

# An Empirical Study on CRM Practices and Customer Loyalty with Reference to BSNL

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## Abstract

*The customer relationship management is playing vital role in engaging the customer in a competitive world especially in service sector. The present study has made an attempt to examine the CRM practices impact on the customer loyalty. The study has considered the BSNL as the sampling telecom company. The study adopted the convenient sampling method to collect the primary data. The study framed the two objectives and applied the various statistical tools. The study has considered the bivariate correlation to know the CRM practices relationship with the customer loyalty and the result indicated significant relation exists. The structure equation model has been applied and the result reveals that the impact of CRM practices on the customer loyalty has been observed. The study indicated that the service quality and brand image are having the significant effect on the loyalty of the customer in telecom sector (BSNL). This paper is useful to the telecom companies, TRAI and academic researchers.*

**Keywords: Brand Image, BSNL, CRM Practices, Price, Service Quality and Value Offer.**

## Introduction

The key issue for vendors is not to offer high-quality products or services, but to maintain loyal customers who contribute to organizations 'long-term benefits as the competitive environment becomes turbulent (Tseng, 2007). Marketers are obliged to look beyond the traditional marketing strategy of 4P to compete in such a competitive and interactive market. As a result, marketing relationships with other marketing strategies have become a way for firms to build strong and constant customer relationships (Andaleeb 2006). Great attention has been paid in recent decades to the development of relationship marketing by both universities and practice. Marketing relationships have begun to dominate marketing in the last decade of the 20th century (Egan, 2001). During this time, marketing relationships have become an important trend in many companies worldwide marketing and management.

Customer loyalty, customer interaction and long-term marketing relationships are the key strategic objectives of the marketing relationship strategy, offering customer information tailored to their needs and interests and promoting open communication. This approach often leads to greater word of mouth, repeated business and customer willingness to inform the company (Peng and Wang, 2006). Market buyers and sellers benefit from each other by developing relationships. Relationship related marketing tactics are practical marketing relationship approaches (Tseng, 2007). Effective customer-focused marketing tactics could contribute to marketer acquisition, customer retention and customer profitability, and ultimately customer loyalty developments.

Telecom is one of the world's most important industries, providing ever-increasing speeds for voice, data, graphics, and video communications. Telecommunications influences the global economy, with revenue from the telecommunications industry estimated to rise despite strong Indian competition. There's also a more sharp and sharper competition. Telecom companies are forced to innovate and do everything they can to achieve a sustainable competitive advantage. As a result, customer relationships play a significant role in the telecommunications industry. It needs a marketing strategy based on a relationship.

### **Concept of Customer Relationship Marketing**

Customer Relationship Marketing (CRM) is a key corporate strategy that integrates internal processes and functions as well as external networks to enable targeted customers to benefit and deliver value. It is based on high-quality customer information and is IT-activated (Buttle, 2004). CRM is a business strategy for the long-term identification, cultivation and maintenance of profitable customer relations. It calls for the development of a method for selecting your most profitable (or potential) relationships and providing quality of service to those clients who meet your expectations (McDonald, 2002). CRM is a strategic process in which desirable customer segments and micro segments are identified or individual customers are identified on a single or single basis and integrated programs are developed to maximize customer value and the organization's lifetime value through targeted customer acquisition, profit enhancement and retention.

The fundamental reason businesses aspiring to establish customer relationships is economic and ensuring their global market survival is that both large and small businesses pay special attention to highly advanced, educated, trustworthy and informed customers (Cook, 2011). As CRM covers many parts of the company, it has been suggested that organizations adopt a global approach that places CRM at the center of the organization with customer-oriented business processes and integration of CRM systems. Holistic CRM approaches help organizations to coordinate and maintain effective growth at disparate points or channels of customer

contact. Newell (2009) says CRM is a useful tool to identify the right customer groups and help identify which customers should be thrown away. High maintenance, high costs associated with maintaining these relationships and subsequent drainage on profitability of an organization make it necessary for Newell to reject customers.

