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IMPACT OF CUSTOMER SATISFACTION STRATEGIES ON CUSTOMER RETENTION IN BANKING SECTOR

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Abstract: In this Era of the E-banking customer satisfaction plays the major role for the customer retention and for the customer satisfaction there are some major factors which affect for the customer retention which are service quality, brand image, physical appearance of the bank, Customer relationship management, customer satisfaction survey, mobile application approach, loyalty programs, grievance system, employee motivation, product benefits, etc.. So, for that we've referred some research papers, websites, and books as well. And from that we gathered the data and make a conclusion about the customer satisfaction strategies on customer retention in banking sector.

I. INTRODUCTION

Bank play an important role in the economic development of the country. The banking sector of our country is growing day by day. Banks have started focusing on retaining their old customers rather than getting new ones. The cost of adding new customers to the customer base is very high. The customers who are ready associated with the bank have a higher chances of rendering the services provided by the banks than those who have just come and are reluctant to make use of the services given by the banks. The already existing customers also help in spreading positive things about the bank. Customer retention have become an efficient method used by the banks in having a competitive edge over others. Banks are trying to satisfy their customers in all the possible ways by providing them with best quality services. They are paying a lot of attention in understanding the needs of the customers and fulfilling those needs in the best possible way. The increase in the number of banks in the country has given the opportunity to the customers to choose their financial service provider from a number of options available. To ensure customer satisfaction, banks have to provide them with quality services and understand them properly.

What are the strategies used by the banks to satisfy their customers? Are these strategies helpful in any manner? What is customer retention? Whether bank should pay more attention to customer retention or adding more customers?

We would discuss the answer of all these questions in detail.

II. CUSTOMER SATISFACTION

Who is a customer? A person who buys goods or services. Who is considered as a customer of a bank? According to the definition provided by the RBI, a customer of a bank may include, "I) A person or entity that maintains an account and/or has a business relationship with a bank;

II) One on whose behalf the account is maintained (i.e. the beneficial owner);

III) Beneficiaries of transactions conducted by professional intermediaries, such as, stock brokers, Chartered Accountants, solicitors, etc., and

IV) Any person or entity concerned with a financial transaction, which can pose significant reputational or other risk to the bank, e.g., issue of a high value demand draft as a single transaction."¹

The Talwar committee of 197 said that the main objective of a bank is to create and deliver services. On the basis of these two elements, we determine whether a customer is satisfied with his banks or not. Customer satisfaction is basically the difference between the services that the customer hoped that he would get and the services that he actually got. If he gets more than he expected then we can say that he is satisfied but if he gets less than what he expected then it would be correct to say that he is dissatisfied and not happy with the services provided to him.

Customer satisfaction is utmost important when a bank is trying to retain its customers. Top most priority must be given to the customer's satisfaction by the banks. Banks have already realised this fact and continuously working to make its services better along with providing the customers with innovative products. The banks are also using the latest technology and a number of customer satisfaction strategies which could satisfy their customer and might also help in attracting new customers. However, studies have shown customer retention is more efficient than attracting new customers. So In this article, we will discuss a lot of customer satisfaction strategies used by the banks for customer retention. First we need to understand what is custom retention.

III. CUSTOMER RETENTION IN BANKING SECTOR

The increase in the number of foreign banks has increased the competition in India. These banks are equipped with the latest technology and have a team of experts which give better banking services like advisory solutions, advancement of loan etc. These foreign banks have given a tough competition to the already established banks and also encouraged them to improve their services. The banks in India have started focusing on improving their efficiency and services as much as possible so that their customers do not start taking the services of another bank either domestic or foreign. There are private, public as well as foreign banks present in India and thus it becomes very important for these banks to adopt certain customer satisfaction strategies in order to overcome others and increase their customer base. Customer retention is a very vital element in the banking sector. Banks are focusing on this element and using a number of strategies for it. Obviously if the customer retention of a bank would be more, the bank would be more successful.

The banking sector in India has increased significantly. The increasing competition in this sector has made the bank realise the importance of their customers. Banks have started focusing on the needs of their customers. Now every bank knows that if they want to retain their customers then they must provide services in such a manner that the customer is fully satisfied and never thinks of using another bank for banking services.

In the present scenario, it has been noticed that banks are focusing on retaining their old customers rather than attract new ones. The new customers easily switch to other banks and close their accounts so this might be the reason why the banks are not wasting their time on the potential customers. Even the cost of attracting the potential customers is more than the cost of retaining the old customers.

