# An Empirical Study of Customer Experience Management In State Bank Of India And Housing Development Finance Corporation Bank

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***Abstract:*** *Banks are the life line of an economy as they play a key role in every economy. Banking in India has been through a long journey and the adoption of technology has brought a revolution in delivering banking and financial services. The Indian banking sector is passing through a critical phase and facing several challenges i.e. deteriorating asset quality, constraints to adhere to Basel – 3 norms, low return on Assert, increasing trends, mandatory priority lending targets and risk – return trade off. Customer experience Management is the process that companies use to oversee and track all interactions with a customer during their relationship. Organizations are using CEM approach to anticipate customer needs and adopt the mind-set of the customer. The main aim of CEM is to optimize the customer experience through gaining the loyalty of the current customers in a multi – channel environment and ensure that they are completely satisfied. An attempt is made in this paper to examine the perception of customers of State Bank of India and Housing Development finance Bank while availing the services.*
***Key words:*** *antecedents, banking sector, customer experience, technology adoption.*

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## I. Indian Banking Sector

Banks are the lifeline of an economy as they play a catalyst role in achieving sustained economic growth, especially in developing countries and India is no exception (Parida.T.K). Banking in India has been through a long journey which includes the traditional banking practices from the British regime to the reforms period, nationalization, privatization and foreign banks. The adoption of technology has brought a revolution in the functioning of the banks. The fundamentals of banking shall comprise the trust and confidence of the people. The time when world economy first witnessed some intricate circumstances due to bankruptcy of banking and financial institutions, India's banking industry has been amongst the few to maintain resilience. In India even though the number of people who are availing banking services continuously increasing, the level of services increasing due to adoption of technology banks have laid emphasis on meeting the customer expectations. However, with the changing dynamics of banking business brings new kind of risk exposure. India's central Bank i.e. the Reserve Bank of India has some big concerns about the sustainability of the country's banking system. In its Financial Stability Report, 2017, the RBI warned that the sector is under severe stress, with mounting bad loans and an increasing in bank fraud, among other issues. Hence the key problems which are plaguing India's banking sector according to RBI are – Bad loans, cyber threats, Bank fraud. The banking sector in India has various challenges and opportunities like rural market, customer expectations, technology adoption, global banking, NPAs, competition, social and ethical issues. The structure of Indian banking consists of 27 Public Sector Banks, 21 Private Sector Banks, 45 Foreign Banks, 56 Regional Rural Banks. The banks financial service organizations willing to improve their relationship with the customers' needs constant monitoring of customer experience.

**State Bank of India:**

State Bank of India (SBI) is an Indian multinational, public sector banking and financial services company. The SBI was ranked 217th on the Fortune Global 500 list of the world's biggest Corporation as of 2017. It is the largest bank in India with a 23% market share in assets, besides a share of one-fourth of the total loan and deposits market. The bank descends from the Bank of Calcutta, founded in 1806, via the Imperial

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Bank of India, making it the oldest commercial bank in the India subcontinent. Parliament has passed State Banks (Repeal and Amendment) Bill 2017 to merge six subsidiary banks with State Bank of India after it was approved by RajyaSabha. The Union Cabinet in February 2017 had approved merger of five associate banks along with BharatiyaMahila Bank with SBI. The five banks were State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Travencore, State Bank of Mysore and State Bank of Patiala. The merger had made State Bank of India one of the 50 biggest banks of the world. The main motive behind the merger was to increase the capital base of the bank to enable it to disburse more loans.

**Housing Development Finance Corporation Bank Limited:**
Housing Development Finance Corporation (HDFC) Bank was incorporated in 1994 with its registered office in Mumbai. It has 88,253 permanent employees as on 31st March 2018. HDFC Bank is India's largest private sector lender by assets. HDFC Bank merged with Times Bank in February 2000, which was the first merger of two private banks in the new generation private sector banks category. In 2008, Centurion Bank was acquired by HDFC Bank. The Housing Development Finance Corporation was amongst the first to receive an 'in principle' approval from the Reserve Bank of India to set up a bank in the private sector. HDFC has a network of over 1416 branches spread over 550 cities across India. HDFC Bank offers a wide range of commercial and transactional banking services and treasury products to wholesale and retail customers. The Bank has three key segments i.e. Wholesale Banking Services, Retail Banking Services and Treasury.

