



CUSTOMER RETENTION STRATEGIES OF THE NEW GENERATION PRIVATE BANKS IN PUDUCHERRY: AN EMPIRICAL STUDY

Dr. N. Jamunarani* S.Sharmila**

*Assistant Professor, Department of Commerce, Annamalai University, Annamalainagar .
**Ph.D. Research Scholar, Department of Commerce, Annamalai University, Annamalainagar .

Abstract

The banking industry is highly competitive, with banks not only competing among each other but also competing with non-banks and other financial institutions. Most bank product developments are easy to duplicate and when banks provide nearly typical services, they can only differentiate themselves on the basis of price and quality. Hence, customer retention is an effective tool that banks can use to gain a strategic advantage and survive in the competitive environment. Today's uncertain economic conditions combined with the lasting effects of the credit crisis and the newly empowered, tech-savvy consumers who expect convenience, personalized service, and competitive fees and rewards have left banking and financial institution executives scrambling to develop and implement customer retention strategies to drive revenue. Hence, in the banking industry, customer retention becomes an essential phenomenon since this sector has witnessed substantial growth, change, and competition both globally and domestically. In this context, an attempt was made to study the customer retention strategies of the select new generation private banks in Puducherry. By adopting multi-stage sampling 170 customers were selected for the present study. The present study is empirical in character, based on survey method. As an essential part of the study, the primary data were collected with the help of questionnaire. The secondary data have been collected mainly from journals, magazines, reports, books and unpublished dissertations. In order to study the customer retention strategies of the new generation private banks, analysis of variance, co-efficient of variation, multiple regression analysis and percentage analysis have been employed. The findings of the study revealed that female respondents, respondents in the age group 46-55 years, respondents belonging to H.Sc qualification, students and housewives, respondents belonging to monthly income above Rs.40000, respondents belonging to HDFC Bank, , savings bank account holders and urban customers are more satisfied with the customer retention strategies of the select new generation private banks. Absence of customer intimate strategy, poor-quality customer service, inadequate range of products, inadequate customer communication, delay in service, absence of creativity and innovativeness, inadequate customer contact programmes, absence of update information and lack of customer specific strategies are the problems of the customers pertaining to customer retention strategies of the select new generation private banks.

Keywords: Customer Retention, Customer Relationship Management, Customer Loyalty, Etc.

Introduction

The banking industry is highly competitive, with banks not only competing among each other but also competing with non-banks and other financial institutions. Most bank product developments are easy to duplicate and when banks provide nearly typical services, they can only differentiate themselves on the basis of price and quality. Hence, customer retention is an effective tool that banks can use to gain a strategic advantage and survive in the competitive environment. It is more economical to keep customers than to acquire new ones. The long-term customers buy more and, if satisfied, may generate positive word-of-mouth promotion for the company. They also take less of the company's time and are less perceptive to price changes. It is assumed that reducing customer defections by as little as five per cent can double the profits. Today's competitive environment seeks to maximize customer retention so as to sustain the company's protective edge against new entrants. The costs of acquiring customers to "replace" those who have been lost are high because the expense of acquiring customers is incurred only in the initial stages of the commercial relationship. Customer retention is a cost-effective and profitable strategy that is imperative in today's competitive economic environment.

Customer Retention

Customer retention refers to customer's stated continuation of a business relationship with the firm. Customer retention refers to keeping a client's business rather than have the client use competitors' services or products. Businesses want to reduce customer defections to their competitors because a reduction in their market share and profits could result. Customer retention is a popular marketing strategy as it involves focusing on meeting or exceeding clients' expectations in order to maintain their loyalty. Effective customer retention strategies focus on measuring and achieving the following objectives: maximize customer satisfaction for current customers; identify dissatisfied customers before they leave through a customer retention program; and measure why the customers leave. A key objective of retention strategies must therefore be "zero defections of profitable customers".



Statement of the Problem

The expanding business environment has led to increased choice for consumers, lower prices, lower margins, dramatically changing global infrastructures, market economies' expanding that is deregulation and privatization, telecommunications infrastructure, investment from analog to digital. Banks are facing a hyper-competition. Competitors are just a click away, and consumers expect a superior customer experience. Today's uncertain economic conditions combined with the lasting effects of the credit crisis and the newly empowered, tech-savvy consumers who expect convenience, personalized service, and competitive fees and rewards have left banking and financial institution executives scrambling to develop and implement customer retention strategies to drive revenue. Hence, in the banking industry, customer retention becomes an essential phenomenon since this sector has witnessed substantial growth, change, and competition both globally and domestically. In order to stay ahead of competition, banks continuously scan the environment aggressively and speed up implementation of its retention strategies. Despite the strategic effort to build and promote good customer relationship, customer retention still remains a vital managerial issue. In this context, the researchers have made an attempt to study the customer retention strategies of the select new generation private banks in Puducherry.

Objectives of the Study

The following are the objectives of the present study:

1. To study the importance of customer retention in the banking industry.
2. To review the customer retention strategies of the select new generation private banks in Puducherry.
3. To study the perception of the customers towards customer retention strategies of the select new generation private banks.
4. To offer appropriate suggestions to improve the customer retention in the select new generation private banks.

Testing of Hypothesis

In order to examine the perception of the customers towards customer retention strategies of the select new generation private banks in Puducherry, the following null hypothesis was formulated and tested. There is no significant relationship among the acceptance level of the customers belonging to different demographic profiles towards customer retention strategies of the select new generation private banks.

Sampling Design

In order to collect primary data for the purpose of the study, multi-stage sampling technique have been adopted. At the first stage, 3 new generation private banks which are outnumbering in branches were selected out of 6 new generation private banks. In the select stage, 50 per cent of the branches i.e. 6 branches were selected out of selected banks. In the final stage, from each of the branches 20 savings bank accountholders and 10 current accountholders were selected on the purposive basis. Therefore, the sample size consists of 170 customers. Table 1 shows the sampling distribution of the present study.

