



SUSTAINING CUSTOMER RELATIONSHIP MANAGEMENT IN BANKING SECTOR THROUGH TOUCH POINTS: A FACTOR ANALYSIS APPROACH

Madhukumar.K.

Research Scholar, Visvesvaraya Technological University, Belagavi
Asst. Professor, PES University, Bangalore, India

Dr. Deepak. K. V.

Research Guide, Visvesvaraya Technological University, Belagavi
Associate. Professor, BIT-MBA, K, R Road,
Bangalore, India

ABSTRACT

Every business unit emphasizes on spurring a long term relationship with customers to nurture its stability in today's blooming market. Customer's expectations are now not only limited to get best products and services, they also need a face-to-face business in which they want to receive exactly what they demand and in a quick time. Customer Relationship Management is an upright concept or strategy to solidify relations with customers and at the same time reducing cost and enhancing productivity and profitability in business. Banking sector in India is booming, leading to intense competition from global environment factors. The war is to attract new customers but most importantly to retain the old ones. The companies are tailoring CRM initiatives to increase their customer base. The role customer point is crucial in maintaining long term profitable relationships with the customers. This research attempts to study various touch points related to public, private and foreign banking sectors. The study aims at establishing the importance of customer touch points in CRM. The empirical study establishes the important touch points from customer's point of view.

Key Words: Customer Touch points, CRM, Customer Retention, Customer experience, Banking sectors.

1. Introduction

Customer Relationship management is the strongest and the most efficient approach in maintaining and creating relationships with customers. Customer relationship management is not only pure business but also ideate strong personal bonding within people. Development of this type of bonding drives the business to new levels of success. Once this personal and emotional linkage is built, it is very easy for any organization to identify the actual needs of customer and help them to serve them in a better way. It is a belief that more the sophisticated strategies involved in implementing the customer relationship management, the more strong and fruitful is the business. A survey by Bain & Co. in 2002 states that "5% increase in customer retention boosts lifetime customer profits 50%, on average, across industries, and up to 90% in industries like insurance". CRM is bringing wonders for marketers in every field and all industries. Paravatiyar and Sheth (2001) defined CRM as a "comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and

the customer”. CRM has developed as an approach based on maintaining positive and profitable relationships with selective customers. Mukerjee and Singh (2009) states that CRM is regarded as an important tool for delivering revenue growth through improved customer experience, customer retention and customer repurchase. (Gartner, 2004) states that CRM is a business strategy designed to optimize profitability, revenue and customer satisfaction by organizing the enterprise around customer segments, fostering customer-centric behaviors and implementing customer centric processes. CRM is used as a tool to make long term relationship with the customers for surviving in the fiercely competitive market scenario. The core theme of all CRM is its focus on a cooperative and collaborative relationship between the firm and its customers (Nath, V et al. 2009).

Today, there's a fast growing movement, a revolution, among organizations interested in improving their customer-centricity through a better understanding of customer interactions, or “touchpoints” Called “Customer Touchpoint Management” (CTM), the goal of this new movement is to improve customer experiences, and as a result, improve customer relationships. By improving customer relationships organizations improve market share, sales, and both customer and employee loyalty and advocacy. A touch point is any point of contact between the customer and the prospect with the company. The touch points are endless, because points of contact are innumerable. Touch-points are the points of contact between an organization and customers. Each time a person relates to, or interacts with, a touch-point, they have an encounter with product and services of the company. This gives an experience and adds something to the person’s relationship with the company. There are a number of different definitions of touch points. Spengler and With (2009) explain touch points to be all the different contact points at which brands are experienced by customers, non-customers and other stakeholders. Websites, employees, call centres; recommendations from friends, products, physical stores and annual reports are all examples of this. All these customer touch points are maneuverer for attracting customers and maintaining long term relationships with them. Today, customer relationship management has become the core of all marketing activity of the organizations.

