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Electronic Customer Relationship Management (E-CRM) and Customer Loyalty:

The Mediating Role of Customer Satisfaction in the Banking Industry

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ABSTRACT

This study examined the impact of E-CRM on customer loyalty with the mediating effect of customer satisfaction in the banking industry. Customer satisfaction is important for loyalty because when the customers are satisfied with the services offered by their service providers, the relationship gets stronger, which further leads to positive word-of-mouth. The data was collected using purposive sampling from 836 bank customers who were using E-CRM services, and the data was analyzed using structural equation model (SEM) through AMOS. The results revealed that E-CRM and customer satisfaction had a significant positive impact on customer loyalty, and also customer satisfaction partially mediated the relationship between E-CRM and customer loyalty. This study would offer useful acumen to both academicians and marketers and would help the bank managers to improve the quality of the services provided to their customers.

KEYWORDS

Banking Industry, Customer Loyalty, Customer Satisfaction, E-CRM, SEM

INTRODUCTION

The continuous and rapid advancement in Information and Communication Technologies (ICTs) has changed the operations and services provided by the banking sector (Dhingra & Dhingra, 2013). Based on its vital importance in the financial sector, the banking industry has been the cynosure of academicians and policy makers alike in the modern times. The banking sector has been one of the biggest victims of the ICTs developments. The changes fueled by rapid transformation in technology and adaption by customers followed by higher internet penetration and increased usage of smart phones embedded banks under serious challenges in innumerable ways (Mathew et al., 2020). Steep competition, globalization, growing customer demand and exposure to higher credit risks, have forced banks to offer the best possible service in a prompt and efficient manner so as to retain their customer base and convert them into their loyal supporters (Mang'unyi et al., 2018) and further to improve their profitability (Joju, Vasantha & Manoj, 2016). And the same time, the homogeneity of products have also added to the burden of the banking industry and proved to be an uplifting challenge for

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the banks to maintain customer loyalty during such a remarkable transition in technical as well as in consumer behavior (Singh & Chauhan, 2018). The number of complaints lodged by the customers to the Reserve Bank of India (RBI) Ombudsman scheme got increased drastically every year. As per RBI's annual report on Banking Ombudsman Scheme (2019-20), around 21.97% of the complaints filed by the customer were pertaining to ATM and debit card-related issues, 13.38% were related to online banking issues, 11.73% were related to banks not adhering to the 'fair practice code' and whereas 9.30% were related to credit-card related complaints.

The current scenario require banks to monitor prudently the customers' trends, expectations, needs and requirements. Because of ever-changing dynamic consumer tastes and coupled with rapid technological advancements, the banks can no longer completely rely on the conventional ways of satisfying their customers (Abdi, Hamidizadeh & Gharache, 2019). Such constant change in the consumer's behavior due to changing business-technology leads to complexities in customer relationship management (CRM). As the conventional paradigm of banking dwindles, the traditional approach of CRM may not be compatible with the new banking model. CRM is a reactive approach which lacks vividness, hence, needs to be upgraded. The emergence of electronic customer relationship management (E-CRM) is one of such phenomenon. E-CRM, being a proactive approach, is an only solution to the present situation in which the banks can tend to operate (Singh & Chauhan, 2018). E-CRM is defined as managing and building long-lasting mutual relationships with the customers over the internet by using various electronic touch points, emails, websites, etc. Thus, banks are required to boost their economic lines by looking at disparate ways to satisfy their customers and building long-term strong relationships with them through acquisition of new customers and retaining existing customers which can further succor the banks (Kumar, Mokha & Pattnaik, 2021). If a bank gets succeeded in pleasing their current customers, it will not only fascinate potential customers in near future but will also drastically fill up their methodize aura of business processes (Abu-Shanab & Anagreh, 2015; Sharma, 2019). Therefore, the banks should focus on implementing various E-CRM strategies to attract, create and retain prospective customers.

The marketing experts have compelled the companies to have long-term customer loyalty in the service industry. Though, the significance of customer loyalty was underlined in past literature, but still, it is one of the most vital factors for the service industries yet to overcome (Khan et al., 2020). The primary reason why the top management could not able to achieve customer loyalty would be due to high business volatility (Aramburu & Pescador, 2019). The companies are not able to meet and fulfil their customers' demand, expectations and behaviors because of the lack of attraction by the management towards their customers (Herhausen et al., 2019), due to which, many companies tend to lose their old customers and also fails to entice the new customers base. Thus, the need to attract new customers and to retain the existing customers can be achieved by building long-lasting strong customer relationships so as to understand the needs of the customers and to serve them with the best possible services (Al-Dmour et al., 2019; Khanh, Phong & Cao, 2021).

Many studies have been attempted to scrutinize the influence of E-CRM on customer satisfaction (Al-Dmour et al., 2019; Rashwan et al., 2019; Upadhyaya, 2020), customer retention (Al-Dmour et al., 2019; Azila & Noor, 2012), customer loyalty (Al-Shoura et al., 2017; Mang'unyi et al., 2018; Shastri et al., 2020), and financial profitability (Cajestan, 2018; Kaur, 2016, Rastgar et al., 2018) in the developed economies. Despite of the popularity of E-CRM in the marketing studies, still there are a lack of studies on E-CRM in the developing economies (Kaur, 2016; Shastri et al., 2020). Also, the literature warns of transposing the western-designed studies into resource-constraints nations (Farh et al., 2004). "It is important to remember that due to strong influence of the socio-cultural context, applicability of western management and organization theories in the Indian context is questionable" (Budhwar, 2009, p. 295). This might be due to the changes in the organizational practices, internal rules and regulations along with differences in cultural and economic environment, etc. (Khan et al., 2020). Thus, there is a need to study the effectiveness of E-CRM in Indian context as to examine whether the customers are satisfied with the banks' services and are willing to revisit and recommend

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