

A Comparative Study on Satisfaction and Loyalty between Banking and Insurance Customers in India

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ABSTRACT

Customer Relationship Management (CRM) is emerging as a core marketing activity for business operating in fiercely competitive environment. India is being considered as a country having one of the largest customer data base. It is one of the fastest developing countries, given this fact, organizations are focusing on developing an effective strategy to retain and enhance their customer base by developing a sound customer satisfaction strategy and generating more customer loyalty. Banking and Insurance sector are now understanding the importance of Customer Satisfaction and Loyalty as they are functioning with more customer centric approach.

The objective of this study is to analyze and compare the level of customer satisfaction and customer loyalty across selected banks and insurance companies in India, identify the benefits, the problems, as well as the success and failure factors and develop a better understanding of CRM. The present study concludes that there is a paradigm shift in consumer behaviour pattern, and that the organizations should focus on developing long lasting relationships by catering to the customers' needs.

Key Words: Customer Loyalty, Customer Relationship Management, Customer Satisfaction.

1. Introduction

The concept of relationship marketing was formally introduced in 1990s when financial services, airlines and other service institutions adopted strategies to retain the existing customers such as by introducing loyalty programs. CRM is a concept introduced in the late nineties. With an era of new technology, growing customer demands, organizations are in the process of enhancing the relationship management with the stakeholders and have started designing their products with a more customer centric approach.

In India also, the wave of deregulation of early 1990s has created competition and there is greater risk for banks and other financial intermediaries. The cross-border flows and entry of new players and products have forced banks to adjust the product-mix and undertake rapid changes in their processes and operations to remain competitive. Over the years, Indian banks have expanded to cover a large geographical and functional area to meet the development needs. The banks now need to ensure the quality of their services that the customers come back to them i.e. loyalty is generated and maintained. This is

because the major part of income for most of the banks comes from existing customers. Trust, commitment and assurance also contribute towards the quality customer service. In the competitive Banking market, the banks need to focus upon their core assets i.e. the customers. A greater focus on service management is the only way the banking industry can protect its market share and boost growth.

While the insurance sector is trying to maintain a balance between attracting new customers and developing existing ones, customer acquisition is vital, as no retention strategy will entirely stem customer defection. Insurance companies are experiencing unacceptable levels of customer churn, inspite of their focus on keeping the customers they already have in a bid to ensure a net growth in their customer base. Today, the focus is on selling more products to existing customers to improve profitability. Customer-focused strategies require CRM to acquire customers thorough various touch points and translate operational data into actionable insights for proactively serving customers.

In life insurance industry, a decade ago, selling for insurance company was a straight forward policy. But,

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things have changed and competition has taken a new pace. Combined with the competition, challenging economic condition has forced the insurance company to rethink how to do their business. To survive in this competitive world, insurance companies can no longer operate under a policy based model. Instead, they must adopt a new client centric approach to better meet the needs of their customers.

2. Customer Satisfaction and Customer Loyalty

2.1 Customer Satisfaction: Customer satisfaction means how products and services offered by a company meet or surpass customer expectations. Customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. The state of satisfaction depends on a number of psychological and physical variables which correlate with satisfaction behaviors such as repeat purchase and recommendation to friends.

2.2 Customer Loyalty: It is defined as continuing patronage over time. The degree of loyalty can be gauged by tracking customer accounts over defined time periods and noting the degree of continuity in patronage. It can also be defined as the degree to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition towards the provider, and considers when a need for this service exists.

2.3 Banks Approach to Customer Satisfaction and Customer Loyalty: The ongoing developments in Indian industry and government and the integration of India with the global markets also offer myriad opportunities to the banking sector. Companies and governments are increasingly seeking high-quality banking services to improve their own operating efficiency. Companies seek to offer better customer service and maximize shareholder returns and governments seek to improve the quality of public services.

The Indian banking sector is faced with multiple and concurrent challenges such as increased competition, rising customer expectations, and diminishing customer loyalty. The banking industry is also changing at a phenomenal speed. While at the one end, we have millions of savers and investors who still do not use a bank, another segment continues to bank with a physical branch and at the other end of the spectrum, the customers are becoming familiar with ATMs, e-banking, and cashless economy. This shows the immense potential for market expansion. The exponential growth for the industry comes from being able to handle as wide a range of this spectrum as possible. In this dynamic changing environment, the only sustainable competitive advantage is to give the customer an optimum blend of technology and traditional service.