IV. SERVICE QUALITY

Customer service is an integral facet of any industry. Service quality is one of the most important element that helps the bank in retaining the customersⁱⁱ. The banks are paying a lot of their attention in providing quality services to the customers to satisfy them fully. If the service provided by the banks is able to meet the services expected by the customers then we can say in this case that quality services have been provided by the bank to its customers. Service quality would be good if the customers get the desired or more than the desired service however it would be bad in case the service provided is less than what was expected by the customers. Different service quality models have been introduced by different researchers. SERVPERF, SRVQUAL, GAP Model are some examples of service quality models used all across the world. SRVQUAL Model is one of the models used worldwide for measuring the service quality. The five dimensions of this model are given and we will discuss them in the context of the banking sector.

EMPATHY- Whether the bank is giving attention to the needs of its customers? Whether it is taking any steps to fulfil the customer's needs? The banks must have empathy towards their customers. They must do all they can in order to solve the issue faced by their customers.

RESPONSIVENESS- Whether the employees of the bank are willing to help the customers? Are they doing the work in a speedy way? When a person faces an issue, he has the right to complain and ask the bank to solve its issues. It is the duty of the employees to not act lethargic and do whatever they can without any delay. They must be responsive to the customer's needs.

ASSURANCE- Whether the employees are knowledgeable or not? Whether they are able to win the trust and confidence of the customers or not? The employees must have knowledge about the services rendered by them. They must be able to assure the customers that they are the ones who can give them the best services.

TANGIBLES- Whether the bank is equipped with the latest technology or not? The banks must not be stuck with the outdated technology. The technologies not only help the employees to do the work in a faster way, it also helps the customers in getting speedy solutions.

RELIABLE- Whether the bank would be able to fulfil the services it is promising? The banks must make it apparent to the customers that they are reliable and in the position to offer the services which they have promised.

These are some of the factors that must be fulfilled and taken into account while providing services to the customers. If all these conditions are fulfilled then the banks can definitely retain the customers. Quality service is the top factor that has helped in customer retention. What does a customer expect from a bank? The answer is quite simple i.e. quality service. The banks can use this element to differ from others. The crowd will go to the bank whose quality service is better than the others. All the banks are providing the customers with almost same types of service but why one bank is considered better than the other is because of the quality of services provided by it.

Customer satisfaction and quality services is inter related. The better the quality services, higher will be the customer satisfaction. There is no standard method available to measure the quality of a service rendered by a bank. Poor customer services causes the loss of existing customer and also loss of a lot of money and credibility of the bank. When people are happy with the services, they are ready to be a part of the customer base for a long term.

V. BRAND IMAGE

This is the second most important factor that the banks pay heed to in order to retain their customers. People are more likely to become a customer of that bank which has a brand image.ⁱⁱⁱ Advertisement is one of the methods used by the banks to remain in the minds of the people. Banks have started collaborating with famous celebrities to advertise their banks. The increase in the use of social networking sites has encouraged the banks to establish their presence in the social media. Banks have opened their accounts on different social media sites and using these sites to inform the people about the upcoming schemes, any discount, loyalty programmes and any other offers that the people might be interested in. Brand image is very important. If the bank is famous then the crowd will become its customers only because of that reason.

Banks like SBI, BOI, PNB are some of the banks that are quite famous. People associate with it without knowing about the policies and benefits that they would get if they open an account in this bank. People automatically assume that since so many people have

accounts in this bank, it must be reliable and profitable. When a new bank is opened at a place, people are hesitated to trust them and are less likely to open their accounts in such banks. Therefore brand image of the already established banks poses a big threat to the new entrants. The new banks have to compete with these banks who have a brand image and a strong customer base.

VI. PHYSICAL APPEARANCE OF THE BANK

Physical appearance of the bank is very crucial for the customer retention of the bank. The bank should be located at such a place which can easily accessed by its customers. The bank must have the latest technology so that the services rendered by the bank is efficient and capable of providing quality service to the customers. The branches of the bank must be located at places where the number of customers are more. This would help in addressing the issues of a lot of people. Point of sale terminals must also be setup within the bank. ATM machines must work efficiently. They must not be damaged. There have been many instances where the ATMs of the banks are not working and people face a lot of problem due to the non- availability of ATM machines.

