



Effect of electronic customer relationship management on customer satisfaction and customer loyalty with the mediation of digitalization

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Abstract

Purpose: This paper investigated the influence of electronic customer relationship management on customer satisfaction and loyalty. Also, investigated the mediating role of digitization on the association between electronic customer relationship management on customer satisfaction and loyalty.

Methodology: The sample of the study is drawn by using a simple random sampling method. There are 431 respondents observed in this research. Both primary data and secondary data are used to determine the electronic customer relationship management in the Banking sector in Tamil Nadu.

Findings: The results reveal that digitalized customer relationship management towards satisfaction and loyalty of the customers are significant statistically. Digitalization has a positive mediating effect on the relationship.

Conclusion: In today's vehement business environment, customers are in the strongest position of power. Hence, it is high time for businesses and marketers to recognize this and work diligently to enhance their loyal customer base.

Keywords: Customer Relationship Management, E-CRM, Customer Loyalty, Customer Satisfaction, Digitalization

Introduction

The continuous and fast progression in Information and Communication Technologies (ICTs) has changed the activities and administrations given by the financial area^[1]. Given its essential significance in the monetary area, the financial business has been the cynosure of academicians and strategy producers the same in advanced times. The financial area has been one of the greatest casualties of the ICT improvements. The progressions filled by quick change in innovation and adoption by clients followed by higher web entrance and expanded utilization of advanced mobile phones implanted banks under serious difficulties in multitudinous ways^[2]. Steep contest, globalization, developing client interest, and openness to higher credit gambles, bring constrained banks to the table for the most ideal help briefly and proficiently to hold their client base and convert them into their steadfast allies and further work on their benefit^[3].

Furthermore, similar time, the homogeneity of items has likewise added to the weight of the financial business and ended up being an elevating challenge for the banks to keep up with client faithfulness during such a noteworthy progress in specialized as well as in customer conduct [4]. The quantity of grievances held up by the clients to the Hold Bank of India (RBI) Ombudsman plot has expanded consistently. According to RBI's yearly report on Financial Ombudsman Plan (2019-20), around 21.97% of the grumbings documented by the client were related to ATM and charge card-related issues, 13.38% were connected with internet banking issues, 11.73% were connected with banks not sticking to the 'fair practice code' and though 9.30% were connected with Mastercard related grievances. The ongoing situation expects banks to screen wisely the clients' patterns, assumptions, necessities, and prerequisites.

Because of always changing powerful shopper tastes and combined with fast mechanical progressions, the banks can never again totally depend on the traditional approaches to fulfilling their clients^[5]. The promoting specialists have constrained the organizations to have long-haul client devotion in the assistance business. However, the meaning of client dependability was underlined in past writing, yet, it is one of the most essential variables for the assistance ventures to survive^[6]. The essential justification for why the top administration couldn't be ready to accomplish client dependability would be because of high business instability^[7].

Objectives of the Study

1. To examine the impact of electronic customer relationship management in banking sectors.
2. To know the relationship between electronic customer relationship management on customer satisfaction and loyalty.
3. To determine the mediating effect of digitalization in the relationship between electronic customer relationship management on customer satisfaction and loyalty.

Literary Revised

Electronic Customer Relationship Management

In this review, E-CRM was considered an improvement as it gives different qualities like customized items/administrations, elective installment techniques, and so on. E-CRM is characterized as "the showcasing exercises, instruments, and methods, conveyed over the Web (utilizing innovations, for example, sites and email, information catches, information warehousing, and information mining) with a particular means to find,

construct and further develop long haul client connections to improve their singular potential" [8]. It is portrayed as dealing with the client connections utilizing the web, internet browsers or electronic touch focuses. Because of the headway in the ICTs, there was a fast change in the business climate [9]. CRM is moving to E-CRM to help this necessity. E-CRM is only dealing with the drawn-out relationship with their clients utilizing both customary and web advancements [10]. It gives compelling, intuitive, and significant correspondence with clients across electronic stages. It permitted the associations to draw in new clients, assess their clients' activities and wants, and deal with customized items and administrations [11]. Subsequently, the ongoing review analyzed E-CRM as a natural improvement in affecting client reliability through consumer loyalty.

Customer Satisfaction

Consumer satisfaction is thought of as one of the main components of any association's outcome in this profoundly cutthroat climate. It is characterized by consumer satisfaction as a "purchaser's satisfaction reaction" [12]. It is a judgment/evaluation that an item/administration highlights, or the item or administration itself, gives a pleasurable degree of utilization-related satisfaction". It is characterized consumer satisfaction as an "individual's pleasure or joy by contrasting his assumptions and the items, results and anticipated proficiency" [13]. Accordingly, consumer satisfaction suggests the compromise between what the client expects and gets from the items/administrations. Further, the more the hole between the two, the more would be consumer satisfaction [14]. There is serious competition in the market to draw in the clients. Subsequently, the overall trailblazers can't think of fighting on the lookout, only alone with the cost factor. They comprehended that buyer fulfillment is the main variable for business accomplishment since the client is the core of any business. Consequently, it is viewed as one of the main instruments for enlarging the relationship with the clients.