2.4 Insurance Companies Approach to Customer Satisfaction and Customer Loyalty: Insurance business in India is transacted mainly out of trust and confidence. We do agree that while pricing is an important factor for customer choice, it is not the only factor. Indian customers are becoming more discerning and advisors need to educate them not only about price but also about products and value added services offered by insurers. Customers have to become more demanding and require product and services to meet their evolving needs and expectations. Insurers need to focus on developing customised propositions, stronger direct relationships and increase transparency in their communication.

3. Literature Review

Patrick Amofah Amer Ijaz (2005), conducted study to determine the objectives, strategies and expected benefits of CRM initiatives by service organizations. They found that customer identification, customer differentiation, customer interaction and personalization are the main strategies of CRM initiatives by the service providing companies. The major benefits to these organizations due to introduction of CRM were found to be higher profitability, cost reduction, customer retention and loyalty and enhanced overall performance.

Iftikhar Hussain et. Al. (2009), conducted the study to explore and analyze the strategic implementation of CRM in selected banks of Pakistan. They had identified the benefits, problems, as well as the success and failure factors of the implementation and developed a better understanding of impact of CRM on banking competitiveness. In this study, CMAT (Customer Management Assessment Tool) model was used which encompasses all the essential elements of practical customer relationship management. Data was collected through questionnaires from the three major banks (HBL, MCB, and Citibank) of Pakistan. The evidence supported that CRM is gradually being practiced in studied banks; however the true spirit of CRM is still needed to be on the active agenda of the banking sector in Pakistan.

Mercy S. Samuel et. al. (2011), stated that the current challenges that the insurance companies are facing is a very high level of attrition which happens due to excessive targets and a resistant consumer. Rather than exhibiting an appreciation for the value of broad, long lasting customer relationships, the thinking of insurance companies remained inherently product focused bound by product limitations and scarcity of customer information endemic to insurer and vice versa. But, now the insurance companies are awakening to capture the customer attention. Insurers must learn much about the financial and personal situation of the customer and then go in for segmentation and targeting.

Ponreka Maria D et al (2009), attempted to understand the dimensions of service quality, which helped in ensuring maximum customer satisfaction and hence helped LIC to acquire a larger share in the market. The study was done on a stratified random sample of customers. Through factor analysis, the factors identified which influence the quality of service rendered by the LIC in Madurai district were: individualized attention, performance, tangibles, trustworthiness and courtesy. This research provided some important initial insights into the role of service quality in life insurance market. But, there is still scope to extend these findings to other regions to gain more comprehensive understanding of the implication of service quality.

Vikas Nath et al (2009) determined the status of Customer Relationship Management in Banking, Insurance and Telecommunications sectors and the extent to which it is being practiced and accepted by the organizations in the stated industries. They further tried to determine the extent to which relationship-marketing practices lead to a favourable customer relationship, connectivity and profitability of a customer. It was seen that there is an ongoing struggle for capturing a larger share of the customer pie at the lowest possible cost in a bid to serve customers as effectively and efficiently as possible. Increased competition is prompting customers to move from one firm to another in search of better service and, more explicitly, complete solution to their issues. Hence, it can be said that organizations must remain focused on CRM strategically, tactically and in real time, continuously and mutually with key stakeholders.

Kallol Das et al (2009), explored the association between deployment of customer relationship management best practices and loyalty of profitable customers in Indian retail banking sector. It was conducted to explore the CRM best practices with the help of descriptive research design. The study resulted into a list of 29 CRM best practices, which may be helpful to the organizations toward achieving comprehensive CRM deployment. The results suggested that CRM deployment may not be a profitable strategy for retail banks, particularly in the Indian context.

Bilal Afsar (2010), attempted to find the factors of customer loyalty and their relationships with the banking industry in one of the developing countries, Pakistan. He found that Perceived quality, satisfaction, trust, switching cost and commitment are the factors which influence the loyalty of the customers.

Naveen Kumar et al (2011), observed that the majority of Indian Banks are not very diversified in terms of the products and services they offer. One strategic focus that banks can implement to remain competitive would be to retain as many customers as possible, and customer retention is possible through customer satisfaction only. Thus, customers' satisfaction is the key to success in today's competitive era.

