

## Impact of Customer Relationship Management on Customer Satisfaction

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**Abstract:** Today one of the approaches which are creating drone in banking sector is customer relationship management. Relationships have different types and have different meanings. Among different relationships existing in this word, there is a very influencing relationship between customer relationship management and customer satisfaction. This study is carried out on 100 customers of banks of Sahiwal division of Pakistan to find out the impact of customer relationship management and customer satisfaction. Pearson correlation and regression was applied on data and results shown a positive and significant relationship between CRM and customer satisfaction. Future researches can be carried out on large amount of data and with different variables.

**Key words:** Customer Relationship • Management • Customer Satisfaction

### INTRODUCTION

Core purpose of this study is to discover the impact of connection between CRM and customer satisfaction. Emphasis of this study will focus on banking industry of Pakistan. In Pakistan financial liberalization in the banking sector is vastly limited if we compare it with developed world. For almost a year after separation, there was no central bank in Pakistan. The evolution process of our financial sector is quite different as compared to developed countries financial institutions. Habib Bank – established in 1941 – was country's first national bank to support this sector, until the State Bank of Pakistan (SBP) come into existence in 1948. At that time the responsibility assigned to domestic banks was particularly limited. They were liable for accounting only 25 out of total 195 bank branches throughout country. Because of this initially the SBP was given the responsibility to build up profitable banking channels throughout the country, to sustain economic strength and advance trade and export in the newly born state. Over the period of time growth in the

financial sector served mainly to corporate sector, politicians and the government. In 1991, due to Bank Nationalization act amendments 23 new banks were established to support the financial sector, out of which ten banks were domestically licensed. In 2010 there were five public banks in the country and Government issued license to 25 domestic private banks, six foreign banks and four specialized banks subsequently. Due to these drastic changes network grew up to 9,348 branches throughout the country which greatly helped public and private sector businesses.

As the name suggests Customer relationship management (CRM) is a model that builds the connection between company and customers for long term business relations. Technology is being used in this model to organize business processes, sales activities, but this model also helps in marketing and providing technical support to customers. The ultimate goal of CRM is not only to attract new clients but also sustain the existing client's base at its maximum level of satisfaction because of this it has great importance for the marketing managers.

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CRM is also widely being used as a tool to Measure Company's performance. Satisfied customers ultimately become a loyal customer which is company's objective. Because this customer will give you business over the period of time and also provide marketing services through word of mouth by creating positive image of your brand when he shares his satisfaction experience with public.

By the implementation of CRM in banking sector it easy for a bank to cope up with rapidly changing customer needs due to business expansions and technological changes.

Technological changes and raid of ATM removed cashier tellers, call centers can help customer 24 hours a day despite limited bank timings, introduction of email removes surface mail hazards and delays, similarly credit cards and electronic cash replaced conventional cash transactions and utility bill payments. Due to these technological invasions bank are enable to create strong business relations with their customer in recent years. Banks need complete history of their customer to predict their behavior and upcoming demands. Now they can gather customer data from various data networks to build a long term business relation with customer and CRM representatives can also predict changing needs and preferences of customer.

Recently almost every sectors of the financial services industry are trying to use CRM techniques to achieve a variety of outcomes to enhance customer base.

**Objective of the Study:** The objective of the proposed study is:

- To determine the impact of CRM on Customer Satisfaction.

**Literature Review:** CRM (Customer Relationship Management) is an ongoing process to asses' strategy of the organization towards their existing and future customers. By the use of CRM companies can focus to asses' customer's demands and expectations, level of customer satisfaction which will lead towards customer loyalty, a real asset of company. This information is extracted through different resources of customer feedback. Meeting customer's needs in such a way gives a perception to customer as he is treated as a special client. So CRM process plays role of connection between company and customer to provide long term benefits for both partner and this is ongoing process [1].

In researcher defined satisfaction as the combination of the customer's emotions and suggestions after consuming product also said as the consumer's execution response. It is a level where product or services attributes forces customer to gives a pleasant response, level of recognition or can be said consumption-related fulfillment. Customer satisfaction is not one time process it is an ongoing process where due to satisfaction customer comes back again due to company's product and services level of satisfaction and become a loyal customer. There is another opinion Bowen and Shoemaker [2] that satisfied customers may not return for repurchase and may not widen a positive word of mouth for a brand [2]. The reason behind this the companies unable to meet customers real values and needs eventually product is unable to meet customers real satisfaction level.

CRM is developing as a major element of corporate strategy for many organizations. Banking industry focuses on CRM to protect its market share and enhance its growth. With growing competition, declining market share, smarter and more challenging customers, there is rivalry between the banks to gain a competitive advantage over one another or for sustaining the survival in competition.

For the survival in the competitive market banks specifically identifies most profitable customer and prospects and devotes their utmost potential energies to expand their satisfied customer base and provide customized services through various sales channels to their clients to get desired results.

So ultimately we can easily say that success of CRM strategy based upon its ability to understand the real needs of the customer and to understand them with the organization's strategy, technology, workforce and business processes.