Customer loyalty is defined as developing and maintaining a trustworthy customer relationship that leads to repeated purchases of products or services over a specific period of time (Lam, Shankar Murthy, 2004). In general, customer loyalty increases profit and growth to the extent that, depending on the industry concerned, increasing the loyal customer percentage by just 5 percent can boost profitability by between 30 and 85 percent (Gefen 2009). Usually, loyal customers pay higher costs and understand better when something goes wrong. Furthermore, loyal customers have been found to be less price-sensitive, and providers bear lower costs as costs are reduced to pursue new customers (Rowley & Dawes, 2000). A loyal customer base provides valuable time to compete with the company (Rowley and Dawes, 2000). The company's commitment creating the loyalty base requires a radical departure from traditional entrepreneurship, according to Frederick Reichheld.

### **Review of Literature**

#### **Tahmeem Siddiqi, Kabir Ahmed Khan, Sugandha Mobin Sharna (2018)**

The study focuses on technology adoption, trust and complaint handling on customer loyalty with reference to banking sector in Bangladesh. The finding presents that better technology usage leads to customer satisfaction developing customer loyalty. The study has proved the relation of the 3 considered factor over the customer loyalty using statistical methodology considering the perspective of Bangladesh.

#### **Nayab Bashir (2017)**

In the study the focus has been made over analysing the relationship of customer relationship management practices on the customer retention also an investigation has been made over the correlation of CRM with customer satisfaction. The findings

support the formed hypothesis that there must be proper CRM practices within the organisation to build up strong customer relation and bonding. Also there are benefits like in the customer retention ratio attracting customers of all age groups gets easy.

#### **Angamuthu B (2015)**

The study focuses over analyzing the relationship of CRM practices on customer satisfaction in the hotel sector. Its objective is to study the impact of customer satisfaction on customer loyalty and customer retention practices in the hotel sector. The findings of the study imply that usage of CRM practices helps upgrading capability, customer orientation strategies, customer value, customer interaction management practices, customer contact programmes and CRM technology positively connected with customer satisfaction in the hotel sector.

#### **Rana Saifullah Hassan, Aneeb Nawaz, Maryam Nawaz Lashari, Fareeha Zafar (2015)**

The study focuses over the effectiveness of customer relationship management (CRM) in retaining and satisfying customers with reference to Shell Pakistan. Also the objective of the study is to present their significant effect of customer relationship over the customer satisfaction. The findings of the study present that CRM is playing a major role in increasing the market share, it enhances productivity, superior employee's morale in the mean while it improves the in depth customer knowledge and also higher customer satisfaction to improved customer loyalty.

#### **Saima Tauni, Rabia Inam Khan, Maira Khan Durrani, Sumaira Aslam (2014)**

The study focuses over examining the relationship between customer relationship management and customer retention. The region of Pakistan focusing over the telecom sector has been considered for the study. The finding of the study present that CRM has significant influence over the customer retention, also, it can be observed that organization must focus on CRM while developing organization strategy for the purpose of implementing successful CRM initiatives.

#### **Objectives of the Study**

1. To examine the relationship of CRM practices with the Customer Loyalty in Telecom sector.
2. To study the CRM practices impact on customer loyalty of Telecom sector.

#### **Hypothesis of the Study**

**H<sub>0</sub>:** There is no relationship of CRM practices with the Customer Loyalty

**H<sub>1</sub>:** There is no impact of CRM practices on Customer Loyalty.

#### **Scope of the Study**

The present study has been focused on the customer relationship management practices impact on the customer loyalty in telecom sector has been studied. The study has considered the BSNL service provider in the area of Hyderabad and medak districts. The study collected the primary data from the customers who are using the telecom services minimum 3 to 4 years.

#### **Research Methodology**

The study has considered the primary data pertaining to the telecom sector, the study applied the convenient sampling methodology to determine the sample size and collected the primary data through the framed questionnaire. The study applied the following statistical methods.

#### **Bivariate Correlation**

The study applied the bivariate correlation between the CRM practices and the customer loyalty attributes.

#### **Structure Equation Model**

The study framed the SEM – structure equation model to identify the multiple independent variables (CRM practices) on the dependent variable (Customer Loyalty)

#### **Data analysis & Interpretation**

##### **Objective 1**

To examine the relationship between Customer Relationship Management with Customer Loyalty.

**Null Hypothesis**

Insignificant relationship exists between the Customer relationship management with Customer loyalty.

