

A Comparison of How Customer Relationship Management Affects Public and Private Banks' Performance

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Abstract- The goal of this study is to explore the influence of CRM on MP in the banking industry by utilising case studies from Wogagen Bank, Dashen Bank, and the Commercial Bank of Ethiopia. A theoretical framework was used as a guideline to examine the impact of CRM on MP. A quantitative research strategy was used. In addition, a descriptive research design and a cross-sectional survey were used for this study. A questionnaire based on previous research and the relevant literature was filled out by 120 employees of Mekelle's selected commercial banks. Correlation analysis looked at the relationship between CRM and MP, while multiple regression analysis looked at CRM's influence on MP. All the independent variables have a positive and meaningful relationship with MP in selected commercial banks, according to the findings. Furthermore, the study investigates whether CRM has a positive and significant impact on MP. Moreover, it was discovered that in Wogagen and the Commercial Bank of Ethiopia (CBE), the customer knowledge management underpinning has the greatest influence on MP, while in Dashen Bank, the key customer focus underpinning of CRM has the greatest influence on MP. As a result, to achieve MP, the selected banks must utilise CRM as a vital instrument for establishing a competitive edge and building long-term and lucrative connections with their customers in a timely and consistent manner.

Index Terms- Customer Relationship management, Customer knowledge management, CRM organization, technology-based CRM, Key customer focus, Market performance, private and public banks.

I. INTRODUCTION

Customer relationship management (CRM) is becoming more and more important to businesses as they try to improve their marketing performance through long-term customer relationships, customer retention, customer acquisition, market share, and sales volume (Rahimi, 2017). Customer relationship management is, without a doubt, a philosophy that has recently become one of the most contentious issues in the business world. CRM is mostly based on the idea that building a long-term relationship with a customer is the best way to get loyal customers, who are much more profitable than customers who are not loyal.

Several studies have been done on the banking industry to find out how many banks use CRM systems to get new clients and get closer to the ones they already have. On the other hand, banks know that the best way to do well in a competitive market is to keep good relationships with customers. According to Parvatiyar and Sheth (2002), the use of CRM as a tool for competitive advantage is growing around the world. However, there are no ground rules or guidelines for adoption; implementation and practises are based on locally published studies that focused on the impact of customer relationship marketing and service quality on customer retention and loyalty. As a result, many clients voice their dissatisfaction with inefficiency and the lack of contemporary technology (Ngai, 2005).

In Ethiopia today, especially the banking sector, is extremely powerful in the market. Other service sectors compete fiercely with these banks. However, there are a few issues to consider: It employs various strategies to compete in a highly competitive market. Inadequate technology management: the inability to evaluate the bank's performance using measurement so that corrective actions can be taken when negative deviations are observed (Tsegay & Shifera, 2011). Lack of understanding of CRM dimensions, a lack of innovation, and the major common challenge facing banks all stem from network interruptions, which force them to use more obsolete and traditional technologies

(Solomon A., 2014). As a result, there is a low standard for records or incorrect information, as well as broken promises, among other things. Long lines and large crowds in banking halls can be devastating and discouraging most of the time, especially when the holidays are approaching. These long queues can occur because of a breakdown in the network used by these cashiers. There is an issue with market performance indicators. As a result, to address the issues or gaps, the researcher conducted a comparative study on the impact of CRM on market performance. The following fundamental questions were attempted to be answered in this study:

- ✓ What is the employee perception of CRM in the selected private and public banks?
- ✓ How have selected private and public banks performed in the market?
- ✓ What is the relationship between CRM and market performance?
- ✓ What impact does CRM have on the market performance of the selected banks?

II. LITERATURE REVIEW

2.1. Overview of Customer Relationship Management

Customer Relationship Management (CRM) is one of those great notions that rocked the business world in the 1920s, promising to change the way firms of all sizes care for their customer bases for the rest of their lives. Gummesson (2004) contended that CRM was born from relationship marketing and is simply the practice of applying long-standing relationship marketing principles that have existed since the beginning of business. CRM assists the company by demonstrating the proper procedures and processes for caring for a customer's property, according to Payne and Frow (2005). CRM assists the organization by demonstrating the necessary methods and processes for managing a customer's property (Wyner, 1999).

