Role of CRM Practices in Bank's performance: Moderating role of Market Turbulence

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Abstract

With rapid change in technology, uncertain diversity in relationship management is occurring in retailing, banking, restaurants and transportation which revolutionize it as pillar for any leading organization. Service organizations are shifting their businesses toward customer-centered rather than service/product-centered to achieve a competitive advantage. In this competitive environment, market turbulence impacts business performance specially, in banking sector because CRM practices such as customer focus, knowledge management and relationship marketing change with market information recognized by customers. Data through structured questionnaire was collected from 300 employees that are working in commercial banks at Faisalabad region. Results showed that CRM practices collectively positively influence organizational performance. Whereas, market turbulence has the negative impact on the relation between CRM practices and banks' performance. Thus, marketing managers should focus on the environmental changes while dealing with CRM practices in establishing a strong relationship with customers.So management might understand customers' needs and want in an effective way.

Keywords: CRM practices, marketing turbulence, organizational performance

Introduction

In this millennium of modernization, Customer Relationship Management (CRM) is emerging as a new business strategy and has become a hot issue among scholars and marketing executives(Heinonen, 2014). From consumer perspective, CRM practices drive customer satisfaction and retention that led towards long-lasting relationship (Al-

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Hawari, 2015). Through CRM technologies, service organizations gained capabilities by collecting customer information in such a manner that establish competitive advantage (Ramesh, 2014). To gain a verge, organizations developed a strong relationship with customer through satisfaction and loyalty (Ngai, 2005; Brun *et al*., 2014; Sayani, 2015).
For economic development, the role of banking sector cannot be ignored. It played anintegral role in the growth of fiscal market, which ultimately impact overall progression of a country. According to Castells (1998), banking culture has been changing swiftly due to some external like change in government laws, cybercrimes as well as internal forces like astonishing advancement in banking information and communication technologies (ICTs), tough competition and change in customer wants.As,service organizations are shifting to customer oriented rather than product oriented. Therefore, banking sector is also performing under the famous proverb "*customer is the real king*". As compared to past, nowadays customers are much familiar regarding the services offered by different commercial banks which resulted in boosting customer expectations. In this technological advanced environment, the biggest challenge for commercial banks is develop a sustainable relationship with customers. Therefore, new business strategies have been adopted by service organizations including banks for survive in competitive market. The work of Sin *et al*., (2005) concluded that banks conquereda champion position by establishing a durable relation with customerthrough Customer Relationship Management (CRM) business strategy. It is hard to define CRM strategy due to its multidimensional nature.However,Wang and Feng (2012) explained CRM as "*a cross-functional organizational process that emphasizes establishing, maintaining and enhancing relationship longevity with core customers of an organization*".Thus, it improves customer satisfaction as well as retention which in return led to profitability and better performance (Sin et al., 2005; Elkordy, 2014; Yim et al., 2004).

On the contrary, Awasthi and Sangle (2012) argued that the failure rates of CRM initiatives are still high due to its multidimensional nature. Business organizations invest billions of dollars in adopting CRM technology but unfortunately 50 to 70 percent projects have failed to achieve the desire results (Lancastre and Lages, 2006). The reason behind just failures are grounded on misunderstanding of CRM practices. Firms consider CRM as an IT-enabled tool and over-emphasis on resource-based CRM capabilities. However, the reality behind organizational success relied on customer focus and knowledge management aspects of CRM.The role of environmental changes is

pivotal in services industry because these businesses are perishable and need individual customer care to transform their relationship profile.
The study of Bowman (2017) investigated that market turbulence has become more complex and a serious threat for organization performance. With respect to South Asian countries, few studies explore the impact of CRM practices, but organizational outcome is not consistent that call for research. Specially, banking sector of Pakistan is enabled will advanced ICTs, but their customer centric behavior is not yet explored. Due to multi-dimensional nature of CRM, this studied focused three major dimensions, key customer focus, knowledge management and relationship marketing as CRM practices to investigate their collective impact on the banks' performance in Pakistan.