Doongar Singh Khichee (2011), found that the customers are well educated and are using the services with ease and efficiency. The insurance market is well developed with the products accepted by the insurance system and made available to the customers through the aid of technology. The impact of technology is high with the services reaching through the internet to make the transactions happening in a faster way. The insurance services make the life of the customers comfortable and happy so as to enhance the insurance literacy. The well defined insurance services in any sector speak of the excellence of the business systems. The quality of services gives the well developed business models so as to work on a sustainable basis.

4. Significance of the Study

This study would help the bank and insurance management to gain useful insights regarding relative contribution of each service quality dimension of CRM. Considering the present status of both the sectors, it has become very essential for them to retain existing customers and boost sales by providing better post sales services. Satisfied customers are not only loyal towards the organization, but also help in creating a trust for the organization in the market which increases the goodwill. Thus, it becomes essential to study both the sectors with a focus on customer centric approach which would help in analysing customers' needs and their approach towards a stronger long term relationship. Since, India aspires to become globally competent financial centre, it would be relevant to conduct the study in order to analyse the current market scenario to develop a better understanding of CRM practices and its benefits.

5. Statement of the Problem

With increased level of competition, changing customer preferences and foreign markets existence, it has become very essential for the Indian organizations to develop themselves at such a pace that meets the global standards of service management. This study is aimed at comparing and addressing the issues of customer satisfaction and loyalty in banking and insurance sectors.

6. Objectives

The overall objective of this study is to analyze the level of Customer Satisfaction and Customer Loyalty which are prominent in Banking and Insurance industry. Following are the objectives of the study:

- (i) To measure the level of Customer Satisfaction in Banking and Insurance Sectors.
- (ii) To compare the level of Customer Satisfaction in Banking and Insurance Sectors.
- (iii) To measure the level of Customer Loyalty in Banking and Insurance Sectors.

- (iv) To compare the level of Customer Loyalty in Banking and Insurance Sectors.

7. Hypotheses

In order to analyze the level of Customer Satisfaction and Customer Loyalty in Banking and Insurance sectors, the following Null Hypotheses are framed :

Ho1: There is no significant difference in the level of Customer Satisfaction in Banking and Insurance Sectors.

Ho2: There is no significant difference in the level of Customer Loyalty in Banking and Insurance Sectors.

8. Research Methodology

The following methodology is applied for the purpose of measuring the level of Customer Satisfaction and Customer Loyalty in Banking and Insurance Sectors in India.

8.1 The Data: In order to analyze the impact of Customer Satisfaction and Customer Loyalty in Banking and Insurance sectors, primary data was collected by using self designed structured questionnaire which contained various parameters presented in Table 1. A total of 500 questionnaires were distributed to the customers availing the banking and insurance services, out of which, we received 469 completely filled questionnaires from banking customers and 459 from Insurance customers. Convenience sampling was adopted in selecting the respondents. In this research, survey method was employed to have an analysis of Customer Satisfaction and Customer Loyalty in Banking and Insurance Sectors. The opinions of the respondents were measured by requesting respondents to indicate on a five-point Likert-type scale anchored on "1 = Strongly Disagree" through "5 = Strongly Agree".

Table 1: Questionnaire to Identify Customer Satisfaction and Loyalty

Variable	Variable Name	Variable Description
Customer Satisfaction	CSB1 and CSI1	I am satisfied with the product and services of the organization
	CSB2 and CSI2	I am satisfied with the interactions experienced with the organization
	CSB3 and CSI3	I am satisfied with the performance of the product
	CSB4 and CSI4	The product/service has met my expectations
	CSB5 and CSI5	The organization provides timely delivery of its services
	CSB6 and CSI6	In comparison to other organizations, I consider the services of my organization successful
	CSB7 and CSI7	The organization conducts recreation facilities for the customers
	CSB8 and CSI8	Customer Satisfaction is an important factor to build up relationship
Customer Loyalty	CLB1 and CLI1	I would like to continue purchasing the product of my organization
	CLB2 and CLI2	I don't have any inclination to change my current organization
	CLB3 and CLI3	I would recommend my current organization to others
	CLB4 and CLI4	I would consider myself to be a loyal customer of my organization
	CLB5 and CLI5	My intention to use the services of my current organization will not change
	CLB6 and CLI6	Even if a close friend recommends other organization, the preference for my organization would not change
	CLB7 and CLI7	Customer Loyalty is an important factor to build up relationship

9. Data Analysis and Interpretation

To achieve the objectives of the study, the collected data was analyzed by using Mean values and Z test. Results of the analysis are presented below:

9.1 Level of Customer Satisfaction in Banking and Insurance Sectors

Mean values, Standard Deviations of various parameters of customer satisfaction in Banking and Insurance Sectors have been presented in Table 2.

