

A STUDY ON THE EFFECTS OF CUSTOMER ENGAGEMENT ON CUSTOMER LOYALTY OF ICICI BANKS

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Abstract

Increasing the loyalty of customers and making them stay is the goal of many banks. In this modern customer era, with significant changes in customer behaviour, customers are getting more and more selective, picking services that offer them the most personal benefits. However, advancement in digital technology opens up new opportunities in financial sectors such as banking to retain their valuable customers better. Many new private banks came into existence in India and has brought changes in the banking sector. Changes concerning proper utilization of resources, improvement in services provided to the customers, and introduction of innovative products as well as policies are some of them.

ICICI Bank (Industrial Credit and Investment Corporation of India) is an Indian multinational banking and financial services company which is headquartered in Mumbai, Maharashtra, India. ICICI Bank is the second-largest private bank that offers prominent services to customers. The bank has made a close relationship with their customers through flexible offerings, adoption of new technology and customer-friendly policies. This bank is also made available on digital platforms to offer services to their customers. Such part of their movements enhanced customer engagement. This engagement is mainly because of customer loyalty towards the bank. So, this article aims to test the effects of customer engagement and customer loyalty of ICICI banks. What fix, Social gamification, social customer care using Twitter, Face book engagement, etc. are some of the technological strategies adopted by ICICI banks in their customer engagement. The sample determination is based on the convenience sampling method. 352 is the sample size of study, and the overall response rate is 88%. The findings of the opinion reveal that the engagement of customers is moderately associated with customer loyalty. Also, the effect of customer engagement on loyalty is 25%. So, to sustain in the industry banks must give emphasize on customer engagement and customer loyalty.

KEYWORDS: CUSTOMER ENGAGEMENT, CUSTOMER LOYALTY, ICICI BANKS, DIGITAL PLATFORMS, CUSTOMER SATISFACTION

1. Introduction

The banking industry has faced tremendous changes in offering services to customers. The changes are because of the trigger in the advancement of technology in the banking industry. The advancement in technology transforms marketing strategies from traditional platforms to digital platforms. Indian banks are choosing digital platforms to market their products. Because the digital platform involves the customers in improving the competitiveness in the industry. The main focus of the digital platform is to increase customer engagement. In the present competitive era, some banks in India find it complex to develop customer engagement strategies in digital platforms. Although, ICICI banks made a considerable investment in digital platforms to sustain themselves in the competitive environment. They are creating a technology strategy for customer engagement. Some standard technology strategies are what fix, Social gamification, social customer care using Twitter, Face book engagement, etc. Using technology strategies increases customer engagement in digital platforms, so new customers become more profitable than ever before. ICICI banks offer customers convenient, frictionless, flexible, and scalability services with these technologies. These services increase customer engagement so the banks can see the repeated usage of services in the digital platform. The repeated usage of services offers reward points to the customers. The Customers are allowed to transform the reward points to digital cash in Internet banking. These benefits make the customers more loyal to the banks regardless of commitment. ICICI banks are creating a platform to engage the customers, and this engagement makes the customers loyal to the banks. The problem is that customers use the digital platform to engage with banks. If the customers are using, how much impact will customer engagement create in customer loyalty of ICICI banks?

The study aims to test the effects of customer engagement and customer loyalty of ICICI banks in India. The objective of the study is to find out the relationship between customer engagement and customer loyalty in ICICI banks in India. It also points out the customer engagement impact on customer loyalty of ICICI banks in India.

2. Review of literature

This section reviews the literature related to customer engagement, customer loyalty, and the association between customer engagement and customer loyalty. A detailed description of the reviews presents in the subsequent section.

2.1 Customer engagement

Customer engagement means adding value to the firm directly or indirectly. A direct contribution is transactional purchases, whereas word of mouth represents the indirect contribution of customer engagement. The other definition points out how the customers are physically, emotionally, and cognitively involved in the service provided. It acts as a tool to create, build, and establish customer relationships and a strategy to improve performance. The reason for using customer engagement as a strategy is that it brings a connection between a business and its customer. Customer engagement focuses on creating communion between customers and customer value (Enginkaya and Emel, 2014). The other definition pointed out that customer engagement is a psychological process and is essential for developing and maintaining effective customer loyalty (Bowden 2009). Although it is essential, significant changes have been observed over many years. In the earlier days, customer engagement allowed friendly customers before the product or services were introduced (Bottini 1999).

On the contrary, firms use both digital and non-digital platforms to convene customer engagement. It is proved from the study that customers engage their presence in terms of physically, emotionally, and cognitively in an online social media platform (Cheung et al., 2011). Customer engagement is in product involvement, online conduct, referral conduct, etc. It stimulates the customers to take part in blogging and writing reviews, word-of-mouth activities, and helping other customers. So, the definition shows that customer engagement is an important attribute to build an association between service providers (business) and customers. Many service providers are using it as an essential strategy in improving the loyalty of customers. Therefore, in this study, customer engagement was an essential aspect of enhancing the customer loyalty of banks.