Customer Loyalty

This study thought about customer loyalty as a reaction. Client unwavering ness is characterized as "the proportion of accomplishment of the provider in holding a drawn-out relationship with their clients". Also characterized customer loyalty as "an earnest responsibility towards purchasing a similar brand of item or administration over and over later on, regardless of situational factors and promoting endeavors which might set off the exchanging conduct" [15]. Customer loyalty is the place where a provider gets an unmistakable prize for his undertakings in working together with his client. Building customer loyalty is the main objective of relationship showcasing exercises. Everything revolves around quality client service, helpful and sensibly valued postage, on-time conveyance, clear, reliable protection arrangements, and convincing item introductions. Subsequently, customer loyalty was considered as a reaction as it will give positive verbal exchange and social aim of utilizing E-CRM administrations [16].

Digitalization in the Banking Sector

The digital upheaval in banking has just barely started. Today we are in stage one, where most conventional banks offer their clients top-notch web and versatile locales/applications [17]. A substitute methodology is one

where digital becomes not simply an extra component but rather a completely coordinated versatile involvement with which clients utilize their PDAs or tablets to do all that from opening another record and making installments to settling Visa charging questions, all while never going to an actual branch [18]. The presentation of digital banking has altered the financial area and adjusted the entire system of basic bank moves. It has worked with the clients helping them to check their record subtleties, cover online bills, and move cash from one record to the next in a quicker way. This has helped the end client to partake in a deliberate monetary life. However, the world has embraced the issue of free Internet banking, yet it can't supplant its physical partners [19].

Methodology

The researcher selects users of mobile banking and internet banking in Tamil Nadu as a sample of the study. In this research, the stratified random sampling method was used to concise the respondents from the population. According to Morgan's sample size table, 384 is the sample size. Data was collected through Google Forms. The respondents are recommended to fill out the measurement scale. Finally, 410 responses were received as valid responses and then an analysis was made.

Measures

For data collection, the researcher used a standardized measurement scale from previous studies. To measure E-CRM, a 19-item scale comprised of six dimensions i.e. customized products/services, transaction security/privacy, alternative payment methods, problem-solving, online feedback, and frequently asked questions was adapted from Abdulfattah (2012) [21]. To measure customer satisfaction, the 18-item scale consisted of six dimensions i.e. content, accuracy, format, ease-of-use, timeliness, and safety was adapted from Chen, Hsiao, and Hwang (2012) [22] whereas to measure customer loyalty, a 24-item scale comprised of three dimensions namely attitudinal, behavioral and cognitive loyalty was adapted from Jones and Taylor (2007) [23].

Conceptual model

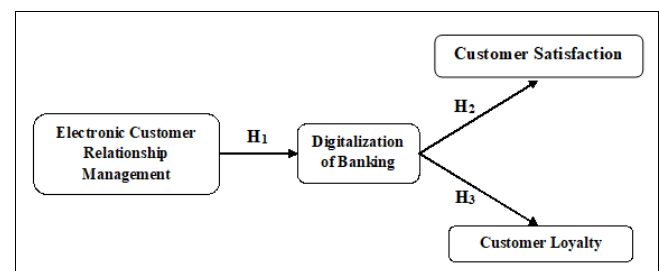


Fig 1: The Conceptual Model of the Study

Hypotheses development

- **H1:** Electronic Customer Relationship management is positively related to Digitalization of Banking
- **H2:** Digitalization of Banking is positively related to Customer Satisfaction
- **H3:** Digitalization of Banking is positively related to Customer Loyalty
- **H4:** Digitalization of Banking mediates the relationship between Electronic Customer Relationship Management on Customer Satisfaction and Loyalty

Results and Discussion

Among 410 respondents, 263 were males (58.8%) and 184 were females (41.2%). In the age category, 157 (35.1%) respondents were less than 30 years old, 115 (25.7%) were between 31 to 50 years, 105 (25.7) were between 51 to 70 years old, and 63 (14.1%) were 71 years and above. In the income category, 92 (20.6%) respondents have less than Rs. 100000, 134 (29.9%) respondents have Rs. 100001 – Rs. 300000, 109 (24.4%) respondents have Rs. 300001 – Rs. 500000, and 112 (25.1%) respondents have Rs. 500001 and above. According to experience in banking, 97 (21.7%) respondents have less than one year of experience, 104 (23.3%) respondents have 2 - 3 years of experience, 130 (29.1%) respondents have 4 - 5 years of experience, and 116 (25.9%) respondents has 6 years and above of experience.

Based on the opinion of the digitalization of banking, 41 (9.2%) respondents strongly disagreed, 32 (07.6%) respondents disagreed, 67 (14.9%) respondents were moderate, 122 (27.3%) respondents agreed, and 185 (41.4%) respondents were strongly agreed.

The structural equation modeling technique was adopted to assess the hypotheses. First, the measurement model was tested. The outcomes of confirmatory factor analysis revealed that all the indicators of the constructs had good factor loadings. To test multicollinearity, it is recommended to see the variance inflation factor (VIF). If VIF values for the variables are lower than ‘5’, multicollinearity is not a problem (Hair *et al*, 2011). So, multicollinearity is not a problem in the present study.