**Theoretical Framework:** The variables of the study are CRM (efforts of knowing customers, customers needs and wants) which is independent variable and customer satisfaction which is dependent variable. The independent variable (CRM) affects the dependent variable (customer satisfaction), as CRM would higher the satisfaction of customer would also higher. The operational definition of these variables is discussed here:

The following model has been developed on the bases of research conducted by researchers [3].

CRM (customer relationship management) is essential function of customer leaning marketing is to gather and build up related information about customer needs and wants in order to provide effective services [4].

Customer satisfaction is an element to which customers of an organization are satisfied with those products or services and what are the opinions about them.

In the current study the research model has been developed on the bases of then research conducted by researchers [3]. This is model explains that customer satisfaction in banking industry of Pakistan is dependent on CRM, which means that if a bank is providing effective facilities so that it can satisfy the customer's needs and wants, than it will able to satisfy its customers. Dimensions of Customer needs and wants have been used to measure the customer's satisfaction in banking sector of Pakistan.

**Hypothesis:** Hypothesis is basically a specific statement which is formulated for empirical testing. The hypothesis is constructed with bases in the general theory described above.

*H<sub>1</sub>: CRM has a positive relationship with Customer satisfaction in banking sector.*

The assumption of this hypothesis is based on Padmavathy, Balaji and Sivakumar [3] study.

**Methodology:** In this research, as literature review has helped us to discover that these variables had widely been studied in different countries and contexts but not in Pakistan banking industry as done here( as per researcher knowledge). This research aims to analyze these variables quantitatively in banking industry of Pakistan. Sampling Technique:

Convenience sampling technique was used to collect data for this paper. Sample of 120 employees were taken from banks and 100 were returned with a response rate of 83%.It took almost three days to collect the data for this study.

**Data Collection Method:** Although customer relationship management is a major concern in every sector but these days banking sector is rapidly getting popular due to which conducting a research in this industry. Data has been collected through a self administrated questionnaire develop on the bases of research conducted [5]. Instruments used in this study are adapted and validity of all these are mentioned in previous studies. A questionnaire was framed for customers at different commercials banks in Sahiwal. Sample of total 120 customers selected by convenience sampling and three days were taken to collect the data from the customers of

different commercial banks in Sahiwal. At the end, the customers were asked to share about experience in a bank.

**Data Analysis Method:** To measure the sample characteristics, mean, median, mode and standard deviation were used. Linear regression model was applied in this paper to measure the relationship between dependent and independent variables. First, we applied regression model on customer relationship management as independent variable and customer satisfaction as dependent variable.



Then regression model was applied to measure the relationship between customer relationship management as independent variable and customer satisfaction as dependent variable. Linear regression model was used here to measure the relationships because we have only one independent variable.

$$Y = a + bX$$

### Findings of the Study

**Descriptive Statistics:** Respondents of the study were 53% males and 47% females shown by table.

### Inferential Statistics

**Reliability:** Instrument used in the study was reliable with cronbach's alpha value 0.860.

**Correlation:** Pearson correlation technique was used here to identify the relation between variables. Customer relationship management and customer satisfaction shows a positive and significant relationship at 0.000 significant levels with a correlation value of 0.776. Regression:

Regression table measures the amount of total variation in dependent variable due to independent variable. The value of R square in table 4 is 0.603. This value indicates that there is almost 60% variation in dependent variable (customer satisfaction) due to one unit change in independent variable (customer relationship management).

### CONCLUSION

Customer relationship management is concerned with attracting, maintaining and enhancing the relationships

with customers in organization and customers are the backbone of any kind of business activities, maintaining relationships with them generate better results. The main objective of this study is to identify the impact of customer relationship management on customer satisfaction. One hypothesis is considered in this study and it is accepted.

Correlations

		CRM	CS
CRM	Pearson Correlation	1	.776**
	Sig. (2-tailed)		.000
	N	100	100
CS	Pearson Correlation	.776**	1
	Sig. (2-tailed)	.000	
	N	100	100

\*\* . Correlation is significant at the 0.01 level (2- tailed).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
					R Square Change	F Change	Sig. F Change	Durbin-Watson
1	.776 <sup>a</sup>	.603	.599	.26550	.603	148.597	.000	2.207

Predictors: (Constant), CRM

b. Dependent Variable: CS

Coefficient

Model		Un-standardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.840	.115		7.275	.000
	CRM	.581	.048	.776	12.190	.000

a. Dependent Variable: CS

Findings of the study revealed that stronger relationships with customers have a great impact in order to satisfy their customers. This study shows a positive and significant relationship between customer relationship management and customer satisfaction. This study has shown that banking sector in Sahiwal implementing customer relationship management techniques in order to maintain the better relationship with their customers. Banks are realizing that CRM is the back bone that helps financial institutions to build stronger and more profitable relationships. Hence banks should focus on delivering to customers by having a concise and precise ways of doing things through effective CRM solutions.

**Limitations and Future Direction:** Sample size of the study was limited and only one dependent variable was taken. Sample size can be increased for future research and effects of other dependent variables e.g. customer loyalty, organizational commitment etc can be studied in future.

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