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Exploring the Online service quality dimensions in Service sectors Impact on developing e-CRM in Indian banking sector

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ABSTRACT

This paper aims to explore service quality dimensions that bring a noticeable difference in the relationship marketing strategies implemented by banking sector. The paper also aims to study service quality dimensions that helps bank in developing customer relationship by providing the website based banking services in banking market in India and explore the conceptual foundations of CRM by examining the literature on relationship marketing and one-to-one relationship with customers that integrate database knowledge with a long-term customer retention and growth strategy. These dimensions of service quality should be viewed as the evidence of improving perceived service quality with respect to website-based banking in the minds of its current customers. The service quality dimensions are analysed using exploratory factor analysis and reliability and validity factors that contribute to customer relationship are established through confirmatory factor analysis. Thus paper introduces the concept of service quality dimensions and its significance for developing e-CRM.

KEYWORDS: Customisation, Service quality, Factor analysis, Banking, Customer relationship

Introduction

Indian Banking service sector is becoming more and more competitive today. The success of service providers depends on its capability to retain its customers and make them loyal to their brand. The development in Indian banking Industry is providing an interesting puzzle. To succeed in today's fast and competitive markets, organizations must find new and effective ways to open revenue streams, improve enterprise efficiency and faster profitable long-term growth. Many of the world's leading business organizations are achieving these core objectives by focusing intently on quality and life time value of their customer relationships. By adopting an integrated approach to sales and service interactions, these world-class organisations are relearning the traditional lesson of putting the "Customer first".

Thus, Customer Relationship Management (CRM), the idea of fine-tuning the ways in which firms interact with customers with the advent of the internet, has been extended into a web-based business model and relies on e-business technologies to interact with, communicate to, and collect information from customers.

Objectives of the study

Literature on service quality clearly highlights that a large body of research exist on the service quality dimensions of website based services and also on Internet based banking, as well as on the topic of impact of service quality on electronic customer relationship. The much focus is given on studying the impact of those dimensions on developing or building e-CRM.

1. To understand the influences of website-based services on customer retention in banking services.
2. To analyze the relationship between web services quality services in developing e-CRM in banking.

Literature Review

Parasuraman et al. (1988) identified five dimensions of service quality (viz. reliability, responsiveness, assurance, empathy, and tangibles) that link specific service characteristics to consumers' expectations.

(a) Tangibles - physical facilities, equipment and appearance of personnel;
(b) Empathy - caring, individualized, attention;
(c) Assurance - knowledge and courtesy of employees and their ability to convey trust and confidence.
(d) Reliability - ability to perform the promised service dependably and accurately; and
(e) Responsiveness - willingness to help customers and provide prompt service.

E-CRM is a combination of hardware, software, processes, applications and management commitment (Fjermestad, 2003). It has the power of mass-customization of customers. It is seen more as a strategy than software, because it includes the change of organizational culture, business processes, technological infrastructure and employee behaviours with customers (Chen, 2004

Impact of service quality on developing customer relationship

Website of the banks is ensuring its e-service quality by supporting the customers in their banking transactions with which the customers feel better relationship management through the institutional website. Here is the proposed hypothesis:

H1.Service quality dimensions of website-based banking have positive impact on building customer relationship.

H2. There is a positive relationship exist between web services and customer retention in banking.

H3 .There is a positive relationship exists between the customer retention and developing eCRM.

Research Methodology of the Study

All measures used a seven- points Likert type response format with strongly agree to strongly disagree. To ensure content validity, the measures were assessed by five academics so that respondents would understand the questions correctly. To measure the service quality of service market, a total of 26 variables had been included.

Sample Design

The study concentrates on private and public sector banks in emerging cities such as Hubli, Dharwad in Karnataka and established cities such as Bangalore the silicon city of India. Respondents were randomly chosen and the population selected for the study consists of banking service users in Bangalore and Hubli and Dharwad which includes working professionals, Senior Citizens, Businessmen, Entrepreneurs, Students, Home makers.

Data analysis and results

The exploratory factor analysis is done for underlying dimensions of service quality for website-based banking services. To do the first the sample or population of the study is divide in to two, sample1 (n=160) and sample 2(n=108). The descriptive statistics of the 26 service quality items as well as four customer retention and three electronic customer relationship measurement items are shown inTable III.

