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# Social Customer Relationship Management as Marketing Strategy on the Purchasing Behaviour of Retail Banking Customers

Dr. R.C.S. Rajpurohit

Professor & Former Dean, Faculty of Commerce and Management Studies, Jai Narayan Vyas University, Jodhpur  
Swati Surana

Research Scholar, Department of Management Studies, Jai Narayan Vyas University, Jodhpur

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## Abstract

*Advancement and easy availability of technology have changed the way customers connect, interact with companies and finalise purchase decision. Generation “Y” is present more online than offline now days. Marketing strategies to allure and retain customers have transformed from traditional marketing tricks like CRM to eCRM and now to Social Customer Relationship Management (SCRM). SCRM is turning out to be an effective business strategy for companies to get connected, to listen and embark a deep impact on the purchase behaviour and decision making power of the banking customers. Social networking sites like Facebook, Google+ have given birth to new set of social customers. Such customers collect the information about banking products and services online with the help of social media and reviews and scrutinize the user generated content generated by the social customer, before making purchase decision.*

*This paper aims to study the impact of social networking sites and social customers on the purchase behaviour of public and private sector retail banking customers in India. Online customers using social media are the respondents selected by convenience sampling to measure their opinion about SCRM activities of banks.*

**Keywords:** Social Customer Relationship Management, Facebook, Social media, Purchase Behaviour, Retail Banking

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## Introduction

The marketing message and communication which companies wanted to deliver is no longer in their ambit due to user generated content (UGC) available on social media is procuring diverse attention, as users consider it more reliable and credible (Dickey and Lewis, 2011). 21st century the age of “Socialnomics” (Erik Qualman, 2009) the age of instant communication & transparency is like glass house, participation and customers trusts known and acquainted more than traditional media. Social media cannot replace traditional channels but it can increase the business insight (Woodcook et al. 2011) by engaging customer on a platform where they can keep customers interested, informed and entertained.

through user generated contents and aggregation of user’s opinion and recommendations. Social Media is a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user generated content (Kaplan, A. M., & Haenlein, M. (2009). Greenberg (2009) has defined “Social CRM as a philosophy and a business strategy, supported by a technology platform, business rules, workflow, processes and social characteristics, designed to engage the customer in a collaborative conversation in order to provide mutually beneficial value in a trusted and transparent business environment. It is the company's response to the customers’ ownership of the conversation”.

## 2. Social Media

Social media is an umbrella term used for host of sites and technologies that facilitates social interaction

### 2.1 Reasons to embrace Social Media

- It helps in building customer loyalty by value (Kotler and Keller, 2007) perceived by customers by

exchange of information online or offline.

- It offers unique opportunity for targeted marketing (Consumer Trust: Word of mouth rules, 2007) by capturing customers on the basis of affinity, life stage and psychographics.
- It supports the formation and maintenance of weak ties (Donath and Boyd, 2004) with customers.
- It is an additional tool with promotional mix (Mangold and Faulds, 2009) for relationship marketing activities.

### **3. Facebook: Changing Communication Face**

Facebook a social networking site is spreading like an epidemic in individual's life. Facebook is turning out to be alternative search engine like Google as stated by Bradley (2010) being the main reason for companies to be present on this platform. Facebook is new Communication tool for business (Pannunzio, 2008) to encourage discussions, feedbacks, commenting and sharing information from all interested parties (Owyang, 2010) helping brands to identify consumers preference, their opinion and perception about the brand (Abedniya et. al. 2010) allowing the companies in maintaining current relationships and expand the network with new leads (Gillmore & Erdem, 2008). Facebook has given birth to new online Word of Mouth (WOM) marketing which is non commercial and unpaid (Herr et. al. 1991) where peer-to-peer conversation, word of mouth recommendations are less sceptic and most trusted form of communication (Foux, 2006) which cannot be controlled by marketing managers (Mangold & Faulds, 2009). Allen Hamilton & Cowan (2008) feels that early implementers of SNS can push out competitors and create a competitive advantage.