Retailers face a dynamic and competitive retail environment. With increasing competition and more vocal customers. Companies recognize that customer relationships are the underlying tool for building customer value. Therefore this research will make an attempt to study to what extent customer touch points play a crucial role in profitable CRM particularly in banking sector is able bring desired results. During the course of study various customer touch points related to the banking sector were identified. The empirical research was carried out to find out most preferred customer touch points by the customers. The research establishes the important role played by customer touch points in maintain relationships with the customers.

2. Literature Review:

‘Customer is the king.’ The phrase was truly understood by the bankers when because of the technological development and wide spread deregulations, international competitors could offer the customers' services & products what they need, and not what the banks could produce. Customer Relationship Management is a widely used tool by bankers for managing their interactions with their customers using technology to automate, organize and synchronize their business process. CRM basically is a facility where the focus is on individual customers by organizing the structure and system of the

traditional firm appropriately. The basic goal of CRM is to attract new customers and retain existing customers. It is a sound business strategy which helps them to identify profitable customers and establish long term relationship with them by offering customized marketing offers.

Successful CRM needs consistent support from the top management. Studies have confirmed that the integration of contact channel, front-end and back-end system is vital for smooth functioning of CRM. CRM is a strategic process to enhance stakeholders' value by developing relationship with key customers of different segments. Knowledgeability and attitude of bank's employees has significant impact on successful implementation of CRM in any bank.

CRM helps to generate affective commitment which develops during the 'moment of truth'. This affective commitment leads to increased customer retention, higher profitability and loyalty. The four-strategic framework of CRM helps banks face internal and external challenges. The framework comprises of Customer Data Management, Contact Channel Management, Information Technology Management system, and Enterprise-wide Management system.

CRM has helped the bank to achieve higher degree of effectiveness, increased service performance and reduced response time. The bank was able to increase their capital value with proper co-ordination between various departments. CRM program of successful requires a right balance of human skill, technical skills and business capabilities. Strategic factors, tactical factors and operational factors are the three Critical Success Factors of CRM. These factors have direct impact on transaction quality & relationship quality and helps in reducing traction cost. These three factors lead to CRM effectiveness. Effective CRM has direct relationship with CRM success. CRM success is customer retention.

The essence of CRM thinking originates from three concepts in marketing management: (1) customer orientation, (2) relationship marketing, and (3) database marketing. With the advancement of information and communication technology (ICT), these three marketing tenets have come together in the paradigm of CRM (Langerak and Verhoef 2003).

Kerr and Anderson (2001) see CRM as a strategy, a tool or even a weapon that keeps the company on course and to be able to anticipate the changing landscape of the marketplace as customers became more difficult to reach with mass advertising, CRM emerged to more accurately target customer segments on a one-to-one basis. Deans (2004), states that CRM is a strategy for companies to build and manage long-term relationships with their customers. According to the researchers, by implementing CRM, better customer service, as well as improvement and management of customer expectations and loyalty can be provided.

Kotler and Armstrong (2004) define CRM as "the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction."

In CRM, the focus is upon using technology to organise and automate relationships with customers and prospective customers. It is often centred upon automating and integrating interactions, often with a focus upon efficiency rather than upon the customer experience:

CRM is a management approach that seeks to create, develop, and enhance relationships with carefully targeted customers to maximise customer value, corporate profitability, and thus, shareholder value (Payne and Frow, 2004)

Customer touch point has been defined differently by different researchers. Due to this, the term “touch points” can mean different things to different researchers and the definitions we have come across during our literature studies have similarities but also differences. Stone et al. (2002 p. 40) call touch points “the points at which products and services are purchased or serviced”. A definition that focuses on the products and/or services that a company has to offer. Mårtenson (2008) takes this definition a bit further by suggesting that touch points are every contact customers have with a company. This includes everything that brings a customer to think about the specific company: from word-of-mouth recommendation to marketing activities such as for instance a TV commercial. Spengler and Wirth (2009) expand this definition still further by including customers as well as non-customers and other stakeholders. They also talk about different touch points before, during and after a purchase.