## II. Customer Experience Management

Customer Experience is the product of an interaction between an organization and a customer over the duration of their relationship. This interaction is made of three parts i.e. the customer journey, the brand touch points the customer interacts with, and the environments the customer experience during their interaction. A good customer experience means that the individual's experiences during all points of contact matches the individual's expectations. Customer experience implies customer involvement at different levels such as rational, emotional, sensorial, physical and spiritual. Customer experience encompasses every aspect of a company's offering i.e. the quality of customer care, advertising, packaging, product and service features, ease of use, reliability. Customer experience is created by the contribution of not only the customers' values but also by the contribution of the company providing the experience. All the events experienced by customers before and after a purchase are part of the customer experience. The six disciplines for great customer experience are strategy, customer understanding, design, measurement, governance and culture. According Holbrook &Hirchman Studies (1982) customer experience can be defined as a whole event that a customer comes into contact with when interacting with a certain business.

Customer Experience Management (CEM) is the process that companies use to oversee and track all interactions with a customer during their relationship. This involves the strategy of building around the needs of individual customers (Rae Jeananne). The CEM represents discipline, methodology, process used to manage a customer's cross channel exposure, interaction and transaction with a company, product, brand or service (Bernd Schimitt). Organizations are using CEM approach to anticipate customer needs and adopt the mindset of the customer. The main aim of CEM is to optimize the customer experience through gaining the loyalty of the current customers in a multi-channel environment and ensure that they are completely satisfied. The key elements of customer experience management comprises of strategy, culture, customer expectations, processes, channel approach, marketing and brand, systems, people.

## III. Review Of Literature

With a view to set the objective for this paper based on research gap, an attempt has been made to review the previous studies on this area of study, as under.

Meyer and Schwager (2007) opined that customer experience is the internal and subjective customers have to any direct or indirect contact with a company. Direct contact generally occurs in the course of purchase, use, and service and is usually initiated by the customer. Indirect contact most often involves unplanned encounter with representatives of a company's products, services or brands and take the form of word-of-mouth recommendations or criticisms, advertising, news reports, reviews and so forth.

Mittal et al (2005) in their paper "Dual emphasis and the Long-term Financial Impact of Customer Satisfaction" revealed that firms with customer experience management strategies outperform other firms. It was evidenced in the study that customer experience based strategies might provide a superior competitive advantage. However, providing a superior customer experience can be quite expensive. Hence customer experience strategies will provide superior performance only when they are combined with efficient processes which can control costs.

LiorArussy, President of Strativity Group and Lloyd Wilky (2008), Vice President of Merck & Co., argue that the customer experience is an organization-wide effort to deliver superior value and command

customer loyalty. Building such a level of commitment and loyalty should start with the employees and their understanding to deliver superior customer experience. CEM must be an integral part of the organization's culture.

AdriDrostskie (2009) in her doctoral research on South African Bank found that customer experience is the relevant strategic differentiator in retail banking in South Africa. In retail banking touch points across all banking channels should be considered. The bank customers interact with bank through ATM, Phone banking, Internet banking, and Mobile banking. These channels are normally used by the bank customers in India.

Dikesh Kumar (2009) in paper titled "Redefining Customer Experience – your next generation Community Bank, Building Tomorrow's Enterprise, Infosys", proposed that Customer Experience is a way to meet and exceed the expectation of end customer through all channels of interaction, which leads to increased advocacy and referrals for the bank and ultimately profitable revenue growth. The benefits of a holistic, end-to-end approach to customer service results by managing customer relationships with real-time information and by providing excellent customer experiences leading to life-time loyalty from the customer.

Prophet Customer Experience Report (2009), "UK Customer Experience Report – Retail Banks" reveals that real brand value lies not only in the promises the organizations makes to its customers but also in its ability to deliver on them. The promises are fulfilled through multiple experiences delivered across all touch points at a consistent level of quality and value over the time. Managed properly, they will ultimately result in deep, trust-based relationships, which generate loyalty, profits and hence financial returns.