2.1.1. The Dimension of CRM

CRM can be used to represent a variety of viewpoints at various levels of the management structure. Customer relationship management may be related with database marketing or electronic marketing at the tactical level of management; at the strategic level, customer relationship management may be associated with customer retention or customer collaboration (Peppers and Rogers, 1995). CRM is a complex construct, according to Sayed (2011), consisting of four main behavioral components: "primary customer focus, CRM organization, knowledge management, and technology-based CRM." He also looked at the impact of the four CRM behavioral aspects on financial institutions' market performance in terms of maintaining current customers, recruiting new customers, growing market share, enhancing sales growth standards, and adding the net profit standard to sales. When the four pillars of CRM function together, according to Kotler and Armstrong (2004), higher customer relationship capability is achieved.

2.1.2. Key Customer Focus

Key customer focus entails an overall customer-centric focus as well as consistently delivering superior and added value to key customers through customized offers (Shelth et al., 2001). The purpose of any key customer focus in today's business climate, according to Kotler and Armstrong (2004), is to develop a deep customer relationship that makes an organization a required partner for its most profitable clients.

2.1.3. CRM Organization

Organizational structure, organization-wide commitment of resources, and human resource management are the important aspects for successfully organizing the entire firm around CRM (Agarwal et al., 2004). Swaminathan (2004) asserts that to attract a prospective pool of customers, the organizational arrangement and structure must be flexible and, if necessary, reassembled to establish customer-centric values and develop coordination of customer-focused, cross-functional teams.

2.1.4. Customer Knowledge Management

Knowledge is well thought out as one of the competitive factors in the global economy in today's competitive world. It is necessary for a business firm to think and consider how to attract customers as another crucial factor to succeed in today's dynamic market (Salomoun et al., 2005). Customer knowledge management is a system for acquiring, allocating, and increasing customer knowledge among employees to benefit the organization and its customers. CRM applications assist businesses in gathering and utilizing customer knowledge to facilitate customer employees in recording relevant information about each customer transaction (Ryals et al., 2001). The value of knowledge management is enhanced by its level of accessibility to address current and anticipated customer needs by providing an offer and services that meet their needs and expectations.

2.1.5. Technology-Based CRM

According to Abbott et al. (2001), relevant and reliable customer data is required to successfully measure CRM performance. As a result, in addition to firm intelligence, technology plays a key role in CRM in accurately gathering customer data. Indeed, the advancement and improvement of information technology provides the ability to collect, investigate, and share customer information, resulting in customer satisfaction, customer loyalty, and customer retention. CRM necessitates "information-wide strategies" that make use of computer technologies to maintain relationships (Harding et al., 2004).

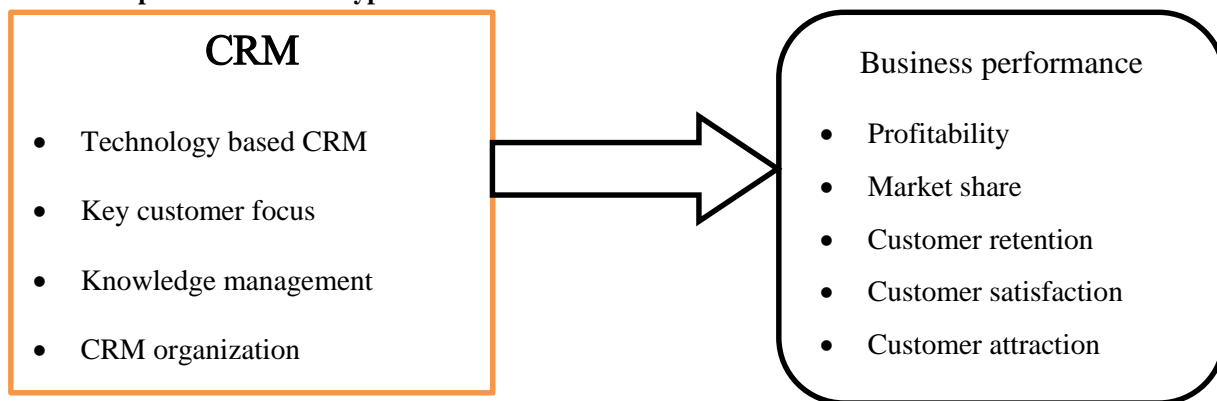
2.2. Market Performance

Market performance refers to the improvement of an organization's market standing, the improvement of customers' perceptions of the organization and its products, and an increase in customer loyalty to the organization (Mithas et al., 2005). Sales growth, market share, customer satisfaction, profitability, and customer retention are all components of market performance.