From these wide definitions, we can tell that the number of a company’s touch points can be quite huge. To exemplify, mid-sized firms usually manage over one hundred touch points (Spengler and Wirth, 2009). Different touch points also have different roles to fulfil and these roles may vary between different companies. They also work in different ways in order to fulfil those roles (Hallward, 2008). Mårtenson (2008) exemplifies this by stating that it is important for a company to understand these different roles and purposes in order to be able to focus on those touch points influencing the consumer behaviour the most. There are various opinions on which touch points that are the most important ones. Boatwright et al. (2009) state that among all available touch points, the product itself is one of the most important ones due to its potential of creating strong relationships with the customers. Furthermore, the recent years’ fusion between the on- and offline worlds has made many online activities such as for instance online-forums, become more and more important (Spengler and Wirth, 2009). About ten percent of the customers are influenced by new types of information sources, such as the Internet, e-mail, mobile phones etc., when making buying decisions. Web 2.0 and popular online communities such as Facebook and Myspace are also of bigger importance than before. Furthermore, there is also a trend going towards on-demand services such as over the mobile or digital television. Companies are leveraging technology to make their touch points interactive and attractive.

The customer touch points play instrumental role in making a customer happy and satisfied. The importance of customer touch points has been largely discussed in CRR related literature. The term touch-point has been used within CRM literature in the context of maximising profitability and shareholder value. Recent developments in CRM practice show a new attention towards touch-points as part of the customer experience (Choy 2008). A white paper by Intervox (2005) states that “Touch points impact perceptions and decisions of both prospects and customers, and their resulting relationship with the organization. Management of customer touch points are essential in customer relationship management. The study was carried out in this theoretical background.

3. Objective of the study:

The research was carried in order to study the customer touch point related to banking sectors. The major research objective is to find out which customer touch points most significant and important from customers point of view. Since all customer touch points are not considered equal from the customer end,

this research attempts to establish which customer touch points are very important. As customer touch points helps in creating customer experience, a major focus of all CRM efforts, the study would also aim at providing suggestions on the basis of empirical study.

4. Research Methods:

In order to accomplish the objective of the study both primary and secondary data was collected. The Public, Private and Foreign sector banks were visited to determinethe major customer touch points. The information related to customer touch points were also collected from the magazines, research papers and articles. On the basic of collected information, customer touch points were listed.

The account holders of Bangalore city formed the population of this study. Sample was collected on the basis of non-probabilistic convenience sampling. This sampling technique was due to the respondents being easily accessible, their availability, as well as it being less time consuming and inexpensive to gather the required data. Bickle, R., & Papaginnis, G. (2001) contend that “the advantage of non-probability samples is that they are less complicated and more economical than probability samples.” In order to collect the data, a structured questionnaire was formed based on the listed customer touch points, questionnaire were distributed amongst the sample of 450 respondents. Out of 450, 428 questionnaires were found fit for further study, leading to a return rate of 91 percent. In order to check the reliability of the data, Cronbach alpha test was applied In order to find out the most preferable customer touch points from customer’s viewpoint Factor Analysis was applied.

5. Analysis and Findings:

I. 5.1 RELIABILITY ANALYSIS:

The reliability of data was checked with the help of Cronbach’s alpha test, the value of alpha for the data was 0.894 which is greater than 0.6 showing the data is reliable and suitable for the analysis.

	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Customer touchpoint	0.894	0.894	13

II. 5.2 VALIDITY ANALYSIS

A. Customer Touch Points

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.925
Bartlett's Test of Sphericity	Approx. Chi-Square	1311.730
	df	120
	Sig.	0.000

KMO test was applied to test sample adequacy, the resultant value was 0.925 which is greater than 0.50 showing that the sample was adequate for the study. The resultant value of Bartlett's Test was 0.000, showing that it was significant.

