW

Vasiliu (2012) in his research discussed that broadly customer relationship management strategies include marketing, operations, sales, customer service, human resources, finance and information technology and implementing CRM as strategic concept is a necessity as in recent times our economy is “Customer centric” where the success of any company is based on customer relationship, the authority provided by any company to the customer to decide and also the personal experience of the customer with the company. Thus Customer Relationship Management (CRM) as a strategy aims to satisfy and build long term relationship with clients/customers. He further discussed that through CRM customers were much satisfied with their purchase and this strategy helps to generate sales by contributing good service quality as expected by the customers. Thus it can be clearly depicted that the concept of CRM is strongly and directly associated with Relationship Marketing (Bull 2003, Payne and Frow, 2004). The Relationship marketing is further defined as “the organizational development and maintenance of mutually rewarding relationships with customers achieved via the total integration of information and quality management systems, service support, business strategy and organizational mission in order to delight the customer and secure a profitable lasting business” (Bennett, 1996).

Hasan et.al (2012) in their study defined CRM as customer centric managerial strategy that aspires to establish long term relationship with profitable customers by employing all-inclusive customer knowledge. This definition highlighted the need and significance of identifying customers’ to recognize their ever changing needs through appropriate management approaches. The key areas in this definition were customer centric strategy, long term relationship and customer knowledge.

Ryals (2005) in his research demonstrated that the implementation of CRM activities deliver greater profits. The lifetime values of customers in two longitudinal case studies revealed that customer management strategies changes with respect to the value of the customer. Thus CRM works and a reasonably straightforward analysis of the value of the customer can make a real difference. Here the concept of CRM brings better performance of the firm through appropriate measurement and management of customer relationships. The comprehensive revenue and cost data specific to individual customers or customer segments results the firms to adjust their CRM strategies. The contribution of this article is to show that the correlation between the customer revenues and values are sufficiently high suggesting that the value of customer majorly determines the amount of revenue it generates which again can't be generalized as it might be company specific or more specifically to industry related with financial services.

Payne and Frow (2006) examined CRM from the perspective of strategy formulation and implementation. They proposed a model that deals with both CRM strategy and implementation. They critically identified four components of successful CRM programme i.e. CRM readiness assessment; CRM change management; CRM project management; and employee engagement and examined these components with five key cross functional CRM process which are strategy development, value creation, multi channel integration, information management and performance assessment. Further the effect of CRM is studied simultaneously with innovation and firm performance. The result shows the positive impact of CRM towards firm performance, a finding which is consistent with previous research (Hooley et al., 2005).

Kolis & Jirinova (2013) described in their research a link between CRM and company's financial performance. Four key dimensions of customer relationship management – *customer satisfaction, loyalty, value and equity* were taken into consideration to undergo this research. Each dimension is tested for correlation with financial performance indicators which described how effectively the company transforms sales into profit, was chosen as the main financial performance indicator. Cengiz (2010) in his working paper reviewed and studied on the importance of measuring customer satisfaction. It has evolved through the study that customer satisfaction in this competitive market is must and measuring it is not specially a onetime process. It will eventually leads to consecutive processes to attain success. The satisfaction will play a vital role in customer expectations and can create a customized marketing mix.

Employee orientation is implanted in the work culture of an organization which is visible through its value elements behaviour and artifacts. CRM is based on four basic activities: calculated planning, information, value creation, and performance measurement. These basic activities widely hypothesize association between CRM accomplishment and employee orientation and the system underlying this association clarify the interface of employee orientation and Customer Relationship Management (Plakoyiannaki et. al, 2008). Thus the supportive literatures studied and existed all defined CRM as customer centric and good CRM practices creates impact on satisfaction and loyalty of customer. Further in this research, the researcher will attempt to validate it through quantitative study that customer relationship management has positive impact on customer satisfaction and loyalty.

OBJECTIVES OF THE STUDY

- a.** To analyze the impact of customer relationship management on customer satisfaction.
- b.** To analyze the impact of customer relationship management on customer loyalty.

