

Moderating effects of CRM performance: Relationship Inertia and Switching Cost in Banking Industry

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Abstract

Since the adoption and implementation of Customer relationship management (CRM), service firms are engaged in evaluating the performance output of the same to seek justification behind the enormous cost involved in its implementation and structural and behavioural modification that was done at the firm's architectural level. For the academicians, researchers, and business analysts the impact of CRM performance on customer satisfaction level has emerged as an area of profound interest while there has been adequate literature support for satisfaction-retention link. However, impact of switching cost and relationship inertia on CRM performance-customer satisfaction-retention link in the context of Indian banking industry remained inconclusive. The purpose of this paper is to propose and justify a customer satisfaction - customer retention model in a CRM ecosystem with an insight into the probable impact of moderating variables namely relationship inertia and switching cost. The study was carried out on the State Bank of India involving certain specific branches in southern part of West Bengal, India. Multivariate statistical procedures were applied which included a double regression analysis and exploratory and confirmatory factor analysis followed by structural equation modeling to justify the factor constructs of the proposed model. The study revealed a positive link between CRM performance, customer satisfaction and retention with relationship inertia and perceived switching costs significantly influencing the link between the three major variables.

Key words: Customer relationship management, satisfaction, retention, inertia, switching cost, performance, bank



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In the era of relationship marketing, retention of customers has been factor critical for the service industries. Researchers have found empirical evidence that customer satisfaction is an important determinant to customer retention (Oliver, 1980; Fornell, 1992; Anderson and Sullivan, 1993, Terblanche, 2006, Hsu, 2008). Researchers found that when customers were involved in satisfied transaction habit for a prolonged period with a specific firm, they would like to continue with the momentum of relationship (Ouellette and Wood, 1998) and become reluctant to find an alternative (Colgate and Danaher, 2000). This phenomenon was subsequently nomenclated as relationship inertia. Studies were also made to explain the defection behaviour of the customers on the basis of perceived switching costs. The switching costs were estimated not only on the basis of pure monetary value

involved in the switching process from one service provider to another but also on the basis of the effort and time invested to search and access alternative service providers. For many a service provider this can be an important strategic paradigm whereby they can elevate the switching costs for their existing customers and create a high exit barrier for the same. Customer relationship management (CRM), as a business philosophy, has been one of the applied formats of relationship marketing which marked the end of transaction-based marketing dominated by marketing mix elements. CRM, as a business process focused on the management of maintaining relationship with the customer on the basis of symbiotic sharing of value and profit. The satisfaction-retention link has an obvious antecedent effect in the form of 'perceived service quality' and also has a desired output namely increase in profitability/market share. Studies conducted by Vlèková and Bednaříková (2007) suggested that customer retention over their lifetime will significantly contribute to enhance company's profitability. The service organizations, in particular, delved deep into the calculations of Customer Life-Time Value (CLTV) to identify the most valued customers on the basis of their net-worth to the company. CRM revolves around the management of Customer Life Cycle (Sheth, Parvatiyar, and Shainesh, 2001). Bateman and Snell (2001) observed that CRM is a business process which results in optimized profitability and revenue generation, while achieving customer satisfaction.

For the service providers CRM became the most sought after strategy as it focused on retention rather than acquisition. CRM performance based on the functionalities of CRM process elements and CRM dimensions is involved in enhancing the level of perceived service quality which has been recognised as a critical prerequisite and determinant of competitiveness for establishing and sustaining long-term satisfying relationships with customers (Wang and Wang, 2006).

The banking industry in India adopted CRM as a business process and tried to redefine the customer satisfaction-retention-loyalty sequence in the light of inertia and switching costs, where inertia has been considered as a potent habit of consumption and brand association while switching costs has been conceptualized as a barrier to defect which allowed the banks to assort and customize products/services for the customers.

This study concentrates on finding empirical evidence of the moderating effects of relationship inertia and switching costs on CRM performance-customer satisfaction-customer relationship link.

Review of literature

CRM has been conceptualized as a systematic strategic process of managing initiation of customer relationship through customer acquisition process, maintenance of relationship on the basis of symbiotic sharing of value and profit, and termination of a potentially devalued relationship and as a information system that tracks customers' interaction with their firms and enable the firms to address issues that are potentially inhibitors or enhancers to profitability (Yueh et al., 2010; Aihie and Bennani, 2007; Nguyen, 2007; Hendricks et al., 2007). CRM performance aims to develop a sustainable competitive advantage by delivering superior customer value (Ahmad and Hashim, 2010; Sadeghi and Farokhian, 2010) and facilitates in developing relationship with assorted and differentiated customers via interdependent collaboration with those of highest perceived value to the company (Lowe, 2008; Sadeghi and Farokhian, 2010). Greenberg (2004) introduced the metrics model comprising three key elements to measure CRM performance namely customer metrics, performance metrics and diagnostic metrics. Hyung Su and Young Gul (2007) mentioned the score-card approach while Hughes (2009) utilized the Balanced Score Card (BSC) and six sigma concept to evaluate the CRM performance. Academicians and researchers, over the years, have focused on developing CRM measurement frameworks (Jain et al., 2003, Lindgreen et al., 2006). While some research has focused more on IT-related factors (Avlonitis and Panagopoulos, 2005; Roh, Ahn, and Han, 2005), others have emphasized organizational factors like human resources, organizational structure, and reward systems (Rigby et al., 2002), or business process-related factors (Campbell, 2003; Payne and Frow, 2004). Studies were also made to link CRM components and their performance output, namely, link between customer satisfaction and business performance (Kamakura et al., 2002), the link between customer loyalty and firm profitability (Reinartz and Kumar, 2000), heterogeneity in customer profitability as an output to CRM deployment (Niraj, Gupta, and Narasimhan, 2001), and exhibition of customer loyalty as a behavioural function to CRM adoption (Verhoef, 2003). Literatures revealed a few take on CRM performance measurement based on CRM process and dimensionality