2.3. The Relationship between CRM and Marketing Performance

Marketers use the term marketing performance measurement (MPM) to define the examination and improvement of marketing efficiency and effectiveness. The objectives of performance management are to achieve key outcomes and objectives to improve individual, group, or organizational performance. It creates a conceptual framework for CRM that aids in the broadening of understanding of CRM and its role in improving market performance (Payne & Frow 2005). CRM has a significant positive impact on the banking sector's market performance. The gap between an organization's actual output or outcomes and its expected outputs or aims and objectives is referred to as market performance.

2.5. Conceptual Model and Hypothesis



Source: Adopted from Sayed (2011)

The model's general form was as follows: $MP = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + e$ Where MP stands for Market Performance, X1 stands for Key Customer Focus, X2 stands for Customer Knowledge Management, X3 stands for Technology-based CRM, and X4 stands for CRM Organization. And α is constant and where β_1 , β_2 , β_3 , and β_4 , are the coefficients to estimate, and e is the error term.

Hypothesis

The following alternative hypotheses are thought to be tested to achieve the goal of this study.

H1: Key customer focus has a positive and significant impact on market performance.

H2: The CRM organization has a positive and significant impact on market performance.

H3: Customer knowledge management has a positive and significant impact on MP

H4: Technology-based CRM has a positive and significant impact on market performance.

III. Research Methodology

This study employed a descriptive approach. A descriptive survey design tries to accurately portray the characteristics of a certain individual, scenario, or group. This study built a grading information system to pick branches from private and public banks, resulting in 37 top and medium-sized branches functioning in two private banks and one public bank in Ethiopia. Because of Ethiopia's graded information system, the banking sector is structured similarly across the country, and other factors include a higher number of transactions, a wider range of services, site location facilities

and personnel strength, cash holding limitations, and other comparable factors. Using a systematic sampling method, five branches from Wogagen Bank with grades 1 and 2, five branches from Dashen Bank with grades 1 and 2, and five branches from Commercial Banks of Ethiopia with grades 3 and 4 were chosen. At the end of the day, the researcher used sample size determination to figure out how many people were in each of the 15 branches of the population. So, these branches were chosen because they could represent the 37 branches of different public and private commercial banks. Even though 120 surveys were given out, only 112 people filled them out because the questions were good enough and correlation and multiple regression were used to analyse the data gathered through primary sources with the help of a survey.

IV. Analysis and Findings

a. Perception of respondents towards CRM and MP

Table 4.1 provides comparative data on public and private banks. The mean score in Table 4.1 depicts the rate at which employees feel about various aspects of the CRM dimensions, as well as the disparities between the average mean scores of the three groups. The researcher used the average mean of all four dimensions to compare the overall CRM dimension between public and private banks. Table 4.1 shows that private banks (Wogagen and Dashen banks) outperform public banks (the Commercial Bank of Ethiopia) in all dimensions except technology-based CRM.

Table 4.1: Comparison analysis of the perceptions of respondents towards CRM and the MP

No	Dimensions	Wogagen bank	Dashen bank	CBE
		Average meaning	Average meaning	Average meaning
1	Key customer focus	3.76	3.71	3.69
2	Customer knowledge management	3.83	3.84	3.81
3	CRM based technology	3.77	3.69	3.81
4	CRM organization	3.64	3.67	3.65
5	Market performance	3.93	3.86	3.78

As seen in Table 4.1, the survey results and discussions with bank general managers revealed that Wogagen Bank's concern for key customer focus was greater than Dashen Bank's (average mean of 3.71) and CBE's (average mean of 3.69), with an average mean of 3.76. Also, the survey results showed that Dashen Bank was more worried about customer knowledge management than both Wogagen Bank and CBE, with an average mean of 3.84. Based on the survey results, it was clear that CBE was more worried about CRM-based technology than Wogagen Bank (3.77 on average) and Dashen Bank (3.69 on average). In general, the survey results revealed that Dashen Bank was more concerned with organising CRM around customers, with an average mean of 3.67, than Wogagen Bank (average mean = 3.64) or CBE (average mean = 3.65).