Table 1: Demographic profiles of the Respondents

Details	Percentages
Gender	54.8
Male	45.2
Female	
Age	35
25 years and less	40
25-33	25
35 and above	
Monthly Income	75.1
Less than Rs.25,000	10.9
Rs.25,000-Rs.35,000	5.1
Above Rs.35,000	8.9
No. of year associated with bank	
Less than 1 year	2.6
1years-3years	10.4
3years-5years	20.9
Above 5 years	66.1
Frequency in Transactions with the bank	
Monthly 5 times	22
More than 5 – up to 10 times 38.54	38
More than 10 – up to 20 times 21.88	21
More than 20 times 14.5	19
Type of service operated	
Checking account	89
Savings account	67.24
Internet banking	46.78
Telephone banking	10.38
Stock trading	3.02
Auto loan	2.08
On line banking	1.05
Others – mainly credit card, ATMs etc	14.76

A total of 26 items loaded properly on the factors. Reliability of the factors is thus calculated using the Cronbach's alpha. A Cronbach's alpha value of greater than or equal to 0.7 is considered acceptable for the factor to be reliable (Hair et al., 2006). All the factors had satisfactory value of Cronbach's alpha. The Cronbach's alpha values of customer satisfaction and customer loyalty are 0.93 and 0.88 which are also acceptable. Thus the factors are reliable.

Table 2: Descriptive statistics

Variables	Means	Variance
V1.website-easy to use	6.01	0.857
V2.website-Adaptations	5.87	0.851
V3.website-user-friendly	5.66	1.225
V4.website-is error-free	5.81	1.061
V5.website-Reliability	5.19	1.719
V6.website-safe	5.45	0.875
V7.website never fails	5.23	1.306
V8.website- risk free	5.01	1.240
V9 website-Asset decisions	6.05	1.372
V10 website-Privacy	6.12	1.973
V11website-customized	5.33	1.287
V12website-Transparency	5.42	0.967
V13Website-works hrs	5.67	0.897
V14.website- mobility	4.58	1.237
V15.website transactions	5.17	1.158
V16. website- anticipated	5.29	1.620
V17.website- secured	5.44	0.843
V18.website-Supply	5.10	1.307
V19.website- specific needs	4.92	1.779
V20.website- customer money	5.41	1.842
V21.website-Brochures	5.66	1.567
V22.website-Fair compensation	5.78	1.567
V23.website-Frequency	5.01	2.112
V24.website-Adequate knowledge	5.09	1.697
V25.website-first choice	5.63	1.378
V26.website- bank in future	5.23	1.737
CR1Overall	5.67	2.046
CR2Right choice	5.77	1.180
CR3Delight	5.19	0.862
CR4Accuracy	5.38	1.283
CRM 1Recommend	5.45	1.838
CRM2First choice	5.18	1.654
CRM3Future bank	5.21	2.369

After evaluating the content of the measurement items, where labelled for each dimensions (factors) .Details of the labelled factors is shown in Table III

Table 3: Rotated factor matrix for website-based service quality

Factors	Measurement items	Factors Loading	Cronbach's Alpha
Website security and quality	website-Adaptations	0.653	0.88
	website-Asset decisions	0.667	
	website-Privacy	0.607	
	website-Transparency	0.803	
	website- mobility	0.669	
	website transactions	0.667	
	website- secured	0.698	
Website convenience	website-works hrs	0.716	0.89
	website-easy to use	0.746	
	website-user-friendly	0.792	
	website- specific needs	0.757	
	website never fails	0.834	
Website usage and reliability	website-Reliability	0.853	0.91
	website-safe	0.651	
	website- risk free	0.731	
	website-Frequency	0.766	
	website-is error-free	0.777	
	website- bank in future	0.769	
	website-first choice	0.889	
Customer Service	CS-Customization	0.739	0.96
	CS- customer money	0.747	
	CS- Brochures	0.788	
	CS- Supply	0.700	
	CS-Employee Adequate knowledge	0.612	
	CS-Fair Compensation	0.693	
	CS-Anticipated	0.535	

Thus after performing the exploratory factor analysis the next step performed is confirmatory factor analysis for sample2.To do this task structural Equation modelling (SEM) using AMOS20.0 is performed. The measurement model indicated an acceptable model fit of the data ($\chi 2$=689.7), df=251, p<0.001; $\chi 2$ /df=2.93 (<5); CFI= 0.93; TLI=0.91; IFI=0.92; NFI=0.90; PNFI=0.82 and RMSEA=0.07).