Literature Review

Business firms adopt CRM business strategy to gain competitive advantages against competitors, as it provides innovative capabilities to businesses for understand customers in a better way (Lin *et al*., 2010). In this way, it focusedon key customers, retention planning, and perform better to fulfill customer demands (Orel and Kara, 2014). When CRM system is proceeded, organizations also acquire information about new customers as well as retained consumers that resulted in generating competitive edge based on customer knowledge (Hur*et al*., 2011).According to Ekinci*et al.* (2013) when service organization develop a culture under the umbrella of CRM practices, it presents a customer-centric orientation which guide management to deal will customer complaints in an effective and efficient manner.
If a service organization ignore its customer empowerment dimension and CRM practices fails to fulfill promises because such organization, consider CRM only as a technological tool for business. According to Jayawardhena and Foley (2000), decision-makers and marketing managers should revisit and re-evaluate their customer expectations with in-hand information collected from CRM to improve business performance.

CRM practices and Banks'Performance

Prior Literature mentioned that different scholars defined Customer Relationship Management (CRM) in their own perspective (Alvarez, Casielles and Martín, 2010). However, critical analysis of all these definitions explained CRM in two broad dimensions. First, a school of thought having management background took it as an ICT tool. The study of Han-Yuh, (2007) defined CRM as "*The marketplace of the future is undergoing a technology-driven metamorphosis*". Globally, by adopting CRM business strategies, top leading organization such as (Wal-Mart, IBM & IKEA) reshaped their strategic marketing plans and consider CRM as a new dominant logic in attracting new clients/customers (Soltani and Navimipour, 2016; Muneer et al., 2017). This conclude that CRM practice showed a hybrid effect on business performance in service industry.

The study of Chen *et al*., (2016) concluded that CRM practices has a positive impact on organizational performance. With respect to banking sector, the study of Dmour and Algharabat (2019) found that banks achieved a remarkable profit by aligning their business with CRM strategy. The organizational performance showed how managers aligned their marketing orientation objectives and financial position with customer expectations (Lambe, 2008). Therefore, this study hypothesized the positive perspective that:

H_1: Overall CRM practices have a positive influence on business performance of Banks.

Market turbulence

Market turbulence is defined as "*the rate of change in the composition of customers and their preferences*" (Bowman, 2017). Rapid innovations in ICTs create challenge for service organizations to maintain a business environment that support them to sustain their competitive advantage (Grimmer and Miles, 2016). With digital marketing tools, it become complex to create such a business environment that is aligned with changes in external environment (Khanagha*et al*., 2017). On the contrary, prior studies of Parker et al., (2017) and Revellino and Mouritsen (2015) described that an effect business strategy is an evidence of competitive advantage, but it severely threatened by market turbulence. The study of Wang, Dou, Zhu and Zhou (2015) suggested that marketing managers through their Integrated Marketing Communication (IMCs) could control market turbulence.Based on above discussion, this study hypothesized that:

H_2: Market turbulence weaken the relation between CRM practices and organizations' performance

Theoretical Framework

The work of Oliver (1980) defined disconfirmation theory as "*satisfaction is related to the size and direction of the disconfirmation experience that occurs as a result of comparing service performance against expectations*". It is highlighted in previous researches that delivery process of any product/service is considered more valuable as compared to the outcomes attach to them (Mattila and O'Neill, 2003).According to Wu and Li (2011) technologies have upgraded the business strategies, which are now more customer centric rather than product centric and organizations are attempting to achieve this goal through information technology as well as through CRM. Consumer focus and marketing knowledge provide superior values to consumer by using dynamic management system to achieve higher business values (Duńu & Hălmăjan, 2011). Firstly, is focus on key customer because they are major source of information. Secondly, knowledge management tools that provide alternative solutions for exploring management practices to achieve competitive edge and lastly, is relationship marketing that demand firm to generate resonance between consumer-product-brand. Based on theoretical background, this study proposed a framework for analyzing banking performance.