(Lindgreen et al., 2006; Zablah, Bellenger, and Johnston, 2004). Lindgreen et al. (2006) proposed a CRM assessment tool comprising three categorical elements namely strategic elements (customer and brand strategy), infrastructural elements (culture and people) and process elements (relationship-management process). While researchers continued to focus on tangible and quantitative key performance indicators (KPI) such as revenue generated, customer acquisition, retention and defection rates, time to execute services including service recovery process, cost optimization etc., to explain the success/failure of a CRM system, Jain et al. (2003) explored into the behavioural dimensions of CRM that considered the 'people' element as a pivotal factor. The behavioural dimensions thus identified were attitude to serve, quality perceptions, understanding the expectations of customers, reaction time, situation handling capability etc. Abdullateef, Mokhtar, and Yousoff (2010) concentrated on four dimensions of CRM namely customer orientation, CRM organization, knowledge management and CRM technology to identify caller satisfaction in contact centers. Ghafari, Karjalian, and Mashayekhnia (2011) identified five dimensions of CRM namely information sharing, customer involvement, long-term partnership, joint problem solving and technology-based CRM to explore a possible linkage with innovation capabilities of a bank. Successful implementation of CRM requires synergistic synchronization between four identified

dimensions namely focusing on key customers, organizing around CRM, managing knowledge, and incorporating CRM-based technology (Yim, Anderson, and Swaminathan, 2004). The dimensions of CRM are supposed to influence the CRM process which focuses on value creation resulting in manifested behavioural intention of the customers. Other researchers have also explored CRM process frameworks from diversified point of views namely service profit chain (Heskett et al., 1994), return on quality (Rust, Zahorik, and Keiningham, 1995), customer asset management (Berger et al., 2002), and customer equity (Blattberg, Getz, and Thomas, 2001). Review of literature also revealed that there are different methods and categorizations of CRM performance namely financial versus non-financial, single-dimensional versus multi-criteria, tangible versus intangible (Payne and Frow, 2005).

Community and retail banking system has evolved as a major domain of CRM application. As banks automated back-office functions with mainframes, and the number of products and services, particularly related to cross-selling and up-selling activities, grew, they found it increasingly necessary to introduce and replace its branch-based filing cards with a Central Information file (CIF). Panda and Parida (2005) have identified the key drivers of CRM in retail banking which has been categorized under two factors: (i) Internal factors (ii) External factors. The drivers are presented in Table-1 below:

Table 1: CRM drivers for banks

CRM drivers for banks	
Internal factors	External factors
1. Improving customer satisfaction and cross-selling/up-selling initiatives	1. Reduced competitive barriers
2. Increasing share of customer spend	2. Reduced scope for differentiation
3. Operational performance	3. Customer demand
4. Competitive pressure	4. Relationship banking
5. Realization of Customer Lifetime value	5. Increased risk and their intermediation
6. Multi-Channel Integration	6. Advances in technology
7. Automated Business processes	7. Affordable data-storage for the retention

Source: Baksi & Parida, SITJOM, December, 2012

The pursuance of CRM by firms, particularly in the service sector, has been strongly focused on augmentation in the perception of service quality leading to favourable behavioural intention namely customer retention, attitudinal loyalty and repatronization (Swift, 2001). Service quality has been recognised as a critical prerequisite and determinant of competitiveness for establishing and sustaining long-term satisfying relationships with customers (Wang and Wang, 2006) which inevitably reinforces the philosophy of CRM. Baksi and Parida (2012a) and Baksi and Parida (2012b) confirmed that service quality is a precursor to favourable behavioural intention (attitudinal loyalty) in CRM environment of a bank.

Customer satisfaction, reported to be a state of behavioural expression of customers as an output to perceived service quality where enhancement of satisfaction has been considered to be directly proportional to elevated perceptual level of service quality (Lin, 2007, Joewono and Kubota, 2007). Studies revealed that customer satisfaction has a positive impact on customer retention (Ranaweera and Prabhu, 2003; Tsoukatos and Rand, 2006). Increased customer satisfaction levels will lead to greater customer retention rate, which is a key determinant for customer loyalty, which may increase the expected profit (Rust and Zahorik, 1993; Anderson and Mittal, 2000).

While analysing attitudinal loyalty of customers who are, obviously, involved in a prolonged relationship with their firms, researchers adopted the term 'inertia' as a concept to explain this unchanged bond between the customers and their firms. Huang and Yu (1999) projected inertia as a condition where repurchasing behaviour occurs as a response to situational stimulus and it reflects a non-conscious process. Relationship inertia has also been conceptualized as a habitual process (Assael, 1998; Solomon, 1994) which does not manifest emotional outburst and is predominantly convenience driven (Gounaris and Stathakopoulos, 2004; Lee and Cunningham, 2001). According to White and Yanamandram (2004), relationship inertia is a behavioural complex reflected in inert customers who avoid making new purchase decisions and price comparisons (Pitta et al., 2006) and try to maintain status quo (Ye, 2005). Colgate and Danaher (2000) observed relationship inertia as a basic human nature that confirms human habits as an auto-behavioural-tendency responding to past developments (Limayem and Hirt, 2003; Verhoef,

2003). Researchers also pointed out to the fact that past behaviour of relationship continuum might represent inertia effect (Rust et al., 2000) and customer loyalty may be an output to prolonged relationship inertia (Anderson and Srinivasan, 2003; Yanamandram and White, 2006; Weiringa and Verhoef, 2007). Although major investigations were made to justify the effect of relationship inertia on satisfied customers, Anderson and Srinivasan (2003) found that relationship inertia can be a potent inhibitor for the dissatisfied customers even and restrict them from defection.