Table 1, Sampling Distribution

Bank	No. of Branches	Samples		
		No. of Branches	No. of Savings Bank Account Holders	No. of Current Account Holders
HDFC Bank	4	2	40	10
ICICI Bank	5	3	60	30
Axis Bank	2	1	20	10
Total	11	6	120	50

Research Design

The present study is empirical in character, based on survey method. This study is confined to new generation private banks only. As an essential part of the study, the primary data were collected with the help of questionnaire. Taking into consideration the objectives of the study, a questionnaire was prepared after a perusal of available literature. The questionnaire was constructed based on Likert scaling technique. The secondary data have been collected mainly from journals, magazines, reports, books and unpublished dissertations. In order to study the customer retention strategies of the new generation private banks, analysis of variance, co-efficient of variation, multiple regression analysis and percentage analysis have been employed.

Findings

1. There is no significant relationship among the satisfaction levels of the customers belonging to different genders, age groups, educational status groups, occupations, monthly income groups, types of accounts and locations towards



customer retention strategies of the select new generation private banks. On the other hand, a significant relationship is found among the satisfaction levels of customers belonging to different banks towards customer retention strategies.

2. Female respondents, respondents in the age group 46-55 years, respondents belonging to H.Sc qualification, students and housewives, respondents belonging to monthly income above Rs.40000, respondents belonging to HDFC Bank, , savings bank account holders and urban customers are more satisfied with the customer retention strategies of the select new generation private banks.
3. A consistency is found among the satisfaction levels of the male respondents, respondents in the age group 36-45 years, respondents who have H.Sc qualification, students and housewives, respondents having monthly Rs.30001-40000, customers of the ICICI Bank, savings bank account holders and urban customers towards customer retention strategies of the select new generation private banks.
4. There has been a low correlation (0.172) between the respondents' satisfaction towards customer retention strategies and the selected personal variables in the select new generation private banks. The R square indicates that 3 per cent of variation in the satisfaction level is explained by all personal variables taken together. The F value indicates that the multiple correlation coefficients are significant at 1 per cent level of significance. Gender, age, education, monthly income, location and type of account of the respondents have no significant effect on the respondents' satisfaction towards customer retention strategies of the select new generation private banks.
5. Majority of the respondents (32.35%) are neither satisfied nor dissatisfied, followed by satisfied (23.53%) and dissatisfied (15.88%). 14.71% and 13.53% of the respondents are highly satisfied and highly dissatisfied respectively. It is evident from the mean satisfaction score that the respondents have higher satisfaction level towards range of services (3.45) followed by branch network (3.43), and location of the branch and innovativeness (3.39). On the other hand, the customers have lower level of satisfaction score (2.73) towards staff courtesy and response in the select new generation private banks.
6. Ranging from 36.47 per cent to 49.41 per cent of the respondents' problems with the customer retention strategies of the select new generation private banks are absence of customer intimate strategy, poor-quality customer service, inadequate range of products, inadequate customer communication and delay in service. Absence of creativity and innovativeness, inadequate customer contact programmes, absence of update information and lack of customer specific strategies are the problems of the customers pertaining to customer retention strategies of the select new generation private banks at 52.94%, 58.24%, 63.53% and 65.88% respectively.

Suggestions

1. The select new generation private banks ought to come up with more innovative products. Product innovations had a great contribution to customer retention. Hence, the banks should avail these products close enough to the customers and these products to be relevant to their customers' changing needs. Besides, the select new generation private banks can improve their service quality by employing more customer relationship managers to serve customers better for customer retention.
2. The select new generation private banks should improve the trust levels between the customers and the employees so as to retain their customers. Moreover, the select new generation private banks should increase mutual trust by showing hospitality, degree of honesty, transparency so as to build customer trust with their employees. In order to achieve optimal results, the select new generation private banks should improve communication, machines and network reliability, efficient service, customer care and offer fair bank charges.
3. The employees of the select new generation private banks ought to help customers and provide quick services to them. The officials of the select banks need to monitor their subordinates when providing services to customers and should have feedback plans from customers on the services. On staff side, more incentives should be introduced like teller incentives to increase the number of customers served by an employee in a short period of time.
4. The select new generation private banks should use the quality products as a tool to satisfy and retain their customers through periodic surveys on what constitutes convenience to customers in their products. Before developing the products, the banks should at least consider customers for their inputs on what they really want so that the products and services should be easily obtainable and convenient.
5. The select new generation private banks should charge competitive interest rates, favourable account charges and administrative fees that will guarantee customer retention. Favourable fees and charges will reduce chances of credit facilities being defaulted and further, the customers will not move to other competitors.
6. The select new generation banks need to come up with ways of rewarding the sales force for retaining customers. Moreover, the select new generation private banks need to put up a good and quality customer care unit. This will help them deal with customers complaints promptly. They should be responsive to complaints, provide timely and prompt information to their customers.



Conclusion

Nowadays, banks are in a fluctuating business environment as they experience an increase in competition and in customer demand, and a decrease in profit margins. Thus, it is critical for bankers to focus on a differentiated strategy, known as service quality improvement, to strengthen their core competitive edge, and urgently make a decision to focus on either the area of personnel counter services or electronic services or both, to be able to allocate limited resources to serve that decision. For banks to grow organically, a strong commitment to strategic customer growth options must be articulated through a well-structured approach, designed to improve customer attitudes toward bank capabilities and assess their potential value. Customer retention is the main goal of those who practice relationship marketing. Customer retention contributes highest to bank market share, growth and profitability. Customer satisfaction as a whole contributes immensely to retain the customers.

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