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THE IMPACT OF CUSTOMER RELATIONSHIP MARKETING ON CUSTOMER SATISFACTION: With Special Reference to Commercial Bank PLC and HNB PLC in Jaffna District in Sri Lanka

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ABSTRACT

The aim of this research is to investigate the impact of customer relationship marketing on customer satisfaction: with special reference to commercial bank plc and HNB plc in Jaffna district, Sri Lanka. This study was designed to use the survey research method and the convenient sampling technique was used in collecting data. Questionnaires were distributed to selected respondents in Jaffna. A total of 300 respondents were participated in this study. The data were analyzed and summarized with SPSS version 21 software. Correlation analysis and Multiple regression analysis were used to find out the impact of customer relationship marketing on customer satisfaction. According to the correlation analysis, there is a significant relationship between customer relationship marketing and customer satisfaction. It is significantly correlated at 0.01 level. The correlation value among Trust, Commitment, Communication, Empathy, Conflict Handling, and Satisfaction are 0.486, .0.465, 0.522, 0.571 and 0.617 respectively. This is also significant at 0.01 levels. As per the hypotheses considered for the study, H_1 is accepted therefore, it shows there is a significant impact of customer relationship marketing on customer satisfaction. Further, H_2 is accepted because significance p value is less than 0.01. As per the regression results in the coefficient table, it has been noted that fitted model revealed the significant relationship between the relationship marketing on customer Satisfaction. The Adjusted R_2 Values among Trust, Commitment, Communication, Empathy, Conflict Handling, on satisfaction are 23.3%, 25.3%, 31.3%, 38.7% and 45.6% respectively. This is significant at 0.01 levels. So H_2 also accepted. It is concluded that there is a significant relationship among the Customer Relationship Marketing on Customer Satisfaction among the customers of the Commercial Bank PLC and the HNB PLC in Jaffna, Sri Lanka.

KEY WORDS: Customer Relationship Marketing, Customer Satisfaction, Competition.

INTRODUCTION

Customer Relationship marketing is an emerging approach in banking industry to build close and long-term relationships with its customers in order to provide an understanding of their customers and their satisfaction, considering the increasing competition (Tahmasbi, Ashtiani, Noroozi, 2007). Today, trading that emphasized on the effectiveness of mix elements marketing is shifted towards marketing based on relationship. On the other hand, the emergence of private banks besides the state banks are increasing in their intensity of competition among and in between them, relationship marketing can be an approach to solve the problems to some extent. Using this approach, having long term relationships with customer activities can identify and improve activities which are important and valuable. Subsequently, attract more customers and build up loyalty with the organization is a challenging task. Commercial bank and HNB bank have always tried to provide solutions and programs for creating and maintaining long-term relationships with customer loyalty (Heffernan et al, 2008). Relationship marketing concerns how best a company can interact with its customers. The main goal of relationship marketing is to build mutually satisfied long term relationship with key constituents in order to gain and maintain their business. The purpose of relationship marketing within a company is to identify and understand customers as much as possible and to build a unique company asset, which is a marketing network. Therefore, it is important because such understanding or finding will help banks to establish a better management of customer relationship and to achieve the higher level of satisfaction among customers. There are plenty of branches of commercial Bank plc and HNB plc are exist throughout in Sri Lanka. Anyhow, this study focused only on branches available in Jaffna district.

STATEMENT OF RESEARCH PROBLEM

In Northern part of Sri Lanka, especially in Jaffna district, Commercial bank and HNB bank branches are facing more difficulties such as high competitiveness, high level preliminary expensive etc. They use different formation of strategies to compete in the highly competitive market. Most of the banks prefer the Customer relationship marketing strategy to secure the customer satisfaction (Heffernan et al, 2008). A Study on the impact of customer relationship marketing on customer satisfaction in an emerging market can be a fruitful empirical work, which may likely to differ from a developed market. Furthermore, it was found that no much empirical works on effectiveness marketing impact on

customer satisfaction to banking sectors in Jaffna district. Therefore, it is important, to empirically examine the actual impact of customer relationship marketing program on customer satisfaction. Such understanding or finding will help to banks to establish a better management of customer relationship and to achieve the high level of satisfaction among customers.

Therefore, this study attempts to answer the following research questions,

- What is the level of impact that customer relationship marketing have on customer satisfaction?
- How does customer relationship marketing affect the customer satisfaction?

In this juncture, following are the objectives of this study,

- To find out the impact of customer relationship marketing on customer satisfaction
- To find out how the customer relationship marketing do affect the customer satisfaction

LITERATURE REVIEW

Relationship marketing contains all steps that company takes to identify and provide better services to their valuable customers. Further, relationship marketing is the process to identify and create new value for customers, in which the mutual benefit has been considered. This benefit is shared with customer during his life. Kotler (2000) indicated that relationship marketing was mainly to match the customers' needs and the service promises, so that the customer loyalty would increase (Taleghani & et al, 2011). It was defined that the relationship marketing is attracting, maintaining and enhancing relationships with customers. Customers are the only profitable source of companies for ever. However, a good customer that makes the great benefit is possible to lose the competition over access to customers intense. Companies should emphasis in maintaining current customers and create long-term and profitable relationship (Gary & Byun, 2001). The main point is to retain customers by providing superior value with satisfaction (Kotler & Gray, 2001).