**Alternative Hypothesis**

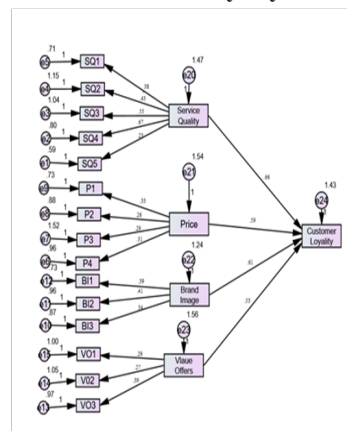
Significant relationship exist between the Customer relationship management with Customer loyalty

**Table Bivariate with Respect to CRM Parameter Related to Customer Loyalty**

		Customer Loyalty	Service Quality	Price	Brand Image	Value Offers
Customer loyalty	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	120				
Service Quality	Pearson Correlation	.741	1			
	Sig. (2-tailed)	.005				
	N	120	120			
Price	Pearson Correlation	.667	-.263**	1		
	Sig. (2-tailed)	.006	.004			
	N	120	120	120		
Brand Image	Pearson Correlation	.313	.440**	.006	1	
	Sig. (2-tailed)	.001	.000	.949		
	N	120	120	120	120	
Value offers	Pearson Correlation	.456**	.393**	-.172	.546**	1
	Sig. (2-tailed)	.000	.000	.060	.000	
	N	120	120	120	120	120
**. Correlation is significant at the 0.01 level (2-tailed).						

The table shows the bivariate relationship between the CRM parameter on Customer loyalty. The results indicates that CRM parameter are observed to be positively correlated with Customer loyalty in which Service Quality is strongly correlated with customer Loyalty ( $r = 0.741$ ) and Customer loyalty with Price is also observed to be strongly correlated. CRM parameter such as Brand Image and Value offers are moderately correlated with Customer loyalty. Further the study estimated that Service Quality had observed negative relationship with Price while brand image with Price as well as Value offer with brand image are positively correlated with each other. P-value is observed to be less than 0.05 for each of the related parameter which indicates that reject H0 and accept H1 i.e., Significant relationship exist between the Customer relationship management with Customer loyalty.

**Figure Path Diagram of CRM impact on Customer Loyalty**



**Objective 2: To identify the impact of Customer Relationship Management on Customer Loyalty**

Structure equation model used to determine the impact on customer loyalty of the telecommunication organization’s customer relationship management in Medak and Telangana districts. A path diagram as shown below was framed for this study and the model

was initially applied to check the sample reliability (120) and then the fitness model was measured using CMIN, RMSEA, GFI and AGFI, which appears to fit at the recommended level. Finally, the path diagram constructed the connection between the variable at the same time.

As mentioned above, this model used good fit with the observed data. Hypothesized path appears to be significant at a level of 5 percent (p-value < 0.05) and reveals the weight of Regression for each of the parameters affecting customer loyalty as shown in the table below.

**Table Regression Weight with respect to Service Quality on CRM**

		Factors	Estimate	S.E.	C.R.	P
Service Quality	<---	The company follows customer requests in a timely manner	0.382	0.132	2.893939	0.012
Service Quality	<---	The front-line employees of this operator are always willing to help customers	0.428	0.145	2.951724	0.008
Service Quality	<---	The company provides personalized services to meet customer needs	0.551	0.271	2.03321	0.007
Service Quality	<---	The company provides timely information when new services are available.	0.668	0.211	3.165877	***
Service Quality	<---	Respond quickly to consumer complaints	0.235	0.111	2.117117	***

**Source:** Primary Data

Table - 2 illustrates the impact of Service Quality on Customer relationship management parameter. The result indicates that providing timely information regarding new services in telecommunication had shown significant high influence on Customer Relationship Management with 0.668 followed by service quality parameters “provides personalized

services” and “Front line employee support” are influenced with their respective regression weight has 0.551 and 0.428. Respond Quickly to customer complaints had shown significant low influence on CRM practices while “Customer requests in a timely manner” are influenced by 0.382.

