Measuring CRM Effectiveness in Indian Stock Broking Services

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ABSTRACT

The article tried to develop a multi-item scale for analyzing CRM effectiveness (CRME) from the customer perspective in the Indian stock broking context. The results revealed that customer satisfaction could be improved through to build customer trust and customer involvement substantially by focusing on the CRM system which further influences customer retention and ultimately, customer loyalty within stockbroking services. The findings of the article will help stockbrokers and their managers for a tactical decision making of CRM system implementation and practices for customer perspective. Despite the huge investment in CRM systems by the stockbrokers, critics have remained unconvinced about the effectiveness of CRM for meeting desired business outcomes. The reason being that broking firms often perceive CRM systems as a specific technology solution rather than integrating customer needs with the firm’s strategy, people and business process which generates a parallel need to develop a scale to measures CRM effectiveness in Indian stock broking services from the customer perspective.

KEYWORDS

CRM, Customer Involvement, Customer Loyalty, Customer Retention, Customer Satisfaction, Trust

1. INTRODUCTION

In the past decade, the global share broking environment has undergone a remarkable transformation. The changing regulatory framework, structural and technological factors have produced a level of competition in the share broking industry across the world. The Indian stock broking sector is no exception to this changing landscape and facing unprecedented challenges. Creating long-lasting relationships with high-value customers is usually viewed as the key to profitability in an increasingly dynamic business environment (Lee et al., 2010). CRM system is one of the primary strategic initiatives in today’s business world. Indian broking firms have also invested heavily in CRM systems to develop and nurture a long-term mutually benefitting relationship with the customers. Despite the huge investment in CRM systems by the stockbrokers, critics have remained unconvinced about the effectiveness of CRM for meeting desired business outcomes. The reason being that broking companies often perceive CRM systems as a specific technology solution rather than integrating customer needs with the firm’s strategy, people and business process (Sharma and Goyal, 2011). Understanding the customer perspective is crucial for a firm since an effective CRM requires the business process and technology-focused towards the customer (Padmavathy et al., 2012). Therefore, it is imperative to measure CRM effectiveness in the Indian stock broking services. Additionally, there is a lack of agreement on the impact of CRM systems on the main customer responses in stockbroking services. Consequently, there is a parallel need to develop a scale that systematically and psychometrically measures CRME, serving as a measurement foundation for customers’ perspective. Thus, the present study tries to develop a multi-item scale for analyzing CRME from customers’ perspective in the Indian stock broking context.

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2. THEORETICAL BACKGROUND OF THE STUDY

2.1. Concept of Customer Relationship Management

Customer relationship management (CRM) refers to a set of relational practices that firms adopt to enhance customer relationships (Padmavathy et al., 2012). CRM is viewed as a systematic process to manage the customer relationship initiation, maintenance, and termination across all customer contact points (Kevork and Vrechopoulos, 2009). In addition, it is viewed as the strategic use of information, processes, technology, and people to manage the customer's relationship with a firm (Lin et al., 2010). Some firms view CRM primarily as an investment in technology and software, whereas others treat CRM more expansively and are aggressive in developing productive relationships with customers (Smith and Chang, 2010). Moreover, the implementation of customer-related strategies is a critical factor in successful CRM programs. The previous studies showed that there is a great relationship between the technology perspective of CRM and customer-related strategies (Hillebrand et al., 2011).

2.2. Components of CRM

In the relationship marketing literature, researchers proposed some CRM mechanisms for the successful implementation and evaluation of CRM strategies. The present study focuses on the three most popular CRM dimensions are included customer-centric, knowledge sharing and information processing:

2.2.1. Customer-Centric

It emphasizes the delivery of superior service and adding value to customers through customized offerings (Wang, 2013). It can enable the firm to be truly customer-centric is to adopt a cross-functional approach that delivers value to its customers (Oztaysi et al., 2011). Webster (2002) studied that cross-functional processes and capabilities represent a key means of linking the firm to its customers. These processes should be guided and driven by key performance objectives based on customer needs (Payne and Frow, 2006). But the challenge for customer-centric firms is to design and manage customer-centric IT applications that are flexible, easy to maintain and quickly integrated into existing systems for better services (Lin et al., 2010).

2.2.2. Knowledge Sharing

It addresses the creation, transfer, and application of knowledge to serve customers (Wang, 2013). Knowledge creation and knowledge utilization are the two most important behavioral dimensions of knowledge sharing that often describe the knowledge-based view of the firm (Chow, 2011). Such functions are strongly reflected in essential CRM activities that include capturing customer information about their needs and preferences both directly and indirectly (Sin et al., 2005). These events correspond to knowledge learning and generation, knowledge dissemination and sharing, and knowledge responsiveness respectively (Vega-Vazquez et al., 2013). It is built on acquiring and analyzing information obtained from the customer and transforming that information into useful knowledge that can be exploited in ways that enhance business performance (Yi and Gong, 2013).

2.2.3. Information Processing

It refers to the sharing and exchange of essential and exclusive information through interactive activities between firms and its customers (Parvatiyar and Sheth, 2001). Information technology and systems play an important role in the information processing (Kincaid, 2003). The study represents an enabling and facilitating role in providing an infrastructural basis, which supports the CRM effort inside the firm, by managing the data required to understand customers (Saarirjarvi et al., 2013). The supportive role of IT includes maintaining a database as well as an accompanying software and hardware capability that can well enable the organization to serve its customers in an effective manner (Akroush et al., 2011).
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