VII. CUSTOMER RELATIONSHIP MANAGEMENT

This helps the bank in expanding their relationship with their customers. Good customer service is what makes the customers happy and thus helps the banks in making profits. CRM gives priority to the customers. Customers are important and their long term relationship with the bank is equally important. The objective of CRM is to understand the individual needs of the consumers and then render services based on their needs. It also involves the use of technology to help their customers in a better way.^{iv}

Three types of CRM are used by the banks-

OPERATIONAL CRM- CRM software packages are used by the banks to organise the interaction taking place between the banks and the customers. Contact history is saved by the banks and also any other information that might help them in understanding the relationship of the customer with the bank.

ANALYTICAL CRM- It involves collecting information about the customers. The kind of services the customers want and offering them those services at the right time. Data analysis is used to make the relationship of the customer with the bank more stronger.

COLLABORATIVE CRM- People themselves perform the services on their own by either communicating to the employees or following the instruction given to them when they are using the interactive channels provided by the banks. It helps the bank in collecting the information about the services required by the customer and providing the needed services in a timely manner.

The banks in India also use CRM strategy for customer retention. Operational CRM is widely practiced in India. Collaborative CRM is apparent while using internet banking, mobile banking and making use of passbook printing machines. Analytical CRM is also used by the bank but not on a large scale. YES Bank has introduced Yes Bank Collaborative CRM. The employees of the bank are provided with the relevant information about the customers. On the basis of that, the employees render service and design any other banking products. Bank of Maharashtra has in built software which gives the employees a report about their customers. This report helps them in understanding the customers and his needs. This helps them in giving better supports to the customers and solving their problems quickly. ICICL also has a CRM which allows people to make payments on the social networking sites. This has made the process of making payment very convenient for the people. The system is capable of generating 248 report daily which helps the bank in managing the customer services effectively. Punjab National Bank also has CRM software which helps them in managing the complaints of the customers, the chances of the bank in adding a potential customer to their customer base, the activities of the banks and banking products designed by it. This has helped the bank in achieving higher productivity.

CRM helps in establishing long term relationship of the bank with its customers. It is one of the strategies used by the banks which not only satisfies the customers but also helps the bank in retaining their customers.

VIII. CUSTOMER SATISFACTION SURVEYS

Many banks use customer satisfaction surveys which helps them in collecting information about their customers^v. Banks ask their customers to give them a feedback on the services provided by them and when a person does so, the bank gets to know about the field in which they need to improve and also get to know about the customers. So when they meet with a similar situation next time, their services are better and satisfy the customers. If the questions framed in the survey are proper and structured manner, the banks can benefit a lot by the customers. Collecting the information only won't help the bank in any manner, the bank must be able to act on the feedback given to them. The banks make full use of the information given to them and improve their services and products on that basis.

When these surveys are sent to the customers, the customer feel good thinking that the bank is making efforts to make their services more better. They give feedback after analysing the services provided to them and when they see that the feedback given by them has been implemented into action, they feel happy and thus don't think about switching to another banks.

NEWSLETTER CAMPAIGNS AND CUSTOMER COMMUNICATION

The banks definitely try to make a good impact on the customers when they visit the bank but now banks have started communicating with their customers even when they do not come to the bank.^{vi} The banks are making use of newsletter campaigns which talks about the success stories of their customers, infographic about debts, loans, etc. The banks have started sending automated messages to the customer wishing them on their birthdays, making them aware about any new scheme of the bank, etc. These things make the people aware about the schemes and there might be some schemes in which the person has interest. The people feel good that they do not have to personally contact the bank to know about these schemes and it saves their time. These methods adopted by the banks have proved helpful in retaining their customers.

IX. MOBILE APP APPROACH

Many banks have introduced their apps on play store. The apps allow the person to get any information about their account in that bank just by sitting at home rather than going to the bank in person.^{vii} Time is very important for everyone. People are not interested in making lines in the bank for a tiny work related to their account. Now the introduction of apps has now made the work very convenient. It is not only helpful for the customers but also for the bank as it helps in increasing the over all efficiency of the bank. Mobile apps have resulted in the higher engagement of customers with the bank. Why are customers satisfied with mobile banking?