Relationship inertia has been attributed by the researchers to switching cost as they were of the opinion that perceived switching cost is directly proportional to relationship inertia or in other words, switching cost acts as a potential inhibitor of changing service providers (Ranaweera and Prabhu, 2003; Lee et al., 2001; Jones et al., 2000; Bansal and Taylor, 1999). Switching cost has been conceptualized as the cost of changing services in terms of time, monetary value and psychological factors (Dick and Basu, 1994) and was found to be comprised of search cost and transaction cost (Eckardt, 2008). Furthermore, review of literature revealed the impact of switching costs on customer retention (Jones, Mothersbaugh and Beatty, 2000; Lee, Lee and Feick, 2001; Ranaweera and Prabhu, 2003). Study conducted by Lai, Liu and Lin (2011) showed that inertia and switching costs weaken the impact of satisfaction on customer retention in the perspective of auto liability insurance industry. Cheng, Chiu, Hu and Chang (2011), in their study explored the impact of relationship inertia as a mediator on customer satisfaction-loyalty link and observed that relationship inertia has a strong mediating effect on the link.

Research gap

Review of literature confirmed that although studies were made to identify the impact of inertia and switching costs on customer satisfaction and customer retention, there has been a dearth of research focusing the moderating effects of relationship inertia and perceived switching costs on CRM performance-customer satisfaction-customer retention link in an integrated manner in the context of banking industry, although it has been taken up discretely (Baksi and Parida, 2013). This paper, therefore, empirically explores the relationship between CRM performance, customer satisfaction and customer retention and further attempts to identify the moderating effects of relationship inertia and perceived switching costs on the relationship.

Following 'introduction' the layout of the paper follows: 'review of literature and formulation of hypothesis and model construct, methodology, data analysis and conclusion including future research and limitations.

Objective of the study

Following the review of literature and identifying the research gap within, the following research objectives were specified:

- a. to identify the possible impact of CRM performance, relationship inertia and switching cost on customer satisfaction,
- b. to assess the impact of relationship inertia and switching cost on customer retention, and
- c. to examine the impact of CRM performance on customer retention under strong influence of switching cost and relationship inertia.

Formulation of hypotheses and model construct

Apropos to the literature reviewed the following hypotheses and null hypotheses were formulated:

H_{01} : CRM performance does not have positive impact on customer satisfaction.

H_1 : CRM performance has a positive impact on customer satisfaction.

H_{02} : Relationship inertia does not have positive impact on customer satisfaction.

H_2 : Relationship inertia has a positive impact on customer satisfaction.

H_{03} : Switching cost does not have positive impact on customer satisfaction.

H_3 : Switching cost has a positive impact on customer satisfaction.

H_{04} : Customer satisfaction does not have positive effect on customer retention.

H_4 : Customer satisfaction has a positive effect on customer retention.

H_{05} : Higher degree of relationship inertia will not ensure superior level of customer retention.

H_5 : Higher degree of relationship inertia will ensure superior level of customer retention.

H_{06} : Higher degree of switching costs will not ensure higher level of customer retention.

H_6 : Higher degree of switching costs will ensure higher level of customer retention.

While studying the moderating effect of relationship inertia on customer satisfaction-retention link, Anderson and Srinivasan (2003) found that customers with higher level of relationship inertia had lesser impact of satisfaction on loyalty. In a similar kind of study conducted on auto-liability insurance services, Lai, Liu, and Lin (2011) made the same observations. It seems that customers with higher level of relationship inertia are reluctant to evaluate and adopt alternative service providers even in case of dissatisfaction. But, literature did not reveal any comprehensive study involving moderating effect of relationship inertia on CRM performance-satisfaction-retention link, although CRM performance happens to have a positive effect on service quality, an antecedent to customer satisfaction-customer retention link. Hence we hypothesized that:

H_{07} : Higher degree of relationship inertia will not reduce impact of CRM performance on customer satisfaction.

H_7 : Higher degree of relationship inertia will reduce impact of CRM performance on customer satisfaction.

H_{08} : Higher level of perceived switching costs will not reduce impact of CRM performance on customer satisfaction.

H_8 : Higher level of perceived switching costs will reduce impact of CRM performance on customer satisfaction.

H_{09} : Higher level of relationship inertia will not decrease the impact of customer satisfaction on customer retention.

H_9 : Higher level of relationship inertia decreases the impact of customer satisfaction on customer retention.

H_{010} : Higher level of perceived switching costs will not decrease the impact of customer satisfaction on customer retention.

H_{10} : Higher level of perceived switching costs decreases the impact of customer satisfaction on customer retention.

Jones et al. (2000) observed that dissatisfied customers are less likely to stay with their service providers if perceived switching costs are low and vice versa. Empirical evidences revealed that the relationship between customer satisfaction and customer retention is weak: as switching costs increases, sensitivity of customers to satisfaction decreases (Hauser, Simester, and Wernerfelt, 1994; Lee et al., 2000). Literature showed dearth in study involving CRM performance-customer satisfaction-retention link under moderating

effects of perceived switching costs, although evidences revealed that elevated switching costs will pacify the link between CRM performance, customer satisfaction and customer retention. Barnes et al. (2004) talked of a behavioural lock-in effect whereby customers with high perceived switching costs willingly fall into an inertia-trap. Thus high switching costs elevate exit barriers for customers and reduces the effect of CRM performance on customer satisfaction and customer retention relationship.