Table 2: Mean and Standard Deviation (SD) of Customer Satisfaction

Parameter	Banking Sector		Insurance Sector	
	Mean	SD	Mean	SD
Satisfaction with product and services	3.72	0.93	4.06	0.67
Interaction experience	3.64	0.71	3.75	0.627
Product Performance	3.79	0.66	3.90	0.607
Services meeting the expectations	3.48	0.82	3.78	0.61
Timely delivery of service	3.42	0.90	3.59	0.89
Services better than competitors	3.67	0.99	3.82	0.71
Importance of customer satisfaction in relationship building	3.18	1.18	3.27	1.101
Recreation facilities for Customer	1.75	0.76	4.53	0.49
Overall Satisfaction	3.33	0.17	3.84	0.19

For the purpose of comparison, the actual mean values of customer satisfaction have been compared with the assumed values of 3.00. Any value more than three has been considered that there is more level of satisfaction exists amongst the customers and vice versa.

Banking Sector: The overall mean value for Banking Sector indicated that the customers are satisfied with the services provided by the Banks, as the mean value is found out to be 3.33, which is more than the assumed mean value 3.00 of customer satisfaction. The overall satisfaction of the customers may be because of the facts that banks have started offering various services at the doorstep of the customers as well as online. Competition is compelling them to improve customer service and build relationships with customers.

It is also found that customers are satisfied with the performance of products of the bank (mean of 3.79) followed by satisfaction with the services offered by the bank (mean of 3.72). It is reflected from the mean value (1.75) banks are poor in organizing informal gatherings. Hence, it is suggested that banks need to have some informal gatherings for the staff and customers for maintaining the informal relations with the customers, which will add to the satisfaction of its customers.

Insurance Sector: The results of data collected for insurance sector indicated that the customers are satisfied with the services provided by the insurers, as the overall mean value is found out to be 3.84, which is more than the assumed mean value 3.00. Surprisingly, the satisfaction of customers from insurance is found to be more in comparison to that from banks. It may be because of the fact that most of the private insurance companies are providing better services to its customers.

Customers have shown their satisfaction with the products and services with mean of 4.06. It is because of the fact that insurance companies are having various products mix and giving better services to its customers. It is observed that mean value on all the parameters of customer satisfaction is more than the 3.0. When it was asked to the respondents that what is the importance of customer satisfaction in relationship building, the average score was found to be 3.82. It indicates that Customers of insurance sector stresses upon the importance of relationship as it finally leads to customer loyalty

9.2 Customer Loyalty in Banking and Insurance Sectors

Mean values, Standard Deviations of various parameters of customer loyalty in Banking and Insurance Sectors have been presented in Table 3.

Table 3: Mean and Standard Deviation (SD) of Customer Loyalty

Parameter	Banking Sector		Insurance Sector	
	Mean	SD	Mean	SD
Repeat Purchases	3.79	0.68	3.90	0.69
No inclination to change the present organization	3.76	0.74	3.94	0.67
Recommendations to others	3.88	0.89	3.84	0.89
Feel proud to be associated with	3.88	0.89	4.06	0.75
Continuation of availing services of present organization	3.81	0.76	3.86	0.74
No influence of others regarding the change of service provider	3.67	0.94	3.57	1.01
Importance of customer Loyalty in relationship building	4.48	0.50	4.57	0.49
Overall Loyalty	3.90	0.15	3.96	0.17

For the purpose of comparison, the actual mean values of customer loyalty have been compared with the assumed values of 3.00. Any value more than three has been considered that there is more level of loyalty exists amongst the customers and vice versa.

Banking Sector: Table 3 indicated that Banking customers perceived that loyalty is important in the banking sector (mean 4.48). It is found that mean score of the parameter loyalty towards one's own bank was higher (mean 3.88). Customers also strongly communicated that they will recommend their existing banks to the new customers to deal with (mean 3.88). Customers should be given with the best of services and ease of comfort while doing banking; this will encourage them to further maintain their relationship with bank. Loyal customers often will, over time, bring in substantial revenues and demand less time and attention from the firms they patronize. Many customers are inclined to forgive customer-service mishaps, display decreasing sensitivity to price, and disseminate positive word-of-mouth about the business to others. As a result, customer loyalty can be a major source of sustained growth and profit and a strong asset (E.W. Anderson & Mittal, 2000).