- I) If they have any queries or need any advice on a banking aspect, you can fulfil you need instantly by referring to the information available on the apps provided by the banks.
- II) People do not have to wait in line for hours for the solution of their queries. The mobile apps are time-saving.
- III) The working hours in banks are limited so if you need the help of the employees for solving your problem, you have to go to the bank only during that hours. But in case of mobile apps, you can get your issues cleared at any time.
- IV) The mobile apps helps the bank in understanding the behaviour and preference of their customers and ultimately providing personalized services to them.
- V) Customers can check their account balance, any other information related to their banks. They also get notification when money is withdrawn or deposited in their bank through these apps.

Banks notify their people through notification about any scheme, discount or about their new product. The mobile banking have definitely succeeded in satisfying the customers. The solutions to all their problems are available and can be accessed by a single click. This also helps in retaining the customers as they do not have any problem with the bank as the introduction of mobile apps have made their work easy, affordable and time-saving.

X. LOYALTY PROGRAMMES

These programmes make the customer very happy and unique. They feel that they are getting something in return for being a loyal customer for so many years. These programmes are used by the banks to retain their customers by rewarding them for being their customer^{viii}. It works as an incentive and people feel that they should remain loyal with this bank as they can get more rewards in the future.

BOI STAR REWARTZ is a loyalty programme that has been introduced by the Bank of India for its debit card customers. The customers have to collect star points by their debit cards which can be redeemed later and they can get freebies.

In 2015, State Bank of India launched State Bank Rewards, the customers can collect and redeem points through the apps. These methods also help the banks in maintaining their old customers. By rewarding them, they make them feel that the bank is thankful to them for being their customer. The customers feel appreciated and thus it increases the chances of them being associated with the bank for a longer time.

XI. GRIEVANCE REDRESSAL SYSTEM

Banks are responsible for resolving any issue faced by their customers. The banks have to ensure that the issue faced by the customers have been solved and they are satisfied with the service of the bank in this regard. First, the banks must ensure that there are proper mechanism available where the person can file for his complaints and secondly, employees appointed are trained who are allotted the work of resolving the issue. It is the right of the customer to file a complaint to the bank if he is not satisfied with the services provided by them. He can either write to the bank, talk to the employees of the bank or file a complaint online through the online grievance redressal system set up by the banks. The banks provide various options to the customers to contact with them in case any issue arises. The bank provide the customers with their email id on their website, even the option of making a complains is available on the apps of these banks. Various customer care numbers are provided in the website of the bank. The bank takes all sorts of measures to ensure that the customers do not have to go through a lot just for making a complain. Updates of their complaints are also given to them through the employees or personalized messages.

If the bank succeeds in solving the issues faced by the customers then it further increases the trust of the people in the bank. People feel happy that their issue has been resolved without going to the bank. People want to remain associated with the banks who solve their issues without creating a lot of difficulties for them. Banks have also started focusing a lot on setting up an efficient grievance redressal system. Efforts have been made to make the system better in all the possible ways. The employees who are allotted the task of talking to the customers are trained. They talk in a very polite manner and try their best to understand the problem of the customer. They also tell the customers about the time that it would take for the resolution of the problem.

XII. EMPLOYEE MOTIVATION

Employee motivation plays an important role in customer retention^{ix}. A demotivated employee would not listen to the customers properly and might not be interested in solving any issue faced by the customers. This would definitely drive away the customer. No customer would want to associate with a bank that does not pay attention to the issues faced by the customers and render the services required by the customers. Thus it becomes very important for the banks to provide incentives to their employees so that they work diligently. The employees must be given proper salaries and holidays so that they do not get frustrated with their jobs. It has been seen that banks with more motivated employees have more satisfied customers and thus more tendency for customer retention.

In 2019, State Bank of India launched a massive employee engagement programme called Nayi Disha^x. The programme focuses on the work-life balance of the employees. The deputy management director and chief developing officer, Mr. Prashant Kumar

said that he observed that the employees of the bank were doing their work without thinking or analysing the situation and thus it became important to launch some programmes for their benefits in order to boost their morale. If they would work without any motivation then it is going to have a direct impact on the services being provided to the customers. If they fail to give an efficient service then it would make the customers angry and then that would not be good for the growth of the bank.

Arundhati Bhattacharya who was once a Chairperson of the bank also took a number of measures giving incentives to the employees to work with full dedication. The employees were given the choice of choosing the location when they were being transferred. They were given sick leaves in cases where the health of the person's in laws was critical. They were given long leave in cases where their children exams were there and they needed their parents' help for preparation.