Therefore it was hypothesized that:

H_{011} : With the increase in perceived switching costs, the moderating effect of inertia on the relationship between CRM performance and customer satisfaction will not strengthen.

H_{11} : With the increase in perceived switching costs, the moderating effect of inertia on the relationship between CRM performance and customer satisfaction strengthens.

H_{012} : With the increase in perceived switching costs, the moderating effect of inertia on the relationship between customer satisfaction and customer retention will not strengthen.

H_{12} : With the increase in perceived switching costs, the moderating effect of inertia on the relationship between customer satisfaction and customer retention strengthens.

Based on the literature reviewed and hypotheses framed, the following model framework was proposed (Fig.1):

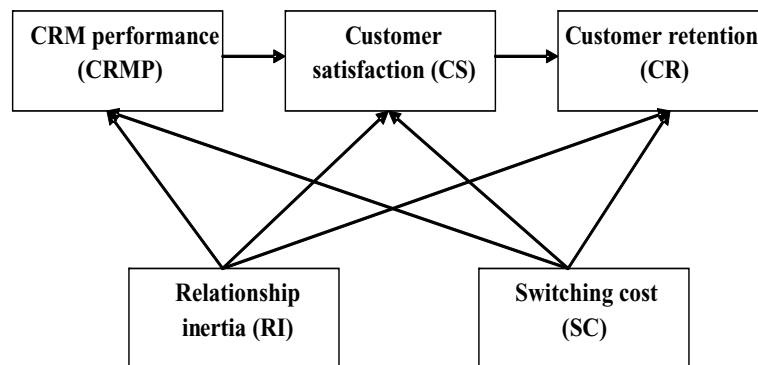


Fig.1: Proposed model framework (own construction)

Methodology

The objectives of the study were (a) to explore the relationship between CRM performance-customer satisfaction-customer retention (b) to assess the moderating effects of relationship inertia and perceived switching costs on CRM performance-customer satisfaction-customer retention link and (c) to test the proposed model framework (Fig.1) involving the variables under study using structural equation modeling. The study was carried out in the banking sector involving the largest public sector bank of India namely State Bank of India (SBI) across 5 cities in West Bengal (Asansol, Durgapur, Raniganj, Andal and Bolpur) involving 14 branches. The study was comprised of two phases. Phase-I involved a pilot study to refine the test

instrument with rectification of question ambiguity, refinement of research protocol and confirmation of scale reliability were given special emphasis (Teijlingen and Hundley, 2001). FGI was administered. Cronbach's α coefficient (>0.7) established scale reliability (Nunnally and Bernstein, 1994). The structured questionnaire thus obtained after refinement contained four sections. Section-I asked the respondents (customers) about their perception of CRM performance as of their bank (SBI), section-II was intended to generate response from the respondents with regard to their level of satisfaction with their bank, section-III was designed to understand the degree to which SBI was successful to retain their customers and the willingness of the customers to stay associate with their bank and section-

IV focused on demographic data of the respondents. The second phase of the cross-sectional study was conducted by using the structured questionnaire. Systematic simple random sampling technique was administered as every fifth customer coming out of the bank premise was requested to fill-up the questionnaire. A total number of 2000 questionnaires was used which generated 1301 usable responses with a response rate of 65.05% (approximately).

Factor constructs measurement

To develop a measure for CRM performance three CRM process elements namely CRM initiation, CRM maintenance, and CRM termination (Reinartz, Krafft, and Hoyer, 2004) and four CRM dimensions namely customer orientation, CRM organization, knowledge management, and CRM technology (Abdullateef, Mokhtar and Yousoff, 2010) were identified for the study. The CRM performance items

thus obtained were subsequently modified to suit the study. The customer satisfaction items were an adaptation from Hellier et al. (2003) which emphasized the service provider's capability to meet the expectation and perception of customers adequately. The customer retention items were based on Morgan and Hunt (1994). The items that measured the relationship inertia were adopted from Cheng, Chiu, Hu, and Chang (2011), Lai, Liu and Lin (2011), Huang and Yu (1994) and Anderson and Srinivasan (2003). To measure the perceived switching costs, we adopted the items from Chen and Hitt (2002) and Jones et al. (2000). A 7-point Likert scale (Alkibisi and Lind, 2011) was used to generate response.

Data analysis and interpretation

The demographic data collected from the respondents were presented in Table-2 :

Table-2: Demographic data of the respondents

Demographic Variables	Factors	Frequency	%
Gender	Male	851	65.46%
	Female	450	34.54%
Age	≤21 years	18	1.38
	22-32 years	503	38.69%
	33-43 years	542	41.69%
	44-54 years	201	15.46%
	≥55 years	37	2.78%
Income	≤Rs. 14999.00	69	5.30%
	Rs. 15000-Rs. 24999.00	902	69.38%
	Rs. 25000-Rs. 44999.00	277	21.30%
	≥Rs. 45000.00	53	4.02%
Occupation	Service [govt./prv]	781	60.07%
	Self employed	401	30.84%
	Professionals	68	5.30%
	Student	29	2.23%
	Housewives	22	1.56%
Educational qualification	High school	14	1.07%
	Graduate	1011	77.76%
	Postgraduate	267	20.53%
	Doctorate & others (CA, fellow etc)	11	0.64%

Bivariate correlations were obtained to assess the relationship between the variables. The results were displayed in Table-3. Correlation results revealed a positive and significant relationship between the variables.