## IV. Objective Of The Study

The main aim of this paper is to understand the perception of customers regarding the experiences they felt while availing the banking services. The study is conducted with reference to the customers of State Bank of India and HDFC Bank. The specific objective of the study is to understand the antecedents of customer experience management in banking sector through the evaluation of State Bank of India and HDFC Bank.

## V. Hypothesis

On the basis of literature review, research gap and objectives set for the study it is hypothesized that the customer experience on various banking services offered by Public and Private Sector Banks doesn't vary significantly. The overall customer experience with the selected banks doesn't vary significantly.

## VI. Methodology

The data for this study has been collected mainly from primary and to some extent from secondary data sources. In order to extract the customer perception among the individual account holders of the branches of selected banks located in three major cities in Andhra Pradesh i.e. Vijayawada, Visakhapatnam and Tirupati city. The primary data are collected through administering a structured questionnaire to the customers as well as conducting personal interviews. Secondary data sources included earlier research studies, published reports, newspapers and different websites. The purposive sampling method has been used to collect the required data through a pretested questionnaire.

The main aim of using tools and techniques for analyzing data is to use the evidence fairly. It involves examining, categorizing, tabulating or otherwise recombining the collected data. For the purpose analysis and to test the hypothesis in the present study the statistical tools are used by applying SAS Software. The tests used in the data analysis are: Chi-square test, ANOVA, Van der Waerden Two-Sample Test, Wilcoxon Two-Sample Test, Krushkal Wallis Test. In this study the information and data for a period of ten years have been analyzed and presented. The geographical coverage of the study is confined to the three major cities of Andhra Pradesh State.

## VII. Results And Discussion

In this study, an attempt has been made to provide practical advice to State Bank of India, and HDFC Bank about their Customer Experience Management practices and measures. They are require a continuous improvement to build and sustain competitiveness in the present day highly competitive banking and financial service sector which is marred structural changes, entry of new players, and continuously increasing customer demands. The banks have concentrate on certain core competencies in order to deliver better value to their customers through effective customer experience management practices.

1) **CEM on Service Quality Delivery Dimensions:** In accordance with the main objective of the study the analysis emerged from testing of Hypotheses is as follows:

**Table -1 Analysis of Variance for factor "Type of Bank" classified by variable branch banking services**

| Bank | N | Mean | | | |
|------|-----|------|---|---|---|
| SBI | 451 | 4.00 | | | |
| HDFC | 359 | 4.00 | | | |
| Source | DF | Sum of Squares | Mean Squares | F Value | Pr> F |
| Among | 1 | 0.003057 | 0.003047 | 0.0083 | 0.9276 |
| Within | 808 | 298.864301 | 0.369882 | - | - |

**Interpretation:** As shown in Table-1 on the ANOVA test conducted to confirm that the customer experience on branch banking services offered by public and private sector banks doesn't vary significantly, indicated that P-Value (0.9276) is greater than 0.05 and hence the hypothesis is accepted at 0.05 level of significance, thus indicating no significant difference between SBI and HDFC Bank towards this banking service

**Table -2** Analysis of Variance for factor "Type of Bank" classified by variable ATMs Functioning

| Bank | N | Mean |
|------|-----|------|
| SBI | 451 | 4.05 |
| HDFC | 359 | 4.26 |

| Source | DF | Sum of Squares | Mean Squares | F Value | Pr> F |
|--------|-----|----------------|--------------|---------|-------|
| Among | 1 | 8.654837 | 8.654837 | 16.5844 | <0.0001 |
| Within | 808 | 421.668928 | 0.521867 | - | - |

**Interpretation:** The Table-2 contains the summary of ANOVA on customer experience towards ATM Functioning in public and private sector banks. It indicates that P-Value is lesser than 0.05 and hence the hypothesis is rejected at 0.05 level of significance, so there was significant difference between SBI and HDFC Bank on the functioning of ATM service.

**Table -3** Analysis of Variance towards Customer Experience on 'Internet Banking Services" offered by Public and Private Sector Banks

| Bank | N | Mean |
|------|-----|------|
| SBI | 451 | 3.67 |
| HDFC | 359 | 3.89 |

| Source | DF | Sum of Squares | Mean Squares | F Value | Pr> F |
|--------|-----|----------------|--------------|---------|-------|
| Among | 1 | 9.516391 | 9.516391 | 17.0937 | <0.001 |
| Within | 808 | 449.828597 | 0.556719 | - | - |

**Interpretation:** The ANOVA test result in Table-3 denotes that P-Value (<0.001) is lesser than 0.05 so the hypothesis " The Customer experience on Internet Banking Services in public and private sector banks doesn't vary significantly" rejected at 0.05 level of significance. There is a significant difference between the two selected banks on this specific banking service.