Finally, as shown in Table 4.1, the market performance of the three banks was compared using the average mean. Wogagen banks performed better, with an average mean of 3.93, than Dashen Bank and CBE, which had average means of 3.86 and 3.78, respectively. As a result, we can deduce that the more banks focus on key customer focus, customer knowledge management, CRM organisation, and technology-based CRM, the better the market performance will be.

b. Correlation Analysis

Pearson's correlation is used to determine if there are any correlations between variables and to define the strength and direction of any relationships (Berndt et al, 2005).

Table 4.2: Correlations between CRM and MP

Dimensions of CRM	Market performance (MP)	
	Pearson Correlation	Sig. (2-tailed)
Key customer focus	0.702	.000**
Customer knowledge management	0.576	.000**
Technology based CRM	0.521	.000**
CRM Organization	0.630	.000**

***. Correlation is significant at the 0.01 level (2-tailed)*

Because all variables are intervals, the relationship between the independent variables, such as key customer focus, customer knowledge management, CRM organisation, and technology-based CRM, and the dependent variable, market performance, was investigated using the Pearson product-moment correlation coefficient, as shown in Table 4.2. Table 4.2 demonstrates that at the 99 percent confidence level (P 0.01), all the independent variables were positively and significantly related to the dependent variable, namely market performance. Key customer focus (r = 0.702) has the best correlation, followed by CRM organisation (r = 0.630), customer knowledge management (r = 0.576), and technology-based CRM (r = 0.521).

c. Multiple Regression Analysis

The hierarchical regression method was used to do multiple regression analysis. It is carried out to determine the relative significance of the independent variable on the dependent variable in each bank and to study the influence of the independent variable on the dependent variable. Multiple regression analysis was used to examine the proposed hypotheses.

**Table 4.3: Multiple Regression analysis result of CRM and MP
Model summary 1**

Name of banks	Model	R	R square	Adjusted square	R	Std. error of the estimate
Wogagen bank	1	.791	.626	.624		.579
Dashen bank	1	.701	.491	.479		.241
Commercial bank of Ethiopia	1	.416	.230	.133		.227

Predictors (continuous): CRM. Dependent variable: Market performance.

The results of multiple regressions on four CRM underpinnings in each bank are shown in Table 4.3. The result indicates that the model under consideration is significant (p < 0.01). The adjusted R square of 0.624 for Wogagen Bank indicates that the four independent variables entered the regression, accounting for 62.4 percent of the variance in market performance, with the remaining 37.6 percent explained by other factors such as perceived value, cooperation, commitment, and so on. However, in the case of Dashen Bank, the adjusted R square of 0.429 indicates that the four independent variables entered into the regression account for 42.9 percent of the variance in market performance, while the remaining 58.1 percent of the variance in market performance can be explained by other factors such as perceived value, cooperation, and commitment. Finally, the adjusted R square of 0.133 in Commercial Bank of Ethiopia indicates that the four independent variables entered into the regression account for 13.3% of the variance in market performance, while the remaining 87.7% of the variance in market performance can be explained by other factors such as perceived value, cooperation, and commitment.

Table 4.4: Coefficients of CRM dimensions

Independent variables	Wogagen bank		Dashen bank		CBE		Sig.
	Beta(β)	t	Beta(β)	t	Beta(β)	t	
Key customer focus	.173	1.053	.377	2.362	.247	1.365	.000
Customer knowledge management	.323	2.299	.275	1.448	.331	2.301	.000
CRM Organization	.156	1.778	.289	1.869	.233	1.231	.000
Technology based CRM	.142	1.012	.120	2.123	.133	1.356	.000

Dependent Variable: Market performance

The table of coefficients above shows how CRM affects market performance in each bank. The proposed hypotheses for this study were then tested using the multiple regression coefficient.

H1: Key customer focus has a positive and significant impact on market performance.

In Table 4.4, the results of the multiple regression analysis showed that key customer focus has a big effect on how well three banks do in the market (p < 0.01). Also, the beta values of 0.173, 0.377, and 0.247 for Wogagen, Dashen, and CBE banks show that focusing on key customers is good for market performance. This means that a 1% increase in key customer focus boosts Wogagen, Dashen, and CBE's market performances by 17.3, 37.7, and 24.7 percent, respectively. As a result, the hypothesis given above is accepted.