Table-3: Bivariate correlation between the variables

Variables	CRM performance	Customer satisfaction	Customer Retention	Relationship Inertia	Switching cost
CRM performance	1				
Customer satisfaction	0.468**	1			
Customer Retention	0.219**	0.327**	1		
Relationship Inertia	0.109*	0.121*	0.176**	1	
Switching cost	0.227**	0.134**	0.119*	0.339**	1

**Correlation significant at 0.01 level (2-tailed), *Correlation significant at 0.05 level (2-tailed),

Exploratory factor analysis (EFA) was employed using principal axis factoring procedure with orthogonal rotation through VARIMAX process with an objective to assess the reliability and validity of all five factor constructs (Table-4). The Cronbach's Coefficient alpha was found significant enough. The KMO measure of sample adequacy (0.834) indicated a high-shared variance and a relatively low

uniqueness in variance (Kaiser and Cerny, 1979). Barlett's sphericity test (Chi-square=578.2312, df=98, p<0.001) indicated that the distribution is ellipsoid and amenable to data reduction (Cooper and Schindler, 1998).

Items with very low factor loadings/cross loadings (<0.500) and poor reliability (Cronbach's' alpha) were discarded. Thus CRM performance items were reduced from 58 to 34.

Table-4: Measurement of reliability and validity of the variables

Items	Factor loadings	t-value	Cronbach's α	Average variance extracted
CRM performance				
SBI has a well documented system to acquire new customer (CRMINI1)	0.871	-	0.901	0.789
SBI offers customized differentiated products to prospects (CRMINI2)	0.874	27.875	0.901	0.789
SBI communicates with prospects via assorted media channels (CRMINI3)	0.837	24.356	0.901	0.789
SBI maintains a system to interact with defected customers (CRMINI4)	0.845	26.332	0.901	0.789
SBI maintains a continuous relationship with its existing customers (CRMMAIN1)	0.882	28.319	0.901	0.789
SBI updates its customers about new products/services (CRMMAIN2)	0.817	22.764	0.901	0.789
SBI assists its customers to upgrade them to an enhanced level of services (CRMMAIN3)	0.861	26.731	0.901	0.789
SBI offers customized incentives for valued customers (CRMMAIN4)	0.812	22.098	0.901	0.789
SBI deals with customer complaints and problems promptly and efficiently (CRMMAIN5)	0.823	23.009	0.901	0.789
SBI uses satisfied customers as advocates (CRMMAIN6)	0.798	22.432	0.901	0.789
SBI passively dissociates itself from de-valued customers (SRITERM1)	0.791	22.216	0.901	0.789

SBI is committed to meeting customer's needs and expectations (CO1)	0.801	22.981	0.901	0.789
SBI has installed system to update customer database on a regular basis (CO2)	0.789	22.117	0.901	0.789
SBI has well documented system to disseminate customer information (CO3)	0.842	26.118	0.901	0.789
SBI maintains customer centric performance standards at all customer touch-points (CRMORG1)	0.837	26.097	0.901	0.789
SBI has resources and expertise to succeed in CRM process (CRMORG2)	0.866	26.912	0.901	0.789
SBI's employees are knowledgeable enough to deal with contingent situation (KM1)	0.818	22.818	0.901	0.789
SBI shares customer information across all points of contact through MCI (KM2)	0.826	23.001	0.901	0.789
SBI maintains that mining data intelligently is a source of competitive advantage (KM3)	0.776	22.009	0.901	0.789
SBI banks on updated CBS to establish long term customer relationships (CRMTECH1)	0.829	23.327	0.901	0.789
SBI uses IT to facilitate the management of customer relationships (CRMTECH2)	0.876	28.098	0.901	0.789
SBI uses CRM technology to create customized offerings to customers (CRMTECH3)	0.885	29.235	0.901	0.789
SBI provides customer information at every technology interface (CRMTECH4)	0.879	28.106	0.901	0.789
Customer satisfaction				
As a customer of SBI, I am satisfied with the services provided by SBI (CS1)	0.913	-	0.921	0.731
As a customer of SBI, I would positively recommend SBI to new prospects (CS2)	0.899	29.789	0.921	0.731
As a customer, I feel good about my decision to bank with SBI (CS3)	0.908	33.016	0.921	0.731
Customer retention				
I intend to remain associated with SBI for the time being (CR1)	0.887	-	0.889	0.774
I intend to continue my relationship with SBI as a customer for the next five years (CR2)	0.907	32.401	0.889	0.774
Relationship inertia				
Unless other bank/s provide me with some distinct advantages, I am habituated in getting services from SBI (RI1)	0.817	-	0.907	0.849
Unless I am extremely dissatisfied with SBI, switching to an alternative bank will be a bother (RI2)	0.798	27.094	0.907	0.849
Unless I am extremely dissatisfied with SBI, switching to an alternative bank will be inconvenient for me (RI2)	0.812	28.643	0.907	0.849
Switching costs				
For me the costs involved in searching, investing time and money and accessing an alternative bank other than SBI is high (SC1)	0.847	-	0.903	0.699
It would take a lot of effort to change my bank (SBI) (SC2)	0.869	28.432	0.903	0.699
It would be a hassle to change my existing bank (SBI) (SC3)	0.891	30.712	0.903	0.699
KMO		.834		
Barlett's sphericity test	Chi-square		578.2312	
	df		98	
	Sig.		.000	