Table 4: Measurement model results

Construct	Measurement items	Standardized estimates	ρ-value	Average value	CR
Customer service	V11	0.738	*	0.53	0.92
	V20	0.839	*		
	V21	0.833	*		
	V18	0.866	*		
	V24	0.769	*		
	V22	0.859	*		
	V16	0.866	*		
Website security and quality	V2	0.859	*	0.51	0.88
	V9	0.845	*		
	V10	0.791	*		
	V12	0.926	*		
	V14	0.890	*		
	V17	0.594	*		
Website convenience	V13	0.671	*	0.57	0.87
	V1	0.618	*		
	V3	0.697	*		
	V19	0.755	*		
	V7	0.719	*		
Website usage and reliability	V5	0.919	*	0.67	0.89
	V6	0.814	*		
	V8	0.931	*		
	V23	0.987	*		
	V4	0.644	*		
	V26	0.702	*		
	V25	0.732	*		
Customer Retention	CR1	0.916	*	0.77	0.93
	CR2	0.832	*		
	CR3	0.921	*		
	CR4	0.857	*		

Note: *Implies that the factor loadings are significant at p< 0.001

The validity is established by adopting measurement items and the study is conducted through the existing literature review. The validity is evaluated through the factor loadings and average variance is extracted from construct (Fornell and Larcker (1981). The indicators had significant loadings onto the respective latent constructs (p , 0.001) with values varying between 0.594 and 0.977 (Table IV). To supplement to this the average variance extracted average for each construct is greater than or equal to 0.50, later supports the convergent validity of the constructs.

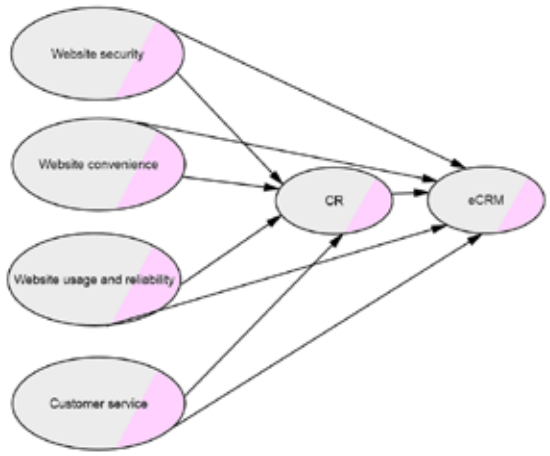
Table 5: Result of the Hypothesis

Hypothesis	Hypothesized paths	Standardized path coefficients	p-value	Results
H1:Service quality/eCRM	CS = Website security and quality	0.179	0.009 * *	**Accepted**
H2: Service quality/Customer retention		0.054	0.520 (NS)	**Rejected**
H3:customer retention/eCRM	CS = Website convenience	0.479	* * *	**Accepted**
		0.167	0.009 *	**Accepted**
	CS = Website usage and reliability	0.838	* * *	**Accepted**
		0.106	0.031 *	**Accepted**
	CS = Customer service	0.123	0.029 *	**Accepted**
		0.132	0.009 * *	
	CS = CR	0.113	0.039 *	
	CR = Website security and quality			
	CR = Website convenience			
	CR = Website usage and reliability			
	CR = Customer service			

Notes: *Implies significant at p< 0.05; * *Implies significant at p<0.01; * * *Implies significant at p< 0.001; NS implies "not significant"

The factors thus obtained can also be aligned in respect to the new conceptualization of service quality which consists of functional-utilitarian and hedonic attributes (Falk et al., 2010). While the first three dimensions related to (Acquisition, Retention and Expansion) can be attributed to functional-utilitarian service quality. This would suggest that efforts to improve the frequency and means of access between a customer and a service provider are likely to have an important and positive effect on customer retention and leads to customer relationship.

Figure 1: Structural Model



Today scenario of banking services which is leveraging upon website for service delivery process and using it as an edge for competition or differentiation strategy. These dimensions will act as guiding principles for the bank managers to provide effective banking services as it will help them to understand the particular dimensions that customers consider while evaluating the service delivery process of banks using technology.

Conclusion

Capturing the voice of customer and understanding complete requirements includes stated needs and also other value adding requirements which would delight the customers. Benchmarking and re-designing of processes to meet the customer expectations. Encourage innovation to add facilitating features. Training and development: Good electronic customer relationship management (e-CRM) largely depends on communication. Training on customer service skills helps the service providers to address the emotional needs.

Limitations of the study

The scope of this study is limited as the sample is geographically limited. Data collected in the other areas may produce different results. The sample is too small to make any inferences about the population. The sample cities selected to represent emerging cities may or may not truly reflect the results of other emerging cities. The sample also includes home makers and senior citizens. Many of these may suffer from lack of information on e-CRM initiatives of the banks.

Scope for Further Research

The more research can be done for corpate customer and bank strategies implemented for developing customer relationship on local and global platform. Exploring the role of technology in developing eCRM in banking sector can also be studied in Indian and global context.

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