METHODOLOGY

The aim of the current study is to elucidate the association between variables of customer satisfaction, and customer loyalty. This research is a descriptive research based on the method of obtaining the data. The research further is described to be based on cross sectional method because the data obtained is used to understand the distribution of statistical population. The data is collected through survey with questionnaire as data collection tool. 20 questions are considered to evaluate customer satisfaction and loyalty; 12 questions are considered to evaluate customer loyalty and 11 questions are considered to evaluate customer satisfaction. The responses to the questions are given using by a five-point Likert scale. The first few questions tell the basic information about the respondents. The statistical technique incorporated for analyzing data is regression and ANOVA technique using SPSS 16.0. The sample size of this study is 104.

Reliability and Validity of the Study - For determining reliability of the tool Cronbach Alpha Test is used. The result of reliability and validity is listed below:

For question related to customer satisfaction Cronbach Alpha coefficient of 0.881 was calculated.

- a. For question related to customer loyalty Cronbach Alpha coefficient of 0.874 was calculated.
- b. For all questions Cronbach Alpha coefficient of 0.910 was calculated.

For determining validity of the questionnaire content credit was used (Harandi et al, 2008). Content credit of this questionnaire has been justified by subject matter experts. It deals with preliminary distribution of questionnaire among number of experts, scholars (working under similar or related areas) and considering their counteractive comments and then validating the necessary credibility.

Testing of Hypotheses using Regression Analysis and ANOVA

The hypotheses framed for the study below was used at 95% confidence interval.

H1: Customer relationship management has influence on customer satisfaction.

H2: Customer relationship management has influence on customer loyalty.

Table 2: Regression Analysis.

Hypothesis	R	R2	Adjusted R2	Std of the Estimate	F	Sign
H1	0.854	0.729		4.549	224.18	0.000
H2	0.882	0.772	4.305	0.034	134.412	0.001

The results Table 1 shows a very high R and R squared values Thus, we can clearly interpret that there exists a very high correlation for variables considered. R-squared values should range from 0 to 1. The R squared values for these hypotheses are 0.729 and 0.772 respectively.

H1: Customer relationship management has influence on customer satisfaction.

The hypothesis is approved as the significance value is less than 0.05.

H2: Customer relationship management has influence on customer loyalty.

The hypothesis is approved as the significance value is less than 0.05.

Further after approving and accepting both the hypotheses we will go for Analysis of variance (ANOVA). ANOVAs are helpful because they possess an advantage over a two-sample t-test. Doing multiple two-sample t-tests would result in an increased chance of committing a type I error. For this reason, ANOVAs are useful in comparing two, three or more means.

Table 3: ANOVA Test

	Models	Sum of Squares	df	Mean Square	F	Sig
H1	Regression	4756.277	1	4766.277	226.182	.000
	Residual	1643.673	51	21.073		
	Total	6409.950	52			
H2	Regression	4982.735	1	2491.357	134.412	.000
	Residual	1427.215	51	18.534		
	Total	6409.950	52			

Table 4: Coefficients

Model	Beta	t- Value	Sig
Constant		- 5.10	.000
Customer Satisfaction	0.862	15.038	
Constant		- 6.361	.000
Customer loyalty	0.890	14.542	

On the basis of statistical analysis performed in this segment the results designates that customer relationship management has been influential on customer satisfaction as well as on customer loyalty. There also exists a positive relationship between CRM and customer satisfaction and CRM with customer loyalty.

CONCLUSION

Customer Relationship Management (CRM) is a process that integrates management of customer groups, management heads of an organization and managing business in an effective way. CRM act as tool to facilitate the business and thereby improving customer relationship with the organizations. Finally after conducting this research and validating it through various data and quantitative analysis it can be effectively stated that CRM is needed in any organization will result in optimizing profitability, income and meeting the needs of customers. The utmost thing that CRM provides is customer satisfaction. An effective CRM will lead to customer satisfaction and if the customer is satisfied it drives towards positive word of mouth and loyalty. This in fact helps in leveraging the business as well as generating more revenues and profits. Thus this research is an attempt by the researcher to acknowledge two important variables that effect CRM i.e. Customer satisfaction and Customer Loyalty.

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