H2: Customer knowledge management has a positive and significant impact on MP.

Table 4.4 shows that the results of the multiple regression analysis showed that customer knowledge management has a big effect on how well the three banks do in the market ($p < 0.01$). Also, the beta values for Wogagen, Dashen, and CBE ($=.323, .275$, and 0.331) show that managing customer knowledge is good for market performance. This means that a 1% improvement in customer knowledge management boosts Wogagen, Dashen, and CBE's market performance by 32.3, 27.5, and 33.1 percent, respectively. As a result, the hypothesis given above is accepted.

H3: Technology based CRM has a positive and significant impact on market performance.

Table 4.4 showed how CRM based on technology has a significant impact on market performance in three banks ($p < 0.01$). Also, the values of beta in Wogagen, Dashen, and CBE ($=.142, .120$, and $.133$, respectively) show that technology-based CRM has a positive effect on market performance. This means that a 1% increase in technology-based CRM boosts Wogagen, Dashen, and CBE market performance by 14.2, 12.3, and 13.3%, respectively. As a result, the hypothesis suggested above is widely accepted.

H4: CRM organization has a positive and considerable influence on market performance.

The CRM coefficient in the multiple regressions in the table showed that the CRM organisation has a substantial impact on market performance in the three banks ($P < 0.01$). Besides, the beta values in Wogagen, Dashen, and CBE ($=.156, .289$, and $.233$) indicate that CRM organisations have a beneficial impact on market performance. This means that a 1% increase in CRM organisation resulted in 15.6, 28.9, and 23.3 percent increases in Wogagen, Dashen, and CBE market performance, respectively. As a result, the hypothesis suggested above is widely accepted.

V. CONCLUSION AND RECOMMENDATION

a. Conclusion

The results of the study showed that the staff at the three banks have great CRM skills, such as putting the customer first, managing customer knowledge, organising CRM, and using technology-based CRM. So, the researcher can say with certainty that most employees of the selected banks understand CRM and can connect it to how well the market is doing. Based on the descriptive statistics, it seems likely that the higher the level of CRM that employees see, the higher the level of MP that some commercial banks may achieve. The findings suggest that CRM and MP have a good and significant association. As a result, it is reasonable to argue that independent variables could influence the bank's MP. Customer knowledge management is the most dominant relational dimension in determining the variation in MP between Wogagen Bank and CBE Bank, and key customer focus is the most dominant relational dimension in determining the variation in MP between Wogagen Bank and CBE Bank, according to the results of the multiple regression coefficient. Considering this, the following suggested recommendations for improving customer relationship management's impact on market performance can be implemented:

b. Recommendation

General recommendations for all selected banks:

The chosen banks need to pay more attention to their most important customers, especially in terms of interacting with them, setting clear goals and plans, and giving them something extra. The selected banks must increase their level of CRM organisation by creating custom-designed customer-focused teams, cross-functional teams, positive organisational images, and customer-focused coordination. Innovative loan services, good management practises, and effective dissemination of knowledge management communications are all required by the selected banks to improve customer knowledge management. The chosen institutions must enhance their level of technology-based CRM by maintaining extensive customer databases to improve their services, handling internet transactions, and using current banking equipment and technology to boost employee capabilities. In general, to achieve market performance, the selected banks must apply customer relationship management as a vital tool for generating competitive advantage and building long-term and lucrative connections with their clients. In metropolitan and semi-urban areas, selected banks are growing and expanding daily; these places have many employees and customers who use their services. As a result, banks should have a broad scope, and cross-functional teams in rural areas should be expected in the coming days.

Some specific recommendations for each selected bank:

Commercial Bank of Ethiopia (CBE) must pay close attention to providing services that are tailored to the needs and specializations of key customers, must engage in dialogue with key customers to identify where their demand lies and offer customized services to them, must set clear business goals for acquiring and attracting new customers, and must put in more effort in this area.

Wogagen bank (WB) and Dashen bank (DB) must focus on improving employee performance measurement and rewarding employees based on their level of achievement in providing superior customer service. Before they go out into the field, the bank's workers should receive proper training on the bank's behavioral patterns.

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