The programme requires the employees to sign a pledge card mentioning that they would speak positive things about the banks to the others, keep themselves healthy, not damage the environment in which they are working and leave for their home once in a week. The card also consist of a bar code which if scanned by the employees spouse would send a message to the superiors of the employees and they would immediately know that the person has not gone home and is still working. Such great step taken by the banks ensures that the person is not working for long hours and takes adequate rest. The health of the employee is very crucial for the bank.

Such initiatives taken by the banks makes the employee to work to their full potential. This makes the customer happy too when they meet an employee who is ready to solve theory issues properly. Employee motivation is thus important for customer retention. People are ready to stay with the bank which consist of employees who are enthusiastic about their work and also help the customers in the best possible way.

XIII. PRODUCT BENEFITS

The customers are definitely going to choose a bank that is reliable, providing convenience to the customers, quality services, etc. However if all the banks provide the mentioned services then the customer would go to that bank which has more product benefits in terms of the interest rates and the fees that the bank is charging in providing a service. Suppose there are two banks and they both are equal in all aspects. Both are reliable, have a brand name, provide quality services then definitely I would go to that bank which is charging less for the services provided by it. However, according to the studies, this factor is the least important factor in influencing the customer loyalty in the banking sector. It has been seen that if the customer is already a loyal customer of a bank then it is ready to forego some of the monetary benefits if the customer's bank is giving the customer with better services.

RECOMMENDATIONS

- I) The bank must increase its staff so that personal attention can be given to the customers. If the customers are dealt by the employees individually then it would help the employees to understand the issues faced by the customers in a more efficient way.
- II) The banks must give training programmes to the employees. The employees must be taught the manner in which they must deal with a matter before them. The way they should treat the customers and making them understand clearly the things that the bank is in the position to do about their problem.
- III) The space inside the bank must not be too small. Seating facilities must be available to the customers so that they do not have to stand for a long time for the resolution of their problems.
- IV) The customers must not be made to go through a lot just for a small issue faced by them. Different employees must be appointed for different problems that might be faced by a customer.
- V) The banks must make use of the latest technology available to provide better services to the customers.
- VI) The banks must focus on providing quality services to the customers. They must focus that they have empathy towards customers, responsive towards the problems faced by the customers, able to solve the problems through the services that they have offered to provide, equipped with the latest technology and assure the customers that their problems would be solved by the employees in the best way possible.
- VII) The banks must award their customers who have put their trust in the bank and not switched to any other bank. Loyalty programmes are some of the way that can be used by the bank to provide incentives to the customers.
- VIII) Customers are now looking for banks providing them with specialized products. Banks must make use of this opportunity and take a market orientation approach to understand the needs of the customers and design products according to their needs. The banks can also upgrade their products on the basis of the needs of the customers.
- IX) The banks must also focus on maintaining their relationship with their customers. Analytical, Collaborative and Operational Customer Relationship Management can be used by the banks for customer retention. These have proven very successful in the past.

XIV. CONCLUSION

Banking can be mysterious for consumers and how they interact with their finances can be a complex matter. The challenges faced by banks and their customers are many but the trick lies in de-mystifying complex financial relationships. Technical solutions deployed by banks today are flexible, user-friendly and meant to facilitate specific workflow and requirements in implementation processes. In order to simplify lives, banks have begun to implement end-to-end technologies through all departments with the intention of removing human error from processes. Previously existing manual environments could not have been adequate for future visions, growth plans and strategies.

In this day and age, customers enjoy complete luxury in terms of customized technical solutions and banks use the same to cement long-term, mutually-beneficial relationships. We can concluded from the article that customer service is very vital in customer retention. The banking products provided by the banks are similar to the ones provided by other banks and this in this competing scenario, the banks can differ themselves on the basis of customer services provided by them and retain their old customers. Banks must give preference to the customers. Trained staff, proper grievance system, efficient complaint handling, providing technological support, etc. are some things that the bank can focus on in order to make their services better than others. Convenience is another

factor that helps the banks in customer retention. Working hours of the banks should be such that person is easily available during those hours. The banks can also use social media platforms to make their customers aware about other branches of the bank available in the country and the working hours of the bank.

The banks must also make it apparent to their customers that they are reliable. The customers can rely on the schemes provided by the bank and any other services which the customer is thinking of taking from the bank. The loyalty programmes offered by the banks also help in making the old customers to remain with the bank.

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