

Impact of Customer Relationship Marketing on Market Performance in Banking Sector – A Study on Bank of Ceylon and Hatton National Bank Customers in Mannar District in Sri Lanka

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Abstract

Customer Relationship Marketing (CRM) is widely acknowledged as a powerful tool in gaining market performance in banking sector. However, little attention has been paid to this area. The purpose of the study is to examine impact of customer relationship marketing on market performance. For this study, Customer Relationship Marketing is evaluated by trust, communication, commitment, and promise. Market performance is assigned through the following variables: customer reputation, customer loyalty, and market position. For this study, convenience sampling techniques have been pursued to collect data. 100 questionnaires were distributed among customers of the Bank of Ceylon (50 questionnaires) and Hatton National Bank (50 questionnaires) in Mannar district in Sri Lanka. All questionnaires were received from the customers. Correlation, regression, Cronbach Alpha, and descriptive statistics have been employed to test the hypotheses. The result revealed that the correlation value of 0.711 between customer relationship marketing and market performance. According to the regression analysis, market performance was impacted by customer relationship marketing by 50.6%. So, customer relationship assists the market performance of commercial banks. Every commercial bank needs to polish their customer relationship.

Keywords: Customer Relationship Marketing, Market Performance, commercial banks.

1.0 INTRODUCTION

In the current and economic world the Customer Relationship Marketing (CRM) plays a vital role and it is considered very important in achieving the goal of the firms. Having come to understand the importance of CRM it is highly concentrated to uplift the progress. The purpose of this research is to identify the CRM influences in market performance. As there is a massive competitiveness in banking sectors based on CRM, it is interested to explore it empirically. For this research purpose one state sector bank, Bank of Ceylon, and a private bank, Hatton National Bank (HNB) in the Mannar district in Sri Lanka was selected. It is said by other researchers that there is a high hope in between CRM and market performance i.e. CRM plays major positive roles in market performance. Banks as service sectors also adopt CRM with the intention of achieving high market performance. In this paper the researchers attempt to see the degree of adoption of CRM and the impact of it to the selected bank branches.

1.2 Research problem

Few studies were done on banking sector to see the impact of Customer Relationship Marketing on market performance in some areas of Sri Lanka. Nothing focused on Mannar District in Sri Lanka. Therefore, this study intended to focus on Customer Relationship Marketing on market performance in a state and private bank in Mannar district in Sri Lanka.

1.3 Objectives of the study

The following objectives are taken for the present study.

1. To find out the impact of CRM on market performance.
2. To investigate the relationship between CRM and market performance.
3. To suggest some ideas for improvement in banking sector on market performance through the adoption of CRM

2.0 REVIEW OF LITERATURE

The following are some literature which support to impact of customer relationship marketing. Vannarajah and Jude Leon (2011) said Customer Relationship Marketing (CRM) has impact on market performance. Furthermore, positive customer relationship marketing impact customer retention.

Nelson Oly Ndubisi (2006) highlighted that CRM variables like attention to issues of trust, commitment, communication, and conflict handling have a significant effect on customer loyalty and predict a good proportion of the variance in customer loyalty.

Carmen Camarero Izquierdo, Gutierrez (2005) identified the dimension of CRM such as attraction, commitment, and loyalty effect on the market performance as compared to the economic performance.

Jorgenson, (2001) said the positive CRM is the only way that a company can obtain a permanent competitive advantage and as a result ensure its own survival and growth. It implies that relationship building is considered to be a key factor to success.

Mekenna 1991; Shani and Chalasani (1991) mentioned CRM attempts to involve and intergrades customers and infrastructural partners into a firm's developmental and marketing activities.

3.0 METHODOLOGY

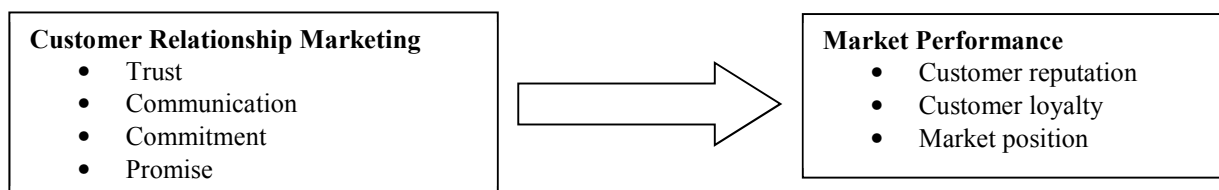
3.1 DATA COLLECTION

The primary and secondary data were collected for this research. Primary data were collected through a questionnaire.