#### **3.1 Facebook: Changing Marketing Strategy of Banking Industry**

A blend of physical and digital is a way forward for

banks. Banks can mine and harvest rich information from social media about customers and help them in getting customer trends (Sambamurthy, 2013). SNS is boon for banking industry in turbulent times as research shows that 92% of users of SNS get influenced (Nielsen Online, 2009) by recommendation of people they know online. SNS users are influencing their peers and in same way their getting influenced by others also. Techno savvy financial customers of banks follow particular banks pages as they are interested in knowing about new offers and promotion and product/services. Ramakrishnan (2013) of Indian Banks Association states that banks use social network sites to share information about their community service and philanthropic activities, market products and services, provide customer service, foster engagement and to a more modest extent provide access to banking services. As stated by (Ruppert Luisa, 2013) making use of social media and tying their CRM system to social media networks, banks and financial service providers can get closer to their customers, corporate and retail, and find out how to improve services and products.

### **4. Review of Literature**

Bearing Points (2011) management and technology consultant agency in their white paper on Social CRM in German Banks states that impact of social media on banks can be reduction of retention and acquisition cost of customers, increase in deposit generation, increase in marketing return on investment, reduction in churn rate and thereby increased contribution margin per customer. SM. Barry et al (2011) stated that customers who engage with companies over SM are more loyal and they spend up to 40 percent more with those companies than other customers.

Nadeem (2012) in their study on impact of social media on loyalty and customer care found that firms must recognize SM is a game changer. For many companies, SM will become the gateway, if not the primary, communications channel to connect with customers. As companies design their SM programs,

they need to think of their customers holistically and consider their SM interactions in the context of other customer touch points with the company. Social media has made the communication of one customer with thousands possible which has increased the importance of customer to customer communication in the business environment (Mangold and Faulds, 2009). Social media is widely accepted by business because it reduces the cost of operations as staff times

is saved and also increases the probability of profit generation (Neti, 2011).

### **5. Consumer Buying Behaviour**

Any consumers buying decision related to a product or service is governed by some set of process. As defined by Kotler (2008) buyer decision process is combination of following steps. Any kind of product or service purchased involves the following step.



SNS sites is additional information gathering tool for customers and information providing channel for companies these sites help the consumer in all the stages of buyer decision process in some or other way. The research study by Hennig Thureau and Walsh (2003) have identified some major reasons to read online opinion these are reduce risk by obtaining buying related information, evaluation, to get associated with brands and learn about consumption of new products. The awareness created by banks through SNS helps in creating need of a particular product and services. Once the need is aroused consumers collect information about product and services from group people they know and also from people they are not acquainted (Lee et.al, 2006) and alternative are evaluated on the basis of information collected through SNS and other traditional source. Finally, most important behaviour that is post purchase behaviour of consumer is reflected by the posts, positive and negative comments as part of their satisfaction and dissatisfaction about a product and service are posted on the SNS which helps and influence the other consumers buying behaviour (East, Wright & Vanhuele, 2008). Senecal and Nantel (2004) in his study states that online interaction and recommendation influence consumers product choices. Hence it is justified that internet is effective tool in purchase decision step (Hawkins & Mothersbaugh, 2010). Social networking has given birth to new set of customers called as social customers

who gather the information with the help of and media of internet.

## **6. Research Methodology**

### **6.1 Objectives**

The objective of the study was to analyse activities of public and private sector banks on Facebook and examine the reasons customers follow bank pages and talk and promote bank by liking offers, sharing with friends and giving their comments on concerned pages.

### **6.2 Collection of Data**

The primary data was collected from the banks page on Facebook of State bank of India, Oriental Bank of Commerce (OBC) and Industrial Development of India (IDBI) covering the public sector banks and ICICI Bank, HDFC Bank and AXIS Bank from private sector banks. To get the view of customer on user generated content primary data was collected with the help of questionnaire from the respondents of above mentioned banks.

### **6.3 Sample Size**

The respondents having Facebook account were selected and among these selected respondents those were selected who were following their banks page on

Facebook. Fifty respondents were selected on the basis of convenience sampling. For the purpose of this study Facebook users were selected. The data is collected on three point Likert rating scale i.e. Agree (3), Neutral (2) and Disagree (1).

## 6.4 Hypotheses

### Hypothesis 1

H0: Fan following of public and private sector banks is same on SNS.

H1: There significant difference in fan following of public and private sector banks on Facebook.

### Hypothesis 2

H0: People talking about particular brand on Facebook are same for public and private sector banks.

H1: People talking about bank brand on Facebook are different for public and private sector banks.

### Hypothesis 3

H0: Respondents of public and private sector banks do not differ in opinion as SNS better medium to stay connected with banks in comparison to traditional channels (Branch).

H1: Respondents of public and private sector banks differ in opinion as SNS better medium to stay

connected with banks in comparison to traditional channels (Branch).