The research was conducted to study the customer touch points related to banking sector, on the basis of observation and secondary research a list of customer touch points was prepared. The table I enumerates the touch points.

On the basis of the secondary data and observation 20 customer touch points were found. Factor analysis test was applied to club the variables and to find out important customer touch points. The analysis of the result of the test helped in reducing the 20 customer touch points into 07 major factors by clubbing the touch points. The 07 major factors were named as follows: *Communications, Customization, Exclusive, Quality Encounters, Building Loyalty, Leveraging Technology and Organizing Processes*. The customer touch points were clubbed into various factors on the basis of factor loading value.

Table I: List of Customer Touch points

	Customer Touch Points
1)	Phone Banking services
2)	Bank Website
3)	Sales desk
4)	Account opening process
5)	Banking hall of the bank
6)	ATM's
7)	Customer Service Desk
8)	Teller Desk
9)	Branch Manager
10)	Net banking
11)	Mobile Banking
12)	Relationship Manager
13)	SMS alerts
14)	Loyalty Schemes
15)	Word Of Mouth
16)	Physical Layout
17)	Outdoor Posters
18)	T.V & Newspaper Advertisements
19)	Online Advertisements
20)	Direct Mails

The result of factor analysis reveals that the first factor termed as “*Leveraging Technology*” is utmost important in the present digital economy which includes Net banking, Mobile banking, ATM's are primary customer touch points, this factor explains 18.08% of variance. The second factor

“Customization” is also important factor and includes touch points like Customer service Desk and SMS alerts. The factor “Exclusive” includes Bank website, banking hall of bank brands the bank for most preferred one. The factor “Communications” which includes touch points like T.V and Newspaper advertisements, online advertisements and direct mails for effective construction of relationship with customers. The factor “Quality Encounters” which includes customer touch points like Teller desk, Relationship Manager and Physical Layout are also important from both customers as well as from retailer’s point of view. The factor “Organising Process” includes Account opening process, Sales desk signifies the uniqueness of the banks. The factor “Building Loyalty” includes customers touch points like Word of Mouth, Loyalty Schemes is closely related to the objectives of Customer Relationship Management initiatives which aims at retaining customers.

Table II: List of Customer Touch points

S. No.	Factors	Attributes (Touch Points)	Loading	Percentage of Variance
1	Leveraging Technology	Net banking	0.758	18.08
		Mobile Banking	0.745	
		ATM’s	0.713	
2	Customization	Customer Service Desk	0.687	10.58
		SMS alerts	0.671	
		Phone Banking services	0.668	
3	Exclusive	Bank Website	0.647	9.54
		Banking hall of the bank	0.634	
		Branch Manager	0.625	
4	Quality Encounters	Teller Desk	0.607	6.87
		Relationship Manager	0.598	
		Physical Layout	0.587	
5	Building Loyalty	Word Of Mouth	0.547	5.84
		Loyalty Schemes	0.532	
6	Communications	Online Advertisements	0.501	5.47
		T.V & Newspaper Advertisements	0.489	
		Direct Mails	0.478	
		Outdoor Posters	0.461	
7	Organizing Processes	Sales desk	0.414	5.11
		Account opening process	0.402	

This research brings forth the important customer touch points related to banking sector. The past literature suggests that effective management of customer touch points may lead to profitable customer relationship management. The important customer touch points like Net Banking, SMS alerts, T.V and Newspaper advertisements, online advertisements and loyalty schemes, Relationship Managers, Customer service may become a crucial part of CRM initiatives of the banking sector. Customer touch points are the

point of interaction for the customer and act as the first step for profitable customer relationships. The efficient management of touch points ensures long term relationship with the customers.