This questionnaire consists of three sections A, B, and C. Section A consists of personal details such as Gender, Age, Occupation, Monthly income, Length of time customer has been in this bank, Kinds of services. Section B consists of sixteen statements about CRM, such as, trust; communication; commitment and promise to measure the customer relationship marketing. Section C consists of twelve statements to evaluate market performance with the help of identified variables.

3.2 CONCEPTUALIZATION

The following model shows the relationship between the independent and dependent variables and also the model expressed that how the variables are measured.



As per the above figure the relationship is shown in between independent variable, Customer Relationship Marketing (CRM) and dependent variable, Market Performance. Here, trust, communication, commitment and promise are taken as sub variables of independent variable CRM and customer reputation, customer loyalty and market position are considered as sub variables of dependent variable market performance.

3.3 HYPOTHESES

H.1 Customer relationship marketing and marketing performance are positively correlated.

H.1.a Trust and marketing performance are positively correlated

H.1.b Commitment and marketing performance are positively correlated

H.1.c Communication and marketing performance are positively correlated

H.1.d Promise and marketing performance are positively correlated

H.2 Customer relationship marketing has impact on marketing performance.

H.2.a Trust has impact on marketing performance

H.2.b Communication has impact on marketing performance

H.2.c Commitment has impact on marketing performance

H.2.d Promises has impact on marketing performance

4.0 DATA ANALYSIS

In this section, collected data from the respondents regarding customer relationship marketing and market performance were analyzed to test the above given hypotheses by using appropriate statistical tools.

4.1 RELIABILITY SCALE

Testing of the reliability of the scale is very significant before applying statistical tool. Reliability is defined as an accuracy or precision of a measuring instrument. Thus reliability refers to the degree to which a measure is free of variable error. The most common way to assess reliability measurement is to evaluate the internal consistency of the items in a scale.

Table 01: Reliability Statistics for Customer Relationship Marketing.

S. No.	Customer relationship marketing	Cronbach's Alpha if item deleted
01.	Trust	0.810
02.	Commitment	0.715
03.	Communication	0.684
04.	Promise	0.741

Table 02: Reliability Statistics for Market Performance.

S. No	Market performance	Cronbach's Alpha if item deleted
01	Customer Retention	0.793
02	Customer Loyalty	0.667
03	Market position	0.733

As Cronbach's alpha is much higher than 0.6 in all cases, it constructs that there the adequate reliability exist.

4.2 Relationship between Customer Relationship Marketing and Market Performance

Customer Relationship Marketing and Market Performance are interrelated. Market performance and exchange has been identified as foundation stone of the concept of customer relationship marketing which has evolved and has been identified as strategic approach directing all marketing activities toward establishing, developing, and maintaining successful relationship exchange.

Table 03: Correlation analysis for customer relationship marketing

Variables	Customer Relationship Marketing	Market Performance
Customer Relationship Marketing	1	0.711**
Market Performance	0.711**	1

Correlation is significant at the 0.01 level (2- Tailed)

Table 03 shows the relationship between the variables (customer relationship marketing and market performance). Correlation value is 0.711 which is significant at 0.01 levels. It indicated that as the customer relationship marketing increases the market performance increases. So, the hypothesis - 1 is accepted.

Table 04: Correlation Matrix

	TRUST	COMN	COMT	PRO	CUR	CUL	MRP	TCRM	T MP
TRUST	1								
COMN	.424** .000	1							
COMT	.384** .000	.710** .000	1						
PRO	.433** .000	.602** .000	.596** .000	1					
CUR	.276** .005	.516** .000	.502* * .000	.399* * .000	1				
CUL	.429** .000	.631** .000	.587* * .000	.601* * .000	.582* * .000	1			
MRP	.285** .004	.577** .000	.425* * .000	.430* * .000	.502* * .000	.671* * .000	1		
TCRM	.632** .000	.905** .000	.860* * .000	.786* * .000	.544* * .000	.703* * .000	.555* * .000	1	
TMP	.394** .000	.677** .000	.598* * .000	.568* * .000	.816* * .000	.896* * .000	.839* * .000	.711* * .000	1

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

As shown in the table 04, the relationship between variables accordingly, communication component for customer relationship marketing (CRM) is highly correlated with market performance with the correlation value 0.677 Whereas, the correlation value between trust component of customer relationship marketing and market performance is 0.394 which is significant at 0.01 level and other component promises are also correlated with market performance .Hence the sub hypotheses (H1a to H1d) are also accepted.

4.3 REGRESSION ANALYSIS

Regression model was applied to test how far the customer relationship marketing had impact on the market performance. Coefficient of determination R^2 is the measure of proportion of the variance of dependent variables about its mean that is explained by the independent or predictor variables. Higher value of R^2 represents greater explanatory power of the regression equation.