**Table -4** Analysis of Variance towards Customer Experience on 'Mobile Banking Services" offered by Public and Private Sector Banks

| Bank | N | Mean |
|------|-----|------|
| SBI | 451 | 3.82 |
| HDFC | 359 | 3.74 |

| Source | DF | Sum of Squares | Mean Squares | F Value | Pr> F |
|--------|-----|----------------|--------------|---------|-------|
| Among | 1 | 1.233104 | 1.233104 | 2.6525 | 0.1038 |
| Within | 808 | 375.631291 | 0.464890 | - | - |

**Interpretation:** The summary of ANOVA test presented in Table-4 indicates that P-Value (0.1038) is greater than 0.05 thus the hypothesis "The Customer experience on Mobile Banking Services in public and private sector banks doesn't vary significantly" is accepted at0.05 level of significance. So, there is no significant difference between the SBI and HDFC banks on this specific banking service.

**Table -5** Analysis of Customer Experience on various Service Quality Dimensions in Public and Private Sector Banks

| Type of Bank Variable | Chi-Square | DF | Pr>Chi-square |
|---|---|---|---|
| Exterior Equipment | 11.8981 | 1 | 0.0006 |
| Interior Equipment | 0.0690 | 1 | 0.7928 |
| Variable Reliability | 20.1900 | 1 | <0.0001 |
| Variable Responsiveness | 0.0061 | 1 | 0.9377 |
| Variable Assurance | 2.7779 | 1 | 0.0956 |
| Variable Empathy | 22.4565 | 1 | <.0001 |
| Variable Efficiency | 5.4042 | 1 | 0.0201 |
| Variable Accuracy | 12.5722 | 1 | 0.0004 |
| Variable Security | 9.0253 | 1 | 0.0026 |
| Easy &Convenience | 7.9529 | 1 | 0.0048 |
| Customer Service | 0.0375 | 1 | 0.8464 |

**Table -6** Summary of Variables Testing Results

| Factor Description | Banks Mean Score | | P-Value |
|---|---|---|---|
| | SBI | HDFC | |
| Exterior Equipment | 4.08 | 3.91 | 0.0006 |
| Interior Equipment | 3.68 | 3.75 | 0.7928 |
| Variable Reliability | 3.79 | 3.98 | <0.0001 |
| Variable Responsiveness | 3.83 | 3.80 | 0.9377 |
| Variable Assurance | 3.95 | 4.03 | 0.0956 |
| Variable Empathy | 3.89 | 3.70 | <.0001 |
| Variable Efficiency | 3.96 | 3.90 | 0.0201 |
| Variable Accuracy | 3.99 | 3.87 | 0.0004 |
| Variable Security | 3.97 | 3.87 | 0.0026 |
| Easy &Convenience | 3.80 | 3.93 | 0.0048 |
| Customer Service | 3.87 | 3.91 | 0.8464 |

The test results of the Van der Waerden one-way analysis regarding customer experience on various service quality dimensions in public and private sector banks are presented in Table-5. The test results revealed that there is a significant differences among the SBI and HDFC on 'Exterior Equipment'; No significant difference on 'Interior Equipment', Significant difference on 'Reliability'; No significant difference on 'Responsiveness': and 'Assurance'; significant difference on 'Empathy', 'Efficiency', 'Accuracy', 'Security', 'Easy & Convenience' and no significant difference on 'Customer Service'. The summary of the factors hypotheses testing results are presented in Table -6.