## 6.5 Results

The important reason for respondents to get associated with SNS was examined on four parameters special offers, discounts, information & knowledge of offer and review and comments of peers.

**Table 1: Reason for respondents to follow banks page on Facebook**

Reason for respondents to follow banks page on Facebook

Special Offer	39 (78%)
Discounts	32 (64%)
Information and Knowledge about offer	42 (84%)
Reviews and comments of peers	43 (86%)

Amongst the 50 respondents, 42 respondents responded that they follow SNS to get information and knowledge about offers whereas 43 respondents follow banks page on SNS to look through reviews and comments of peers. Special offers and discounts are followed by 39 and 32 respondents respectively. However, majority of respondents follow SNS for information about offers and to scrutinize the reviews and comments given in positive and negative statements.

**Table 2: Buying behaviour of respondents on Facebook**

Buying Behaviour	Agree	Neutral	Disagree	Total
Follow Bank-page on Facebook for Up-dates	19 (38%)	24 (48%)	7 (14%)	50 (100%)
Facebook creates awareness about product and services.	18 (36%)	22 (44%)	10 (20%)	50 (100%)
Facebook helps in assessment and comparison of products and services.	12 (24%)	23 (46%)	15 (30%)	50 (100%)
Posts shared about banks offers by friends on Facebook influence your decision	17 (34%)	24 (48%)	9 (18%)	50 (100%)
Positive comment s about banks product and service influence your decision	25 (50%)	16 (32%)	9 (18%)	50 (100%)
Negative comments about banks product and service influence your decision	24 (48%)	19 (38%)	8 (16%)	50 (100%)

The various aspects and reason which influences the decision making behaviour of respondents on SNS were examined, 38 percent of respondents out of 50 respondents agree that they follow banks page on Facebook for updates and 36 percent respondents agree that Facebook helps in creating awareness about products and services.

24 percent of respondents feel that banks page on Facebook helps in assessment and comparison of products and services of banks whereas 46 percent respondents are neutral. Posts shared by friends on

Facebook influence the decision of 34 percent respondents.

From the 50 respondents, half of the respondents stated that positive comment influence their decisions and 48 of respondents feel that negative comments posted by friends, relatives and peers influence the financial decision.

H0: Fan following of public and private sector banks is same on SNS.

**Table3: Indian Banks on Facebook**

Public	Fans Base	No. of People talking	Private	Fans Base	No. of People talking
SBI Bank	52,238	8,766	ICICI Bank	2,682,826	33,146
IDBI Bank	797,656	1,577	HDFC Bank	2,154,770	23,825
OBC Bank	676	155	AXIS Bank	2,057,324	48,877

Source: Facebook as on 30 January 2014.

Above table 3 shows that on the basis of two parameters which are fan base and people talking about it the private sector banks outperform the public sector banks. These

figures depict that public sector banks have still not made their presence felt on SNS.

Descriptive Statistics of Fan Base on Facebook

**Table 4: Group Statistic**

	Bank	N	Mean	Std. Deviation	Std. Error Mean
Fan	Public	3	2.8352E5	4.45998E5	2.57497E5
Base	Private	3	2.2983E6	3.36549E5	1.94307E5

**Table 5: Independent Samples Test**

	t-test for Equality of Means		
	t	df	Sig. (2-tailed)
Fan Base	-6.246	4	.003

The sig. value for independent t-test is .003 < .05, there by meaning that statistically there is significant difference between the fan following of public and

private sector banks on the Facebook page . Therefore, the null hypothesis is rejected and alternative hypothesis is accepted. The group statistics (Table 4) shows the mean score of fan following of public and private sector banks. The mean score for private bank is 22,98,300 whereas for public sector bank fan following is 2,83,520 which far less then private sector banks.

H0: People talking about particular brand on Facebook are same for public and private sector banks

**Table 6: Group Statistics**

	Bank	N	Mean	Std. Deviation	Std. Error Mean
Talking About bank	Public	3	3.4993E3	4616.15146	2665.13629
	Private	3	3.5283E4	12661.93841	7310.37355



**Table 7: Independent Samples Test**

	t-test for Equality of Means		
	t	df	Sig. (2-tailed)
People Talking about banks	-4.085	4	.015

The sig. value for independent t-test is  $.015 < .05$ , there by meaning that statistically there is significant difference between the people talking about product and service of public and private sector banks on the

Facebook page. Therefore, the null hypothesis is rejected and alternative hypothesis is accepted. The group statistics (Table 6) of people talking about bank page shows the mean score of 35,283 of private sector banks, however mean score of public sector banks is 3499, which is less than private sector banks.