**Table Regression Weight with respect to Price on CRM**

			Estimate	S.E.	C.R.	P
Price	<---	The company has taken effective ways to help us know its product and service pricing policies.	0.329	0.138	2.384058	***
Price	<---	The company’s product and service pricing policies are attractive to customers.	0.267	0.068	3.926471	***
Price	<---	The company’s telephone/internet rates are reasonable	0.294	0.099	2.969697	***
Price	<---	The company offers flexible pricing for different services that meet the needs of customers	0.312	0.093	3.354839	***

**Source:** Primary Data

The table depicts the impact of price on Customer relationship management with respect to telecommunication organization in Medak and Hyderabad District. The result indicates that “Effective way to helping regarding pricing policies

to customer” had shown significant highly influential parameter of price on Customer relationship management and “Pricing Policies which attractive customer” is the parameter that shown significant low influence on Customer relationship management.

**Table Regression Weight with respect to Brand Image on CRM**

			Estimate	S.E.	C.R.	P
Brand Image	<---	Customers consider the reputation of this company to be high.	0.392	0.137	2.861314	***
Brand Image	<---	Customers feel good about the social responsibility of the company.	0.408	0.147	2.77551	***
Brand Image	<---	The company gave its customers a good brand image	0.342	0.168	2.035714	***

Source: Primary Data

The table signifies the impact of Brand Image on Customer relationship Management with respect to telecommunication. The result shows that “Social responsibility” (0.408) of a company had influenced high on CRM followed by “Reputation”(0.392) and “Good Brand Image”(0.342).

**Table Regression Weight with respect to Value Offer on CRM**

			Estimate	S.E.	C.R.	P
Value Offer	<---	The company’s promotional offers are worth the money of the customer.	0.286	0.132	2.166667	0.023
Value Offer	<---	Easy for customers to take advantage of promotional offers.	0.274	0.114	2.403509	0.021
Value Offer	<---	The company’s proposed rewards are what customers need.	0.392	0.214	1.831776	0.012

Source: Primary Data

The table signifies the impact of Value offer on Customer relationship Management with respect to telecommunication. The result shows that parameter such as “Company’s proposed rewards are what customer need” is influenced with 0.392, Easy for customer to take advantage of promotional offer had influenced by 0.274 and “Promotional offers are worth the money of the customer” (0.286).

**Table Regression Weight with respect to CRM on Customer Loyalty**

			Estimate	S.E.	C.R.	P
Customer Loyalty	<---	Service Quality	0.663	0.321	2.065421	0.028
Customer Loyalty	<---	Price	0.591	0.135	4.377778	0.019
Customer Loyalty	<---	Brand Image	0.614	0.231	2.658009	***
Customer Loyalty	<---	Value Offers	0.531	0.241	2.20332	***

Source: Primary Data

The table illustrate the impact of Customer Relationship Management on Customer loyalty. The result shown that Service Quality is the CRM practices which is observed to be influenced high with 0.663 on Customer loyalty that means service quality increase in telecommunication will have positive impact on Customer loyalty. Value offers on Customer loyalty had low influenced, while Brand Image is influenced with 0.614 and Price is influenced with 0.591 on Customer loyalty. There by confirming that Customer relationship Management will have significant impact on customer loyalty that

rise the effectiveness of customer usage of mobile services, positive reaction about the operator.

### Findings of the Study

1. Bivariate correlation test found that Customer relationship Management parameter had shown significant strong relationship of Service Quality and Price with Customer loyalty.
2. The study estimated that Brand Image and Value offers are the CRM parameter that are moderately correlated with Customer loyalty.
3. Structure Equation model has been framed to

determine the impact of CRM on Customer loyalty and stated that Service Quality had shown significant high influence on Customer loyalty with 0.663.

4. The study estimated that Value offers is the CRM parameter which had influenced low as compare with other CRM parameters.
5. The study found that Brand Image is influenced with 0.614 on customer loyalty and also stated that Price had influenced by 0.591.

### Conclusion

The Indian telecom sector is growth with intense competition with higher customer service expectations. The study has considered the BSNL telecom operator as the sample industry. The study has collected the primary data with the framed questionnaire and examined the relationship of CRM practices with customer loyalty. The study result reveals that the CRM practices are having the significant strong to moderate relationship with the customer loyalty. The study adopted the structure equation model and found that the service quality is having the higher impact on the customer loyalty and followed by the brand image. Hence there is a need to do further research in this area by considering the customer behaviour and attitude impact on the CRM practices comparison with the private and public sector telecom companies.

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