DIMENSIONS OF CUSTOMER RELATIONSHIP MARKETING

Trust

Trust refers rely on someone's word. It is based upon reputation, personality, systems and processes. Some consider trust as an important consideration because many aspects of relations between customers and suppliers cannot be formalized legally. Instead, relationships have to be based on mutual trust. Trust is built upon experience,

satisfaction and empathy. A high level of trust is likely to enhance a more positive attitude, which in turn is likely to increase the level of customer orientation / empathy. Conversely, low trust can have the opposite effect: how can you begin to empathize with someone you do not trust (Conway and Swift, 2000). Trust has been defined as, "A willingness to rely on an exchange with a partner in whom one has confidence" (Moorman et al., 1993).

Commitment

Commitment is another important determinant of the strength of marketing relationship and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency. Customer commitment is defined as the customer's durable intention to develop and sustain the relationship with the supplier on the long run (Anderson and Weitz, 1992). Egan (2001) suggests that commitment is central in relationship marketing. At the same time Conway and Swift (2000) felt that the level of commitment a partner feels towards that relationship is of great importance in developing relationships.

Empathy

Empathy is the dimension of a business relationship that enables the two parties to see the situation from the other's perspective. It is defined as seeking to understand somebody else's desires and goals. It involves the ability of individual parties to view the situation from the other party's perspective in a truly cognitive sense. Empathy may be concerned with like someone or some organization. In the initial stages of a relationship is important that the seller empathizes with the buyer but, as the relationship develops, empathy from both parties becomes increasingly important. Like the other on behalf of each party develop a close interpersonal and business relationship and give a more positive outlook to each party.

Communication

Communication is considered as a vital component in the establishment of business relationships. Yet it is a variable that is often assumed or taken for granted and consequently overlooked as a component of relationship development (Andersen, 2001). Communication is important in marketing relationships; it plays a

central role in providing an understanding of the exchange partner's intentions and capabilities, thus forming groundwork for building trust amongst exchange partners. The regency and frequency of communications are important variables.

Conflict Handling

Ndubisi and Chan (2005) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality. The ability of the product or service provider to handle conflict appropriately will also directly influence customer loyalty. It is important that companies select their partners carefully, share common values, and maintain excellent communication at all times during the relationship continuum. Ultimately, the key factors that hold a relationship together are goal compatibility, commitment, trust, satisfaction, investments, social and structural bonding, and a favorable comparison with alternatives.

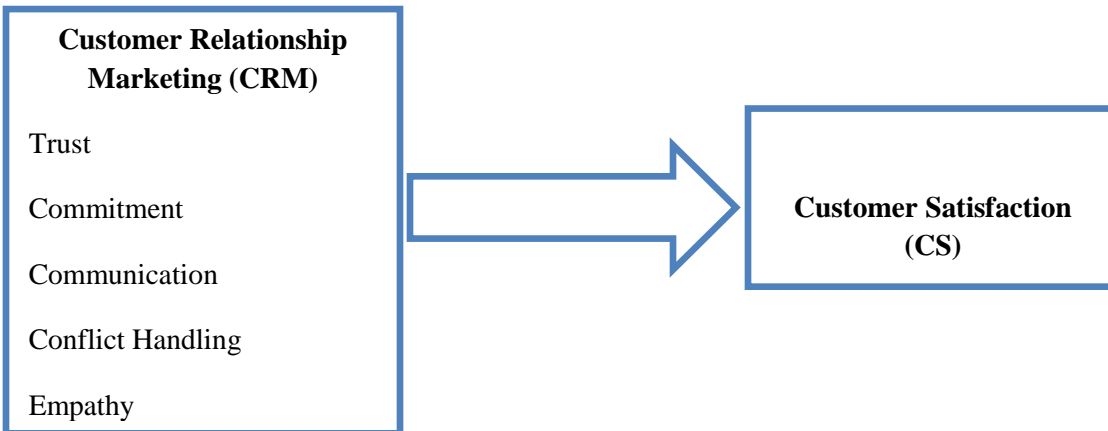
Customer Satisfaction

Parker and Mathews (2001) indicated that there are two principal interpretations of satisfaction: satisfaction as a process and satisfaction as an outcome. "Satisfaction is a customer's emotional response to his or her evaluation of the perceived discrepancy between his or her prior experience with and expectations of product and organization and the actual experienced performance as perceived after interacting with organization and consuming the product." Further, it was stated that, customer satisfaction is shaped by a comparison of expectations with perceived performance.

METHODOLOGY

Conceptualization

In the figure given below the relationship between independent variables and dependent variable of this research study is given. It is referred the given authors study as the base for this figure. Trust, Commitment, Communication, Conflict handling & Empathy are considered as dimensions of the Customer Relationship Marketing (CRM), which is taken as independent variable. On the other hand, customer satisfaction taken as dependent variable.