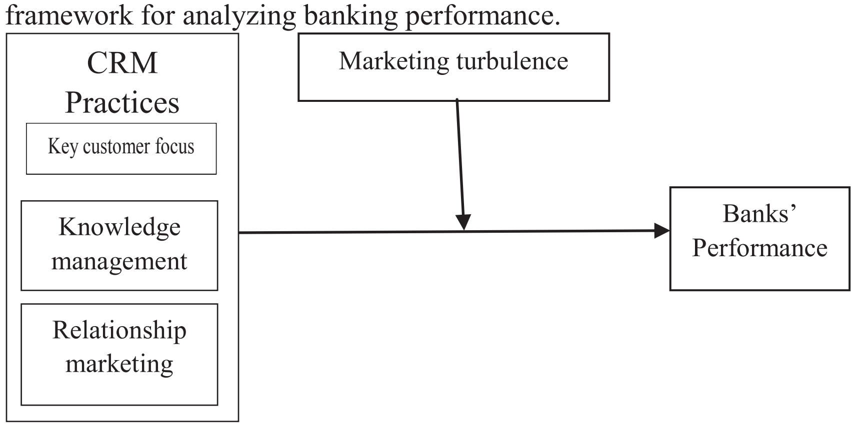

Figure 1: Proposed framework for assessing banks'

Methodology

The population for this study comprised on all employee serving in banking sector either public or private. Sample was collected from bank employee serving in Faisalabad region which is third largest city of Pakistan and globally known as a major textile exporting city. Thus, bank's performance matter in an exporting industry because all international transaction among buyer and seller is generated through bank. According to Comrey & Lee (1992) the sample size of an quantitative study should be 300 respondents and advised as good. However, Hill & Alexander (2000) summarized that a reasonable sample size is 200 to 500 respondents. Therefore, study selected to collect a sample of minimum 300 respondents. By adopting non-probability techniques, this study adopted a descriptive research followed by quantitative research approach. Data was collected through structured questionnaire by using self-administered technique recommended for non-probability convenience sampling. Likert scale was followed to collected responses against constructs ranging from1-strongly disagree to 5-strongly agree (Boone and Boone, 2012). The questionnaire consisted on three parts; demographic information, screening questions and key constructs items. The questions related to key consumer focus consisted on 10 questions endorsed from the work of (Sin et al., 2005 & Das, Parmar, & Sadanand, 2009). The items related to knowledge management is measured by 8 items and was adopted from (Das *et al*., 2009; Sin *et al*., 2005). The third construct related to relationship marketing is adopted from (Wu and Lu, 2012) and having 7 items. The fifth construct of this instrument was consisted on 8 items of market turbulence and adopted from (Keramati*et al*., 2010). The items related to bank's performance was measure by 18 items and selected from Richard, Thirkell, & Huff (2007). Face validity of selected instrument was verified by pilot study through 30 professional bankers serving for more than 20 years. Under the light of their suggestions, language and few questions were changes in the instrument to improve its validity. The value of Cronbach alpha for all constructs was found more than 0.7, that established the reliability of the used instrument. The study of Hair & Tripp (1995) and Pallant (2001) suggested that if value of Cronbach is more than 0.7, it is indicated as a reliable instrument for research. The data was analyzed through SPSS.22 and moderated relationship was also analyzed from regression technique.

Results

The study indicate that 18.7% females participated, and it is very less proportion as compared to male member. This huge difference in respondent's percentage represent that female employees are facing obstacles in job opportunities as well as in participating such research studies. A vast share 75% of private banks shows a prodigious interest of investors in banking sector of Pakistan, but meanwhile it also reports that public banks need to hard struggle to survive in the market. Pakistani banks have a mob of employees with 64% share in operational banking and other field of sector like marketing, advance, and trade are giving less attention. The education level of banks' employees is well-qualified as 66% employees holdmaster's degree. When respect to experience 49% of respondents have less than 5 years' experience. As given below, the demographic statistics of respondents with sample size of 300.

Table 1:Demographic profile

Particulars		Frequency	Percent
Gender	Male	244	81.3
	Female	56	18.7
	Public	75	25
Employee's bank type	Private	225	75
Field of work	Operational	192	64
	Marketing	77	25.7
	Advances	17	5.7
	Trade	14	4.7
Education	Graduate	99	33
	Master	198	66
	M.Phil.	3	1
Experience	Less than 5-years	147	49
	5-10 years	107	35.7
	10-15 years	21	7
	More than 15 years	25	8.3

Thedescriptive characteristics and correlation analysis of all the key variables are represented in (Table 2). The mean score of key variables is greater than 2 expect relationship marketing that is 1.952 while the values of all standard deviations are less than 0.730. The values of coefficients of correlation indicate that all the variables are significantly correlated with other and are positively related. Based on these assumptions, this model is acceptable for regression analysis.