Insurance Sector: The results of data collected for insurance sector indicated that the customers are satisfied

with the services provided by the insurers, as the mean value is found out to be 3.96, which is more than the standard value 3.00. The customers who purchase a company's product tend to buy same company's product again for themselves and their family. It is found that customers perceived that loyalty is an important parameter to improve and maintain the customer relationship. Loyalty is an end result of customer satisfaction over a long period of time. Satisfied customers tend to have a higher usage level of a service than those who are not satisfied (Bolton & Lemon, 1999; Ram & Jung, 1991). They are more likely to possess stronger repurchase intention and recommend the product/service to their acquaintances (Zeithaml et al., 1996). Numerous studies have revealed that customer satisfaction positively affects loyalty (Bloemer, de Ruyter, & Wetzels, 1999; Oliver, 1999; Zeithaml et al., 1996).

9.3 Comparison of Customer Satisfaction and Customer Loyalty in Banking and Insurance Sectors

Customer Satisfaction and Customer Loyalty between Banking and Insurance Customers have been compared by using two tailed Z test at 5% level of significance. Z values have been presented in Table 4.

Table 4: Z Test Results

Sr. No.	Parameter	No of Respondents	Mean	SD	df	Z _{cal} (difference between means of two samples)	Z _{0.05} (tabulated)
1	Banking Customer Satisfaction	469	26.641	4.662	926	13.48*	1.96
2	Insurance Customer Satisfaction	459	30.706	3.830			
3	Banking Customer Loyalty	469	27.269	3.831	926	1.92**	1.96
4	Insurance Customer Loyalty	459	27.745	3.742			

*Significant at 5% level of significance

** Insignificant at 5% level of significance

Customer Satisfaction: In order to compare the satisfaction of bank and insurance customers, z test was applied. Calculated value of z was found to be 13.488 (Table 4), which was more in comparison to the tabulated value (1.96) at 5% level of significance and 926 (469+459-2) degree of freedom. Hence, the null hypothesis is rejected and it is concluded that there is a significant difference in the level of Customer Satisfaction in Banking and Insurance Sector. Also, the mean values indicated that customer satisfaction is more in insurance (3.84) in comparison to the banks (3.33). Thus, banking sector needs to enhance its operations in terms of delivering services and managing relationship with customers in order to generate more customer satisfaction levels.

Customer Loyalty: In order to compare the Loyalty of bank and insurance customers, z test was applied. Calculated value of z was found to be 1.92 (Table 3), which was less in comparison to the tabulated value (1.96) at 5% level of significance and 926 degree of freedom.. Hence, the null hypothesis is accepted and it is concluded that there is no significant difference in the level of Customer Loyalty in Banking and Insurance Sector. Also, the mean values indicated that customer loyalty in insurance (3.96) and in the banks it is (3.90). Loyalty can be of substantial value to both customers and the organization. Customers are willing to invest their loyalty in business that can deliver superior value relative to the offerings of competitors (Reichheld, 1996). When they are loyal to a firm, consumers may minimize time expended in

searching and in locating and evaluating purchase alternatives. Also, customers can avoid the learning process that may consume the time and effort needed to become accustomed to a new vendor.

10. Conclusion

Businesses need to attract and establish a customer market and would need to retain it through satisfaction. That is the key to its business performance (Johnson et al., 2000). Customer satisfaction is one of the important components of customer loyalty. From an attitudinal perspective, customer loyalty has been viewed by some researchers as a specific desire to continue a relationship with a service provider (Czepiel & Gilmore, 1987). From a behavioral view, customer loyalty is defined as repeat patronage, that is, the proportion of times a purchaser chooses the same product or service in a specific category compared to the total number of purchases made by the purchaser in that category.

The customer satisfaction as well as loyalty is found to be higher among insurance customers as compared to that among bank customers. It was also found that customer satisfaction of banking and Insurance customers differ significantly but loyalty did not differ significantly. It can be concluded from the study that the Banks as well as Insurance companies need to focus on generating more effective management strategies for its customers.

It has to be understood that both customer satisfaction and customer loyalty go hand in hand. If your customers are satisfied, they would be loyal towards you and vice-versa. But, today in such a competitive environment, just satisfying the customers does not suffice. One should always focus on building a long term relationship, for which continuous tracking and adopting new strategies is suggested. Further, if customers are loyal, it is not necessary that they will not shift to the competitor; hence a constant focus on satisfying their needs is essential.

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