6. Managerial Implications

In the fierce competition in the present scenario customer relationship management has become a strategic tool to retain customers. In order to maintain long term profitable relationships with the customers, proper check on customer touch points is necessary. The touch points are the points where customers come in contact of the organization, with the experience they get they make their perception about the organization. Therefore the study of customer touch points becomes important from banking service provider's point of view. The study put forth the important customer touch points which banks should manage properly to retain customers in long run. The study shall be helpful in devising the CRM strategy and tailoring CRM initiatives. A major focus of CRM practice remains on customer experience and customer touch points. The touch points are crucial in creating unique experience for the customers. This research has studied the customer touch points related to public, private and foreign banking sector, on the basis of customer responses important customer touch points have been laid. The result shows that customization is the key to attract customers, personalised services and attention paves the way towards profitable relationships. The result of the research suggests that the customers have preferences related customer touch points; the preferred customer touch points may become instrumental for achieving the objectives of customer relationship management.

7. Conclusion & Future Research

The study establishes the importance of customer touch points in CRM. The efficient management of customer touch points is instrumental for any effective Customer Relationship Management initiative. The research studies the customer touch points relate to banking sector. The empirical analysis establishes that some customer touch points are crucial from customer's point of view. The findings of the result are very important due to its managerial implications for the organizations which tailor CRM initiatives and work on creating customer experiences through customer touch points. The scope of study can also be expanded by taking a larger sample and different demographic variables. The study can be replicated for the sectors other than banking service sectors.

References

- “The story behind successful CRM”, (2002), Bain & Co. available on <http://www.bain.com/publications/articles/the-story-behind-successful-crm.aspx>, retrieved on 13-07-2011.
- “Touch Point Mapping: An essential foundation for improving customer experience and value” (2004) White paper, Intervox Group, 415-925-1515
- Choy.D. (2008). What Exactly Is Touchpoint? Available at http://www.customerthink.com/blog/what_exactly_touchpoint. Accessed 20th June 2010.
- Deans, P. C. (2004) E-commerce and M-commerce technologies. United Kingdom: IRM Press.

- Emerging Markets Offer Growth Opportunities for Apparel Retailers Battling Declines in Domestic Consumer Spending” (2009), AT Kearney, available on: <http://www.atkearney.com/index.php/News-media/emerging-markets-offer-growth-opportunities-for-apparel-retailers-battling-declines-in-domestic-consumer-spending.html>, retrieved on 11-02-2011.
- Hogan, Almquist and Gran (2005). Brand-building: finding the touch points that count. Journal of Business Strategy. Vol.21 No.2, pp.11-18
- Kerr, C., & Anderson, K. (2001). Customer Relationships management. McGraw-Hill
- Kotler, Philip (2003), Marketing Insights from A to Z, Hoboken, NJ: John Wiley & Sons.
- Karakostas, B., Kardarasb, D. and Papathanassiou, E. (2004) 'The state of CRM adoption by the financial services in the UK: an empirical investigation', Information and Management, 42(6), pp.853-63.
- Kallol Das &HirakDasgupta (April 2009), 'CRM Best Practises: A Case Study of Bank of Baroda', Journal of Marketing & Communication, Jan-April 2009, Vol 4, Issue 3.
- Langerak, Fred, and Peter C. Verhoef (2003), “Strategically Embedding CRM,” Business Strategy Review, 14 (4), 73–80.
- Nath V, Gugnani R, Goswami S, Gupta N (2009) “An Insight into Customer Relationship Management Practices in Selected Indian Service Industries” Journal of Marketing & Communication ,Vol. 4 (3) pp18-40
- Payne and Frow (2004). The role of multichannel integration in customer relationship management. Industrial Marketing Management. Vol. 33(2004) pp 527-538.
- Peppard J. (2000), 'Customer Relationship Management in Financial Services', European Management Journal, 18(3), 312-327.
- Spengler, C. and Wirth, W., (2009), Maximising the impact of marketing and sales activities Io New Management, No. 3. pp. 1-5
- Sanjit Kumar Roy (2008), 'CRM Implementation in Banks', The Icfian Journal of Management Research, Vol. VII, No. 7, 2008