Source:-Ndubisi (2006) and Rashid (2003)

In this study, data collection based on the research objectives and primary data was obtained by issuing questionnaires to the selected customers of both banks. To validate the outcome through data analysis relevant secondary data was cited from respective magazines and various reports.

The researchers selected 300 customers as sample from both commercial Bank plc and HNB plc. Further, the data was analyzed to know the impact of customer relationship marketing in customer satisfaction in both banks in Jaffna district.

Data analysis consists of both descriptive statistical analysis and inferential statistical analysis in addition to test of reliability and validity. Statistical Packages for Social Science (SPSS) version 21 was used for data analysis.

DATA PRESENTATION AND ANALYSIS

According to the correlation analysis in Table I, there is a significant relationship between customer relationship marketing and customer satisfaction. It indicates that customer relationship marketing and customer satisfactions significantly correlated at 0.01 level. The correlation value among Trust, Commitment, Communication, Empathy, Conflict Handling, and Satisfaction are 0.486, 0.465, 0.522, 0.571, 0.617 respectively which are significant at 0.01 level. So H_1 accepted.

Table I: Correlation

		Trust	Commitment	Communication	Empathy	Conflict Handling	Satisfaction
Trust	Pearson Correlation	1	.760	.606	.529	.504	.486
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	300	300	300	300	300	300
Commitment	Pearson Correlation		1	.651	.513	.530	.465
	Sig. (2-tailed)			.000	.000	.000	.000
	N			300	300	300	300
Communication	Pearson Correlation			1	.601	.515	.522
	Sig. (2-tailed)				.000	.000	.000
	N				300	300	300
Empathy	Pearson Correlation				1	.643	.571
	Sig. (2-tailed)					.000	.000
	N					300	300
Conflict Handling	Pearson Correlation					1	.617
	Sig. (2-tailed)						.000
	N						300
Satisfaction	Pearson Correlation						1
	Sig. (2-tailed)						
	N						

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.486 ^a	.236	.233	.37978
2	.508	.258	.253	.37496
3	.566	.320	.313	.35948
4	.629	.395	.387	.33960
5	.682 ^e	.465	.456	.32006

a. Predictors: (Constant) Trust

e. Predictors: (Constant) Trust, Commitment, Communication, Empathy, Conflict Handling

Therefore, significant impact of customer relationship marketing on customer satisfaction is exist. As per the regression results in the Table II, it has been noted that fitted model revealed the significant relationship between the relationship marketing on customer satisfaction. The Adjusted R² value among Trust, Commitment, Communication, Empathy, Conflict Handling, on Satisfaction are 23.3%, 25.3%, 31.3%, 38.7%, 45.6% respectively which is significant at 0.01 level. So H₂ also accepted.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.272	1	13.272	92.019	.000
	Residual	42.982	298	.144		
	Total	56.254	299			
2	Regression	14.498	2	7.249	51.559	.000
	Residual	41.756	297	.141		
	Total	56.254	299			
3	Regression	18.004	3	6.001	46.441	.000
	Residual	38.250	296	.129		
	Total	56.254	299			
4	Regression	22.231	4	5.558	48.190	.000
	Residual	34.023	295	.115		
	Total	56.254	299			
5	Regression	26.137	5	5.227	51.030	.000 ^f
	Residual	30.117	294	.102		
	Total	56.254	299			
a. Dependent Variable: Satisfaction						
f. Predictors: (Constant), Trust, Commitment, Communication, Empathy, Conflict Handling						

CONCLUSION

This research was conducted to analyze the Effectiveness of Relationship Marketing on Customer’s satisfaction. The study clearly indicates the influence of independent variables on dependent variable. From the tests and findings including Trust, Commitment, Communication, Relationship and Conflict Handling. Based on the analysis commitment. Communication, relationship and conflict handling have a weak positive relationship and significant to the bank. The trust have a weak positive relationship but not significant. Based on the hypotheses test trust is rejected because according to the analysis weak positive relationship between trust and customer satisfaction. But other four variables are accepted. The customer Satisfaction is an important element of banking success in today’s increasingly competitive environment. Based on the research findings relationship marketing have a very impact on the customer satisfaction. Based on the findings the researcher found other factors are highly influence on the customer satisfaction than the relationship marketing. Such as interest rate, Empathy, special schemes, attracting programs etc.

RECOMMENDATIONS

It is recommended to the Banks, that to have competitive advantage to win in the day today increasing competitive situation maintaining customer’s satisfaction is a must. That benefit to banks in gaining more and more competitive advantage as well in the future too. Banks need to fulfill highly demanding customer needs because they will continue the use banking service as an essential on in their life, i.e. no one can survive without approaching banking service. Commercial Bank of PLC and HNB PLC need to put more

attention to attract customers as well in terms of relationship marketing. To be strong connection between bank and customer is also necessary for them to maintain a good business relationship such as organizing festive celebrations, potential customer’s celebrations, offering gift during seasons, giving complements during the early part of the calendar year, etc. It is also important for banks to stress the above in a proper manner during the recruitment time even their policies especially for those who are being the officers in the front office of a branch because they are representing the bank by giving initial impression to the customers about the bank branch.

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