**2) Overall Customer Experience relation to Socio-Economic factor of customers:** In accordance with objective of this paper the overall customer experience with the banks is not significantly related to socio-economic factors of the customers was tested. The sub-null hypotheses on socio-economic factors like – gender, age, educational qualification, marital status, profession, income were tested and the results of the analysis are as follows:

**Table -7**Analysis of Socio-Economic factors impact on overall customer experience in SBI and HDFC Bank

| Variable | Chi-Square | DF | Pr> Chi-square |
|---|---|---|---|
| Educational Qualification | 58.1649 | 5 | <.0001 |
| Marital Status | 64.8410 | 4 | <.0001 |
| Profession | 64.6168 | 6 | <.0001 |
| Monthly Income | 34.1678 | 6 | <.0001 |

It can be interpreted from Table -7 that the hypothesis 'Overall customer experience on value oriented is not significantly related to customers' educational qualification is rejected at 0.05 level of significance, so there is a significant difference among the customers with different educational qualifications on the value oriented services offered by the banks. As regard to the 'marital status' the test results indicates that there exists significant difference among the customers on value oriented services offered by the banks. There is a significant difference among the customers with different professional categories on the value oriented services offered by the banks. It is found that there is a significant difference among the customer with different income levels on the value oriented services offered by the banks.

## VIII. Conclusion And Implications

The study depicts that customer experience management is essential for enhancing customer satisfaction on the banking and financial services. Banks willing to improve their relationships with customers need constant monitoring of customer behaviour and internal processes. An attempt has been made in this study

to examine the customer experience management in largest public sector bank, State Bank of India and biggest private sector bank HDFC. Some of the major findings are as under.

➢ Over the past few years, there has been an increasing trend towards creating 'experiences' in the service sector. As a result of this trend, the service economy has been transformed into an attention economy, an entertainment economy, a dream society and an experience economy.

➢ The main antecedents which play a significant role in effecting the customer experience in banking services are – branch banking services, ATMs, Internet Banking, Telephone Banking, Mobile banking, Bank responsiveness, Assurance, Security measures, ease in banking transactions and service extended to the customers.

➢ Majority SBI customers are using branch banking services more frequently than HDFC. The HDFC bank customers are using ATMs more frequently than SBI customers. With regard to telephone banking SBI customers are extensively using telephone banking compared with HDFC bank customers.

➢ As the Indian economy grows rapidly in size and influence over the next few decades, it is imperative to have a strong and dynamic banking sector. Despite significant achievement, the massive unbanked population of India has been a constant remainder of the task unfinished. Developments in microfinance sector highlight that the solutions for the unbanked have to come at reasonable interest margins.

In order to attain better customer experience among the customers the private sector banks shall focus more on leveraging the technology management in provision of banking services. Even with advent of technological breakthrough, majority bank customers still prefer branch banking. Therefore, the banks shall convince and educate the bank customers to do banking in non-personal mode amidst the human factor. Majority bank customers are still not adapted to internet and mobile banking, which has been due to poor technological literacy among the rural and semi-urban customers. Hence, the banks shall educate and train the customers towards internet and mobile banking. As find in the study, the young generation is having better experiences than the aged customers. So the banks shall focus more on aged customers to enhance their better experience in banking services. The empirical examination of CEM in SBI and HDFC Bank reveals that there is a room for improvement for both banks on the experiences of their customers. Overall, the public sector bank scored more on customer experience management practices. Banks willing to improve their service quality need constant monitoring of customer experience management practices.

Implementing CEM can mainly help financial firms combine customer data from all possible online and offline sources that include feedback forms, online surveys, email, mobile apps, and website forms, social media comments, as well as support call feedback. With easy integration and strong analytical insights it can help institutions, understand and highlight problems faced by their customers in their day to day banking interactions. One can identify where the issues lies and act on it heads on to provide a seamless banking experience.

With the economic slowdown, the Indian banking sector is passing through a critical phase and struggled with several challenges, mainly deteriorating asset quality, constraints to adhere to Basel-3 norms, low ROA, increasing frauds, mandatory priority lending targets and risk-return trade-off.

In today's ever changing and ever demanding customers' world, digital readiness plays a vital aspect in banking and financial sector. For banks that constantly aim to exceed their clients' expectations, customer experience management solution can help improve their client satisfaction scores and also in turn increase brand value. Customer experience and customer loyalty are strongly related to each other. Majority financial firms avoid giving any thought to customer experience. Instead, they give priority to regulatory compliance and financial products and services. However, when it comes to factors that can help gain and retain customers, providing excellent customer service is at the very top of the list.

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