2.2 Customer loyalty

Customer loyalty is the behaviour of customers to repurchase the most viable products or services continually (Hasan et al., 2014). Customer behaviour is loyal, and they hold a favourable attitude towards the service provider. They will recommend the service provider to other consumers and exhibit repurchase behaviour. These customers either show favourable or unfavourable responses to the service provider (Kishada and Wahab 2013). The favourable response to the service provider minimizes the time taken to search, locate and evaluate the services offered by the competitors. So, it is a significant source and a vital asset for the service provider (Anderson and Srinivasan 2003).

Moreover, it is an important weapon to retain loyal customers and act as a server for long-term sustainability (Rasheed et al., 2015). Nowadays, Customer loyalty plays a vital role in the service sector due to high customer requirements and competition. Service providers consider customer loyalty the best marketplace currency for the 21st century (Singh and Sirdeshmukh 2000). The primary reason is that the loyal customer's service cost is five or six times higher than new customers. Moreover, loyal customers are acting as marketing agents. Positive word of mouth creates a good image of the service provider. So, the service provider can gain a competitive advantage (Leninkumar 2017). Therefore, it is an essential weapon for the service provider and a tool to retain loyal customers in the competitive environment (Aboul-Ela 2015; Shabbir et al., 2018).

2.3 Customer Engagement and customer loyalty

Monferrer et al. (2019) find out the association between customer engagement and customer loyalty in retail banks. The study made it clear that customer engagement is strongly associated with customer loyalty.

Abroret al. (2019) pointed out how customer engagement influenced the loyalty of Islamic banks in the study. Quantitative assessment of variables reveals a strong and positive effect identified between customer engagement and customer loyalty.

Hasnin(2018) says how customer value mediated the relationship between customer engagement and customer loyalty. To measure the mediation, the model was developed. The model reveals that customer engagement and loyalty are essential to building an effective service. In some banks, the association existed between customer value and loyalty, but the association was mediated by customer engagement.

These studies infer the hypothesis that “customer engagement is statistically significant with customer loyalty” of banks.

3. Research gap

There is a lack of studies on directly measuring customer engagement and loyalty. One reason for the lack of studies on the topic is the emerging topic in recent days. There have been very few investigations on customer engagement’s effect on customer loyalty to banks. Previous studies emphasized other aspects (satisfaction, loyalty and customer engagement) instead of concentrating on customer engagement and customer loyalty. So, the study measures customer engagement and customer loyalty in quantitative aspects.

4. Research Methodology

4.1 Research design: The research designs offer an appropriate framework for the study. The present study is based on descriptive research design, and the intention is to explore the relationship between the variables

4.2 Population: The population of the study is 1.4 million active clients in India

4.3 Samples: Samples are the beneficiaries of 508 ICICI branches in Tamilnadu. These samples determine based on the convenience sampling method. The sample size for the study is 400, so the responses received from the Indian customers are 352 only. So, the response rate for the study is 88%.

4.4 Research instrument: Questionnaire is the reasearch instrument used for the study. There are three sections in the questionnaire. Section 1 covers the demographic profile of respondents. It contains questions about age, gender, education qualification, occupation and income. Section 2 contains questions about customer engagement. The questions were measured on five points Likert scale. Section 3 has the scales of customer loyalty, and it is in the form of a Likert scale pattern.

4.5 Data collection: Data gathers through the openion of respondents and measures the information systematically. There are mainly two types of data ie; qualitative and quantitative. The datas which are expressed in numerical forms are called quantitative datas and non- numerical datas are termed as qualitative datas. Thus, the researcher has fixed quantitative data to measure the variables using mathematical tools. Data collection methods are very crucial while conducting any research. There are primary data and secondary data. When the researcher gathers the data for the first time it is primary data. The objective behind selecting the primary data is that it is reliable, objective, and authentic. Sources of primary data are a questionnaire containing a list of questions, and the evaluation of the questionnaire is provided in the subsequent section in detail.

4.6 Statistical tools: Frequency distribution measures the categories of the respondent's profile demographically. The demographic profile of respondents includes age, gender, education qualification, occupation and income of customers of ICICI banks. A simple percentage analysis evaluates all the profile categories and the number of observations in each category. The outcome shows in tables and figures. Descriptive statistics of mean and standard deviation present the precision and accuracy of customer engagement and customer loyalty. Simple linear regression shows the relationship between customer engagement and customer loyalty of ICICI banks. SPSS Software is used for performing all the methods. The importance of analysis was discussed in the following chapter.

5. Data analysis

5.1 Demographic profile

Particulars		Frequency	Percentage
Age	20 to 25 years	34	38.6
	25 to 30 years	36	40.9
	Above 30 years	18	20.5
Gender	Male	48	54.5
	Female	40	45.5
Education qualification	Graduates	40	45.5
	Postgraduates	42	47.7
	Others	6	6.8
Income	Less than 10,000	20	22.7
	10,000 to 20,000	38	43.2
	20,000 to 30,000	14	15.9
	More than 30,000	16	18.2
Total		88	100.0

Source: primary source

Age: The table shows that more than 40% of respondents are between 25-30 years. The respondents between 20 and 25 years are 38.6%, and 20.5% are more than 30. So, the maximum number of respondents is 25-30 years, representing the customers are young adults.