Multiple regression analysis and hierarchical regression analysis were deployed by considering the average (mean) values of the items for the factor constructs to test the hypotheses framed. A double regression was applied considering customer satisfaction (CS) and customer retention (CR) as the dependent variables. For providing empirical evidence to our hypotheses, we proposed an ordinary least square (OLS) regression for dependent variables CS and CR. The following models were constructed:

Regression equation-1

$$CS = \beta_0 + \beta_1*CRMP + \beta_2*RI + \beta_3*SC + \beta_4*CRMP*RI + \beta_5*CRMP*SC + \beta_6*CRMP*RI*SC + \varepsilon_i$$

where, CS represented customer satisfaction, CRMP represented CRM performance, RI represented relationship inertia and SC represented switching cost. CRMP*RI and CRMP*SC represented binary interaction between CRM performance and inertia and CRM performance and switching cost respectively. CRMP*RI*SC represented the ternary interaction between CRM performance, inertia, and switching cost.

Regression equation-2

$$CR = \beta_0 + \beta_1*CS + \beta_2*RI + \beta_3*SC + \beta_4*CS*RI + \beta_5*CS*SC + \beta_6*CS*RI*SC + \varepsilon_i$$

where, CR represented customer retention, CS represented customer satisfaction, RI represented inertia and SC represented switching cost. CS*I and CS*SC represented binary interaction between customer satisfaction and inertia and customer satisfaction and switching cost respectively. CS*I*SC represented the ternary interaction between customer satisfaction, inertia, and switching cost.

The regression models were displayed in Table-5 (for equation-1) and Table-6 (for equation-2). For each equation, four regression models were established. Model 1 depicted

the direct effect of CRM performance, customer satisfaction, customer retention inertia, and switching costs. Model 2 and 3 revealed the binary interaction terms and Model 4 represented the ternary interaction. Standardization was applied to avoid interference with regression coefficients arising out of Multicollinearity between interaction variables (Irwin and McClellan, 2001; Aiken and West, 1991). The VIF (variance inflation factor) corresponding to each independent variable is less than 5, indicating that VIF is well within acceptable limit of 10 (Ranaweera and Neely, 2003). Table-4 revealed that Model-1 provided support for H_1 , H_2 , and H_3 , as CRM performance was found to have a positive and significant effect on customer satisfaction ($\beta = 0.439^{**}$, $p < 0.01$), relationship inertia exhibited significant and positive impact on customer satisfaction ($\beta = 0.265^{**}$, $p < 0.01$), perceived switching costs showed significant and positive relationship with customer satisfaction ($\beta = 0.209^{**}$, $p < 0.01$). Results of Model-2 supported H_7 . The binary interaction between CRM performance and inertia indicated that the relationship between CRM performance and customer satisfaction depends on the level of inertia ($\beta = -0.301^{**}$, $p < 0.01$). The negative interaction confirmed our prediction that with the increase in relationship inertia the impact of CRM performance on customer satisfaction will decrease indicating a habitual-trap-of-consumption for customers. Model-3 supported H_8 . It revealed that the binary interaction between CRM performance and perceived switching costs indicated that the relationship between CRM performance and customer satisfaction depends on the level of perceived switching costs ($\beta = -0.151^{**}$, $p < 0.01$). The negative interaction confirmed our prediction that with the increase in perceived switching costs, the impact of CRM performance on customer satisfaction will decrease. Model-4 represented the ternary interaction and revealed that as perceived switching costs increases the negative mediating effect ($\beta = -0.178^{**}$, $p < 0.01$) of relationship inertia on CRM performance and customer satisfaction strengthens, thereby lending support to H_{11} .

Table-5: Regression models testing the interaction effects (equation-1)

Independent Variables	Dependent variable: Customer satisfaction				VIF
	Model-1 β (t value)	Model-2 β (t value)	Model-3 β (t value)	Model-4 β (t value)	
CRM performance (CRMP)	.439**				2.791
Relationship inertia (I)	.265**				2.216
Perceived switching costs (SC)	.209**				3.019
Binary interaction effects					
CRMP*I		-.301**			2.011
CRMP*SC			-.151**		2.521
Ternary interaction effects					
CRMP*I*SC				-.178**	1.869
Adjusted R ²		.482	.493	.501	.516
F-value		197.36**	142.29**	119.17**	97.09**

Table-6 revealed that Model-1 provided support for H_4 , H_5 , and H_6 as customer satisfaction displayed a positive and significant effect on customer retention ($\beta = 0.421^{**}$, $p < 0.01$), relationship inertia exhibited significant and positive impact on customer retention ($\beta = 0.241^{**}$, $p < 0.01$), perceived switching costs showed significant and positive relationship with customer retention ($\beta = 0.189^{**}$, $p < 0.01$). Results of Model-2 supported H_7 . The binary interaction between customer satisfaction and inertia indicated that the relationship between customer satisfaction and customer retention depends on the level of inertia ($\beta = -0.288^{**}$, $p < 0.01$). The negative interaction confirmed our prediction that with the increase in relationship inertia the impact of customer satisfaction on customer retention will decrease.

Model-3 supported H_{10} . It revealed that the binary interaction between customer satisfaction and perceived switching costs indicated that the relationship between customer satisfaction and customer retention depends on the level of perceived switching costs ($\beta = -0.176^{**}$, $p < 0.01$). The negative interaction revealed our prediction that with the increase in perceived switching costs, the impact of customer satisfaction on customer retention will decrease. Model-4 represented the ternary interaction and supported H_{12} and revealed that as perceived switching costs increases the negative mediating effect ($\beta = -0.143^{**}$, $p < 0.01$) of relationship inertia on customer satisfaction and customer retention strengthens.