Table 2: Descriptive statistics and correlation

		Mean	S.D	1	2	3	4
1	Bank's Performance	2.021	0.621	1			
2	Key Customer Focus	2.078	0.697	.679**	1		
3	Knowledge Management	2.083	0.730	.779**	.710**	1	
4	Relationship Management	1.952	0.685	.802**	.617**	.792**	1

*** Sig. (2-tailed)*

The regression analysis showed that in model-1, CRM practices showed β=.554 with t-value of 11.30 and market turbulence showed β=.347 with t-value of 6.82. The overall model showed R^2 as .745 represents that 74.5% variation will occur in banks' performance due to independent variables CRM practices and market turbulence and it support $H_1$with F-value of 430.44, $p < 0.01$. Thus, we summarized that market Turbulence and CRM practices have positive significant impact on bank's performance.

Table 3: Regression Analysis

Model	Variable	β	R^2	Adjusted R^2	F	t-Value
1	Constant	0.149				2.196
	CRM practices	0.554	0.745	0.744**	430.44	11.303
	Market Turbulence	0.347				6.823
2	Constant	1.304				6.673
	CRM practices	0.041	0.775	0.773**	337.18	0.43
	Market Turbulence	-0.118				-2.332
	(Mod)	0.189				6.253

**** sig. at 0.01 level,* ***DV (****Bank's Performance)*

The regression analysis of model-2 showed that in presence of moderate; CRM practices showed β=0.041 with t-value of 0.43 and market turbulence showed β=-0.118 with t-value of -2.332. Both independent variables become insignificant when analyzed with moderating term. In the same time, the moderating impact having its beta value β = 0.189 indicates that dependent variable banks' performance will change 0.189 units due to a single unit change in combine moderate effect of market turbulence. The value of R^2 = 0.775 in model 2 represents the 77.5% variation in the banks' performance. From model 2 the hypothesis H_2 is also verified.

Discussion and Conclusion

The research addressed a fundamental issue of banks' performance regarding CRM practices and market turbulence. Three basic dimensions of CRM practices are analyzed and evaluated through collective impact on the banks' performance. The significance of this study is matched with the previous studies of Akroush et al. (2011); Ata &Toker (2012); Das et al. (2009) and Sin et al. (2005). Hence, concluded that CRM practices and marketing turbulence is an international managerial phenomenon and interrelated with external market orientation. Considering these findings, organizations should give attention to the CRM practices in order to improve performance and in meantime variations in the market environment should be forecasted in an efficient way. An organization might become more customer orientation when it engaged all its departments to work for the benefits of customers (Sin et al., 2005). The findings also support Sousa (2013) work that CRM practices played a leading role in strategy formation process which ultimately imposed a significant impact on the performance. According to Yim*et al.,* (2004) CRM practices did not directly affect the organization performance; instead it improved the satisfaction as well as retention (Lemon and Verhoef, 2016). Since, these both indicators are used as performance parameters so one can say that CRM practice improved organizational performance.

For mangers, this study provided the importance of key CRM dimensions and its impact on external environment and performance. Since CRM system enables organizations in collecting and integrating information regarding customer, so management might understand customers' needs and want in an effective way. Moreover, if banks use CRM as technology tool – It would reduce cost in retaining new customers and guide marketing teams to evaluate their promotional campaigns to better business returns. From theoretical perspective, the role of key CRM dimension explained their significance towards performance. Moreover, the market turbulence which contributed a lot in any business environment was explained through its role a referee that weaken business performance. On the other hand, CRM is a multidimensional in its nature, but this study only focused own its three basic dimensions that limited the scope of the research. So, future research should focus on other dimensions as well and might also investigate the individual's impact of all dimensions on banking performance. As, sample size and population are limited to one Pakistani city, generalizability could be an issue. In order to get more rigorous comparative study is recommended by using different banking environment or expanding the desired sample size.

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