Gender: In the survey, 54.5% are male respondents, and 45.5% are female respondents. The number of male respondents participating in the survey is slightly higher than that of female respondents.

Education qualification: The bank customers' education qualification is graduates, postgraduates and others. The category others represent ITI and diploma holders. The number of postgraduates who visit the banks and avail of the services is more than 45%. The graduates' participation and availing services are higher than 45%. So, it is clear that graduates and postgraduates are using bank services in Tamilnadu. The most surprising outcome is that the meagre qualification of ITI and diploma holders' usage of banks is limited (6.8%).

Income: Most of the bank customers earn an income between Rs.10,000 to Rs.20,000 (43.2%). Contrary to this, only 22.7% of respondents' income is below Rs.10,000. The other income category higher than 20,000 is more than 15%. So, it observes that the maximum number of respondents' income is between Rs.10,000 to Rs.20,000.

5.2 Descriptive statistics

Particulars	Mean	SD
Affective engagement (Aff)	4.8049	1.68522
Cognitive engagement (Co)	4.7213	1.65900
Activation engagement (Act)	4.6612	1.78298
Customer engagement	4.7291	1.70906

Source: primary data

It is noted from the table that the average mean value of customer engagement is 4.7291, indicating higher customer engagement exists in the banks, in Tamilnadu. Customer engagement contains affective, cognitive and activation engagement. The highest mean observes in affective engagement indicates the highest precision in this engagement. The least mean is activation engagement represents the least precision in customer engagement. The highest and least standard deviations are activation and cognitive engagement, respectively. The accuracy is high in cognitive engagement, whereas least in activation engagement. Overall, customer engagement in precision and accuracy is high in the banks in Tamilnadu.

5.3 Association between customer engagement and customer loyalty of ICICI banks

The dependent and independent variable is customer loyalty and customer engagement, respectively. Bivariate correlation uses to test the association between the variables. The outcome of the bivariate correlation is in the table.

Particulars	Customer loyalty
Customer engagement	0.524 (0.000)

Source: primary source

The bivariate correlation value of the variable is 52.4%, so the association is moderate between customer engagement and customer loyalty. The variable association is statistically significant (p<5%). So, it concludes that customer engagement is moderately associated with the customer loyalty of ICICI banks. In the next section, the effect of variables shows in the table.

5.4 Simple linear regression

In the simple linear regression, customer engagement and customer loyalty use to test the effect of variables. The model is also developed to know the effect of customer engagement changes on customer loyalty: the model and its output are shown in the table.

Particulars	R	R ²	F	Sig	B	t	Sig
C	0.52	0.27	32.55	.000	2.205	.357	.000
Customer engagement	4	5	5	b	.505	.632	.000

Source: primary source

The table above shows the model summary of the relationship between customer engagement and customer loyalty. It has been observed that the R-value is 0.524, which is high, indicating a moderate linear relationship. Next, the R-square value is 0.275, representing customer engagement has an effect of 27.5% on customer loyalty. The ANOVA shows the f-statistics of the variables is 32.555, which is significant at a 5% level. So, the researcher found that the regression model is a well-fit model to predict customer loyalty.

In the regression output table, the beta value of customer engagement is 0.524, the t-value is 0.632, and the p-value is 0.000. Hence, it concludes that customer engagement has a strong and positive effect on job satisfaction. Thus, it denotes it with the help of the equation. Customer loyalty = 2.205 + .505 (customer engagement). If there are any changes in customer engagement, customer loyalty will increase to 0.505 units.

6. Findings

From these results, it is clear that customer engagement is associated with customer loyalty sensibly.

These relationships were linear, so the effect was 27.5% only. Changes in customer engagement increased loyalty only to 0.505 units. A positive linear relationship exists between customer engagement and customer loyalty. Most of the respondents were young adults and were male. The education qualification of those respondents are postgraduates and their earnings are between Rs.10,000 to Rs.20,000 only.

7. Discussion

The findings here are comparable with the results from published studies. The determination of customer engagement as an independent variable and customer loyalty as the dependent variable. This determination of variables is in complete agreement with the previous studies. In the present study, customer engagement has a moderate association with customer loyalty. These results contrast with the findings from previous studies that showed a positive relationship between the variables (Abror et al., 2019; Monferrer et al., 2019; Hasnin 2018).

8. Conclusion

The study on the effects of customer engagement and customer loyalty of ICICI banks finds that customer engagement has a moderate and linear relationship with customer loyalty from the quantitative evaluation. Also, the effects of customer engagement on customer loyalty are higher than 25%. So, the study shows that customer engagement is the highest, so it is an essential variable for the service sector. The reason is that it helps to find out loyal customers for the banks. With these loyal customers, banks increase their sustainability in the competitive environment.

9. References

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