Table 05: Impact of customer relationship marketing on market performance.

Model	R	R square	Adjusted R square	Std. Error the Estimate of
1	.711 ^a	.506	.501	.3029

Predictors: (Constant), TCRM

Above table 05 shows the R^2 value of 0.506. it mean that the customer relationship marketing is contributing to the market performance by 50.6% and remaining 49.4% can be attributed by other factors which are not studied, because they are beyond the scope of study. Anyhow hypothesis 01 is also accepted.

Table 06: Coefficients for customer relationship marketing

Model	Non standardized Coefficients		Standardized Coefficients	T	Significance
	B	Std. Error	Beta		
(constant)	1.526	0.371	-	0.4118	0.000
Trust	0.079	0.088	0.073	0.895	0.373
Communication	0.224	0.058	0.419	3.866	0.000
Commitment	0.118	0.078	0.161	1.510	1.311
Promise	0.191	0.098	0.187	1.945	0.055

Dependent variables: MP

The above table 06 shows that, if trust increases by 1 unit, market performance will increase by 0.079. Further the model shows that communication has the greater impact on market performance as compared to other components. Value for each variable revealed that trust, commitment, communication, and promises have a significant impact on market performance.

Regression analysis for each variable

Regression analysis was carried out to find out the impact of each type of independent variables (trust, communication, commitment, and promises) on market performance. According to this test, following hypotheses was tested.

Table 07: Impact of each component of customer relationship marketing on market performance.

Variable	R	R Square	Adjusted R Square	Std. Error of the estimate
Trust	.394 ^a	.155	.146	.39611
Communication	.677 ^a	.459	.453	.31706
Commitment	.598 ^a	.358	.352	.34521
Promise	.567 ^a	.322	.315	.35492

A Predictors; (constant), Trust, Communication, Commitment, and promise.

Table 07 shows the R Square (R^2) value for each component of customer relationship marketing separately, according to the table R square value 0.155, it indicates that trust is contributing to the market performance by 15.5% only another 84.5% can be attributed by another factors. Similarly Communication, Commitment, and Promise are contributing to market performance by 45.9%, 35.8%, and 32.2% respectively. So, H.2.a, H.2.b, H.2.c, and H.2.d were accepted. Furthermore communication has highest R square value compared to other factors and trust has least contribution to the market performance in commercial banks.

5.0 FINDINGS

Various statistical methods have employed to analyses the data collected from respondents. These methods include explorative factor analysis, correlation, descriptive analysis, and regression analysis. Each method has used to analyses the relationship of different variables.

Correlation analysis was carried out to find out the relationship between customer relationship marketing and market performance. Thus customer relationship marketing is correlated with market performance with the value of 0.711. Therefore hypothesis one is accepted. Further, communication is highly correlated with market performance with the correlation value 0.677 whereas, the correlation value between trust component of customer relationship marketing and market performance is 0.394 which is significant at 0.01 level and other component promise are also correlated with market performance.

Regression analysis has been employed to investigate the impact of customer relationship marketing on market performance in commercial banks. Thus customer relationship marketing is contributing to the market performance by 50.6% and remaining 49.4% can be attributed by other by factors. Therefore hypothesis two is accepted. Trust is one of component of the customer relationship marketing. It is contributing to the market performance by 15.5% only another 84.5% can attributed by other factors. Similarly communication, commitment, and promise are contributing to market performance by 45.9%, 35.8% and 32.2% respectively. So, sub hypotheses (From H2a, to H2d) were accepted. Furthermore communication has highest R square value

compared to other factors and trust has least contribution to the market performance in commercial banks.

5.1 CONCLUSION AND SUGGESTION

This study reveals communication is one of the most important dimensions in customer relationship marketing. It will contribute highly market performance. So, commercial banks have to develop their communication system with their customers in very appropriate manner. Generally, information sharing or communication system of the commercial banks can be developed through proper organization. If the commercial banks want to maintain their market performance in a high level they have to fulfill their work completely. That means they should do their work very satisfactorily. It will lead to high level customer satisfaction. So through that way they can achieve high level of market performance.

In addition to that, commercial banks have to consider customer sustainability. In this situation banks need to decrease the waiting time of their customers for getting their services done. From this research it is revealed that some of these strategies need to be adopted by commercial banks which enable to increase their market performance. Therefore, commercial banks should provide proper and updated training, workshops and seminars in relation with advanced technologies to their officers with the intention of increasing their communication abilities with customers. It is no doubt that through which banks can achieve a high level of market performance.

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