Table-6: Regression models testing the interaction effects (equation-2)

Independent Variables	Dependent variable: Customer retention				VIF
	Model-1 β (t value)	Model-2 β (t value)	Model-3 β (t value)	Model-4 β (t value)	
Customer satisfaction	.421**				1.619
Relationship inertia (I)	.241**				1.988
Perceived switching costs (SC)	.189**				2.179
Binary interaction effects					
CS*I		-.288**			1.697
CS*SC			-.176**		2.018
Ternary interaction effects					
CS*I*SC				-.143**	2.118
Adjusted R ²		.448	.462	.493	.501
F-value		142.11**	121.13**	109.60**	89.62**

The summarized results of the hypotheses testing have been presented in Table-7:

**Table-7: Summarized results of hypotheses testing -
Multiple regression analysis & Hierarchical regression analysis**

Sl. No.	Hypothesis	Description of Hypothesis	Result
1	H_1	<i>CRM performance has a positive impact on customer satisfaction</i>	accepted
2	H_2	<i>Relationship inertia has a positive impact on customer satisfaction</i>	accepted
3	H_3	<i>Switching cost has a positive impact on customer satisfaction</i>	accepted
4	H_4	<i>Customer satisfaction has a positive effect on customer retention</i>	accepted
5	H_5	<i>Higher degree of relationship inertia will ensure superior level of customer retention</i>	accepted
6	H_6	<i>Higher degree of switching costs will ensure higher level of customer retention</i>	accepted
7	H_7	<i>Higher degree of relationship inertia will reduce impact of CRM performance on customer satisfaction</i>	accepted
8	H_8	<i>Higher level of perceived switching costs will reduce impact of CRM performance on customer satisfaction</i>	accepted
9	H_9	<i>Higher level of relationship inertia decreases the impact of customer satisfaction on customer retention</i>	accepted
10	H_{10}	<i>Higher level of perceived switching costs decreases the impact of customer satisfaction on customer retention</i>	accepted
11	H_{11}	<i>With the increase in perceived switching costs, the moderating effect of inertia on the relationship between CRM performance and customer satisfaction strengthens</i>	accepted
12	H_{12}	<i>With the increase in perceived switching costs, the moderating effect of inertia on the relationship between customer satisfaction and customer retention strengthens</i>	accepted

Confirmatory factor analysis (CFA) was deployed to understand the convergence, discriminant validity, and dimensionality for each construct to determine whether all the 34 items (Table-4) measure the construct adequately as they had been assigned for. LISREL 8.80 programme was used to conduct the Structural Equation Modeling (SEM) and Maximum Likelihood Estimation (MLE) was applied to estimate the CFA models. A number of fit-statistics (Table-8) were obtained. The GFI (0.992) and AGFI (0.982) scores for all the constructs were found to be consistently >0.900 indicating that a significant proportion of the variance in

the sample variance-covariance matrix is accounted for by the model and a good fit has been achieved (Baumgartner and Homburg, 1996; Hair et al., 1998, 2006; Hulland, Chow, and Lam, 1996; Kline, 1998; Holmes-Smith, 2002; Byrne, 2001). The CFI value (0.987) for all the constructs were obtained as >0.900 which indicated an acceptable fit to the data (Bentler, 1992). The RMSEA value obtained (0.049) is < 0.08 for an adequate model fit (Hu and Bentler, 1999). The probability value of Chi-square is more than the conventional 0.05 level ($P=0.20$) indicating an absolute fit of the models to the data.

Table-8: Summary of fit indices

Fit indices	χ^2	df	P	GFI	AGFI	CFI	RMR	RMSEA
Values	231.09	97	0.000	0.992	0.982	0.987	0.051	0.049

Structural Equation Modeling (SEM) was used to test the relationship among the constructs. All the 18 paths drawn were found to be significant at $p < 0.05$. The research model holds well (Fig.2) as the fit-indices supported adequately the model fit to the data. The double-curved arrows indicate co-variability of the latent variables. The residual variables

(error variances) are indicated by $\epsilon_1, \epsilon_2, \epsilon_3, \dots$. The regression weights are represented by λ . The co-variances are represented by β . To provide the latent factors an interpretable scale; one factor loading is fixed to 1 (Hox and Bechger).