Table 1: Discriminant Validity (HTMT)

	1	2	3	4
1. Electronic Customer Relationship Management	0.733			
2. Customer Satisfaction	0.671	0.751		
3. Customer Loyalty	0.709	0.614	0.692	
4. Digitalization of Banking	0.678	0.641	0.592	0.816

Before testing the model, it is essential to find the discriminant validity of the constructs. Table 1 shows the discriminant validity of the measures. We tested for discriminant validity by the procedures described by Fornell and Larcker (1981) and Netemeyer *et al.*, (1990), by comparing the variance extracted estimates of the measures

through the square of the correlation between the constructs. Construct reliability and validity are presented in Table 2. HTMT criteria have been used to check discriminant validity. The correlation values of the HTMT construct are less than the threshold value of .9

Table 2: Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
1. Electronic Customer Relationship Management	0.847	0.855	0.881	0.481
2. Customer Satisfaction	0.815	0.826	0.855	0.399
3. Customer Loyalty	0.812	0.817	0.853	0.394
4. Digitalization of Banking	0.877	0.881	0.9	0.474

As mentioned in the methodology part, the reliability coefficient of all the variables is more than 0.7. Thus,

establishing CONSTRUCT RELIABILITY and also the composite reliability of more than 0.8.

Table 4: Summary of Path Coefficient

Path relationships	(O)	(M)	(STDEV)	((O/STDEV))	P	Hypotheses	Result
Electronic Customer Relationship Management -> Digitalization of Banking	0.106	0.106	0.038	2.794	0.01	H1	Supported
Digitalization of Banking -> Customer Satisfaction	0.153	0.154	0.044	3.507	0.00	H2	Supported
Digitalization of Banking -> Customer Loyalty	-0.122	-0.113	0.045	2.689	0.01	H3	Supported
Mediating Effect	0.192	0.187	0.038	5.037	0.00	H4	Supported

Among these variables, there is a positive effect of Electronic Customer Relationship Management on the Digitalization of Banking (H1). The path analysis renders support to Digitalization of Banking as positively and significantly related to Customer Satisfaction and Customer Loyalty (H12 and H3), and Digitalization of Banking mediates the relationship between Electronic Customer

Relationship Management on Customer Satisfaction and Customer Loyalty such that at high levels of advanced features, instant rectification of errors, and user friendly has a closer effect on customer loyalty (H4). The model fit statistics show that SRMR for the model was 0.074; d-ULS = 11.345 Chi-square = 10824.015, and NFI = 0.658, which are at acceptable levels.

Table 5: Summary of Hypotheses Testing

Hypotheses	Results
H1: Electronic Customer Relationship management is positively related to Digitalization of Banking	Supported
H2: Digitalization of Banking is positively related to Customer Satisfaction	Supported
H3: Digitalization of Banking is positively related to Customer Loyalty	Supported
H4: Digitalization of Banking mediates the relationship between Electronic Customer Relationship Management on Customer Satisfaction and Loyalty	Supported

Suggestions

In today's competitive business environment, customers hold significant power, making their loyalty essential to organizational success. To build lasting relationships and foster brand advocacy, businesses must prioritize customer satisfaction. Electronic Customer Relationship Management (E-CRM) offers a strategic approach to meet this need by enhancing interactions between clients and organizations. This study examines how E-CRM impacts customer satisfaction and loyalty in the banking sector, using the S-O-R (Stimulus-Organism-Response) model. Here, E-CRM acts as the stimulus, customer satisfaction as the organism, and loyalty as the response. The findings reveal that E-CRM directly improves both satisfaction and loyalty, with satisfaction partially mediating this relationship. This suggests that emotional and cognitive experiences play a key role in shaping customer loyalty. E-CRM strategies not only streamline services but also enhance customers' psychological engagement. Therefore, optimizing E-CRM can help banks nurture loyal, long-term customer relationships. Businesses must adapt quickly to leverage E-CRM as a competitive advantage.

Conclusion

In today's dynamic and competitive business environment, clients hold immense power and influence, making them the cornerstone of any organization's success. As a result, it has become crucial for businesses and marketers to shift their focus towards strengthening customer loyalty, ensuring long-term relationships, and fostering brand advocacy. E-CRM (Electronic Customer Relationship Management) emerges as an essential solution to this challenge, serving both clients and businesses alike. This research explores the relationship between E-CRM, customer satisfaction, and customer loyalty, leveraging the theoretical framework of the S-O-R (Stimulus-Organism-Response) model, with customer satisfaction acting as a mediating variable. Within the context of the banking sector, the study highlights that E-CRM positively influences both customer satisfaction and loyalty, and that customer satisfaction partially mediates the relationship between E-CRM and customer loyalty. These findings underscore the vital role of E-CRM in enhancing the emotional and cognitive responses of customers, leading to improved customer satisfaction, which in turn drives loyalty. This emphasizes that customer loyalty is not solely driven by the initial stimulus (E-CRM) but is significantly shaped by the psychological experience of the customer (customer satisfaction), which ultimately results in more profound, long-lasting customer relationships.

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