H0: Respondents of public and private sector banks do not differ in opinion as SNS better channel to stay connected with banks in comparison to traditional channels (Branch)

**Table 5: Nature of Bank by Better channel to connect with banks**

			SNS is a better channel to connect with banks		
			Yes	No	Total
Nature of Bank	Public Sector Bank	Count	8	17	25
		% within Nat ure of Bank	32.0%	68.0%	100.0%
	Private Sector Bank	Count	16	9	25
		% within Nature of Bank	64.0%	36.0%	100.0%
Total		Count	24	26	50
		% within Nature of Bank	48.0%	52.0%	100.0%

Chi-Square=5.128, df=1, P=0.048 Significant

The above table shows that 32% respondents of public sector banks think that SNS is better channel to connect with banks where as 64% of respondents of the private sector banks consider that SNS is a better channel to remain connected. This signifies that private sector respondents of banks are more satisfied with their banks page and activities on SNS in comparison to public sector banks. The sig. value of Pearson Chi-Square is .048 which is less than .05 ( $p < .05$ ). Hence statistically there is significant difference in public and private sector respondents to consider SNS a better channel to remain connected with banks.

## 7. Discussion

The findings of the study reveal that private sector banks

have made an impact on SNS and they are finding innovative ways to stay connected and engage the customer through such networking sites. Respondents of Public sector banks feel that SNS is not a better channel to remain connected with banks because public sector banks have still not taken this digital media seriously.

## 8. Managerial Implications and Suggestions

To reach and communicate the message about new products and services to customers, banks have to be present where customers are available. With the explosion of computer age and internet, customers specially generation Y are present more online than offline.

Changing way of customers using banking services, large portion of youth population of India and increasing

prefer towards social media is a novel idea to remain connected with banks. The public sector banks in India need to make its presence felt on this platform so it becomes easy for the customers to associate themselves with banks. Social media will be added advantage to the public sector banks to build the brand image and provide rich banking experience to customers. User generated content via social media has larger influence on the commercial environment and consumers buying decision. Private sector banks have largely made their presence felt on large scale on social media in contrast to public sector banks.

Banks in both the sectors need to formulate strategies on social media to effectively utilise this media. As it can be effective media to attract and educate customers, promote products, provide financial information and to respond to customer queries. Some of the effective strategies for the banks are:

**Listen To Customer Feedback and Suggestions:** Banks should constantly listen what customer has to say on the bank pages and what they talk on other channels and drive insights from such information by constantly monitoring it. Banks should discuss these feedbacks and suggestions with top management officials and if feasible should implement necessary suggestions in the banking system to gain confidence of customers.

**Engage Customers:** Banks should engage the customers on the social media by introducing question-answer sessions, quiz's, financial games, videos imparting education on financial matters, contests, and financial information and this way they can spread financial literacy.

**Respond Quickly:** Customers are impulsive, expect quick answers to opinions, queries, problems and grievances. Therefore, banks should appoint official having sufficient knowledge and authority to answer customer's questions and satisfy them immediately.

**Communication should be Honest:** Open public platform like this attracts a lot of negative remarks from the customers' who hold grudges related to the banking services. Banks should have policies on how to deal with such questions and answers should be honest. Honesty will play a great role in boosting the confidence of

customers for fair practices adopted by banks.

**Prepare to respond on Public Platform:** Banks should be ready to respond to customers on public domain. Both positives and negative publicity created through word of mouth on such channels have larger accessibility; if someone important issues remain unaddressed it will lead sentiments against the banks. A person capable of communicating with patience, sensible use of proper language, statements and knowledge should be appointed.

**Socialising while Banking:** Banks should make facilities like introducing new applications on social network like Facebook, Twitter etc. to execute basic banking activities like checking account balance, registering complaints, tips for safe banking and avail host of possible services.

Popularity of this media amongst the customers, have propelled banks to setup separate department either under sales and marketing department or separately so that the team can aggressively work to bring business to banks and connect with customers.

## **9. Conclusions**

Business looking for survival in the next decade should adjoin SNS strategies to marketing strategies. Better blend of SNS and traditional marketing strategies will be a win-win situation for banks in proffering better customer services as well as engaging customers online. Presence of Indian banks on Facebook, Twitter and on social media is in its nascent stage. Companies have not fully and wisely utilised data available on the site and generate lead from it.

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