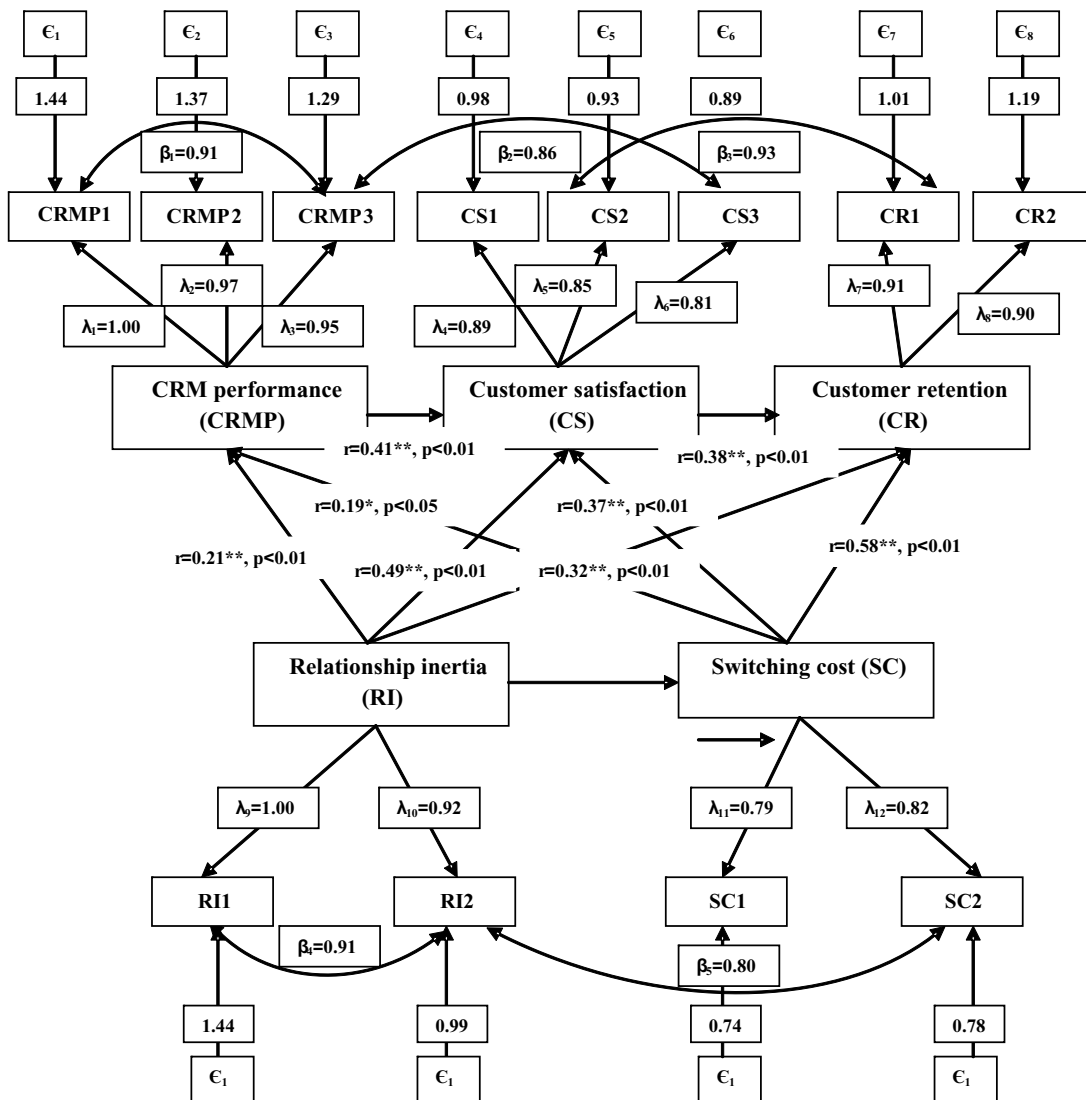


Fig.2: Structural model showing the path analysis

Conclusion

Customer satisfaction and subsequent retention of valued customers are the two pivotal strategic intents of customer relationship management (CRM) and it becomes more relevant in service industries as they are predominantly intangible and heterogeneous as a result of which perception of service quality is quite difficult.

This study empirically investigates the relational impact of CRM performance on customer satisfaction and subsequent customer retention and further attempts to investigate the moderating effects of relational inertia and perceived switching costs on the said relation in the perspective of banking industry in India whereby the largest nationalized bank, the State Bank of India, was considered as a case. The study revealed that CRM performance has a strong and positive impact on customer satisfaction. A positive relationship also existed between customer satisfaction and customer retention. Therefore, strategically it becomes significant for the bankers to maintain high level of CRM performance and thereby ensuring enhanced level of perceived service quality which is considered to be a critical element for repurchasing decisions to create a sustained base of customers (Tsoukatos and Rand, 2006).

In addition, the study explained that perceived switching costs and relationship inertia create high exit barriers for the customers and prevents them from switching to alternative service providers. The study also showed that the impact of customer satisfaction on customer retention becomes irrelevant as perceived switching cost and relationship inertia increases. The findings of the study also confirmed that higher perceived switching costs would not allow a customer to search for new alternatives and relationship inertia will create a habitual-trap for the customers to stay in a relationship with their existing firm and produce a behavioural lock-in effect. Similarly the relationship inertia strengthens CRM performance-customer satisfaction link as perceived switching costs become high.

The barriers raised by switching costs to prevent customer defection, reinforces the habitual trap or the behavioural lock-in effect produced by relationship inertia and increase the level of customer retention. Therefore the bankers must try and ensure to maintain a high level of perceived switching costs for their valued customers by practising proactive CRM and ensuring elevated level of customer satisfaction and beyond. Firms offering assorted and customized services

are more likely to ensure the habitual-trap or behavioural lock-in for the customers as their perceived switching costs are raised to a higher level (Lai, Liu, and Lin, 2011). This hinted towards regular analysis and updation of product/service portfolio offered by State Bank of India. Finally, the proposed model holds good depicting cause and effect relationship of the variables under study.

The study had geographical limitations as it has been restricted to specific places of West Bengal, which in future, can be widened to obtain a more generalized conclusion. Further extrapolations can be made by considering the impact of differentiated offerings of alternative firms at competitive price. In addition to this, specific investigation may be undertaken to investigate the exact behavioural attitude and intention of dissatisfied customers under the impact of higher perceived switching cost and relationship inertia. It would be also interesting for the researchers to study the impact of switching cost and inertia on satisfied customers facing better and technologically upgraded service offers at a elevated price. The study can be taken up for other service sectors also, particularly hospitality and tourism industry which thrives on CRM practices, customer retention and repatronization of the same. The study was cross-sectional in nature; therefore longitudinal research may be taken up also to realize the gradual changes in the perception and impact of switching costs and inertia on CRM performance-customer satisfaction-customer retention link over time.

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