

Customer's Perception regarding Customer Retention Strategies Adopted by HDFC Bank: An Empirical Investigation

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Abstract: *In today's competitive economic environment, the banking industry has discovered the harsh reality that it must always search for ways to enhance its present banking system. The phrase "customer retention" refers to a bank's efforts to keep its customers for a certain amount of time. Customers are less inclined to switch banks if retention is strong. Customer retention is a continuous process for any firm, beginning with that initial point of contact and extending throughout the life of the connection and effective retention efforts based upon that relationship. This study is primarily directed to measure customer perception regarding customer retention strategies of the HDFC bank. A mixed - method research design is utilized, combining Descriptive cum exploratory research design. A questionnaire was prepared to analyse around 120 Bank customers for the primary investigation. There are mixed responses while asked about how much satisfied they are about the customer retention strategies adopted by the banks.*

Keywords: Customer retention, strategies, Banks

1. Introduction

In recent decades, the service sector has gained considerable importance in national economies, and had a continuous growth of around 7.6%. The quality of relationships between service providers and their customers is an important aspect in the service industry's success since it influences client retention rates. As a consequence of the market's strong rivalry, service firms' major focus has changed from customer acquisition to retention. Researchers strongly encourage utilising customer retention as a performance metric and building retention marketing strategies after accounting for the impacts of its components or drivers, which include service quality, customer loyalty, customer satisfaction, and switching barriers.

As a result of privatisation and globalisation, India's banking industry is becoming more competitive, thanks to the development of tech - savvy private banks and the expansion of foreign banks' operations, all of which adhere to the principle of "one for all" and "all for one" idea. In today's competitive environment, a bank's strategy must prioritise maintaining current clients satisfied. Banks must study these impediments to consumer turnover. Banks may utilise client retention as a deliberate marketing approach for both defensive and aggressive efforts. The retention of customers pertains to the way often a company maintains its current clients. The phrase "customer retention" refers to how successfully a firm maintains ties with its present clients. According to Ahmed and Butle (2001), increasing the customer retention rate by 5% turns in a 25% to 85% rise in customer net present value.

Some key benefits of customer retention:

- Minimises the quantity of resources required for identifying and bring on new clients.

- This approach guarantees a regular flow of income at a little expense to the company every quarter as repeat consumers are more likely to have stable spending patterns.
- A company may have cost savings on overhead if it has a bigger clientele over an extended period of time.

Customer Retention - Favoring Drivers

Richards (1996) argues that businesses should prioritise customer loyalty above customer happiness. He also identified three factors as commitment drivers in his model. These include the degree of engagement, ambivalence, and desirability of the choices. According to Richards, people are more likely to carefully consider their options and stick with their decisions if they have an emotional investment in the outcome. Therefore, if the consumer is engaged yet dissatisfied, his primary strategy will be to try to patch things up rather than exploring for alternative possibilities. Instead of bothering to repair the connection, disgruntled and disengaged customers will switch easily.

According to Crosby, Evans, and Cowles (1990), "trust" is defined as "reliance" or "confidence," hence the degree of trust dictates the amount of commitment to a relationship. An alternate definition of trust provided by Sharma and Patterson (2000) is the conviction that the service provider will act in the customer's best interest over the long haul.

In order to enhance comprehension of the relationship among customer satisfaction, trust, and switching barriers, Ranaweera and Prabhu (2003) created an inclusive framework. A customer's assessment of a service is predicated on an analysis that considers the customer's past experiences with comparable services and how those impressions compare, according to Gronroos (1984). The SERVQUAL framework was developed by Parasuraman et al. (1988) and

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includes ideas like reliability, empathetic thinking, assurance, diligence, and availability. Reichheld and Sasser's (1990) study indicates that a customer's worth to a firm grows with their length of service. Better service quality yields better commercial outcomes, including higher customer loyalty, market share, and profit margin (Brady & Cronin, 2001).

2. Review of Literature

Bank can increase its market share via the usage of customer retention strategies. Demand for the bank's products seems to have grown as a result of the bank's efforts to maintain continuously high levels of customer satisfaction. Because efforts were made to maintain product diversity, customers were fairly satisfied by Uwamaria, et al. (2021). Nguyen et al. (2021) found three aspects of service quality are most advantageous to client satisfaction: tangibility, compassion, and certainty. Furthermore, there is no appreciable correlation between reliability and responsiveness metrics and customer satisfaction.

According to Aslam et al. (2021) Customers' satisfaction levels were also highly correlated with workers' customer - focused behaviour, manners, technical selling skills, and performance. The findings showed that the association between customer - focused activities and happy consumers was mediated by staff performance, technical selling abilities, and employee etiquette. Significance to daily life: It is recommended that bank employees adopt a more customer - focused mindset in order to raise and maintain customer satisfaction levels. Financial institution managers should also provide their employees extensive training on the bank's services and goods as well as instruction in appropriate business behaviour. According to Megawati Simanjuntak, et al. (2020) switching barriers have a significant effect on customer retention, perceived value, brand perception, and service quality have the biggest effects on customer satisfaction. Customers are more likely to utilise the goods or services when applying for new credit if they have faith in the company's credit procedure and customer service. Even in cases when customer satisfaction has no direct bearing on client retention, this is still true. And Tawseef et al.2020, thinks that with the recent wave of mergers and acquisitions, banks must enhance their perception and viewpoint in order to attract more customers.

Customer satisfaction was shown to be largely dependent on customer relationship management, and it was found to have a significant impact on both customer loyalty and customer profitability. Consequently, the data suggests that there is no moderating effect of customer loyalty on the relationship between customer satisfaction and customer profitability. Banking institutions must modernize their customer relationship management systems to stay competitive. (Almohaimmed, Bader.2019; Kraa, Jerry & Adanse Bonna, Bismark & Hannah, Aquila & Boadu, Kankam.2018).

Bhat, S. A., Darzi, M. A., & Parrey, S. H. (2018) found that that companies running the danger of losing business to competitors in the financial sector if they don't use customer data to guide services and product development. Further, Mahapatra, Satyanarayan & Kumar, Parveen. (2017) Four main categories can be used to identify the factors that help a

business retain customers: providing something tangible; providing something dependable; providing something responsive; and providing something tangible but supported by assurance and empathy. Multiple - regression analysis was used to further analyse the variables related to customer retention and the factors influencing their decision to do so. Also, indicates the factors that have the most impact on customers' choices to stay loyal are "accepting & resolving faults, " "sincere efforts in settling customer problems, " and "within timeframe service delivery. "

Shamsher Singh (2011) found that Customer satisfaction is positively impacted by the quality of ATM services, and clients are happy when banks ensure that the machines are operating correctly.

3. Research methodology

Research design

A mixed - method research design is utilized, combining Descriptive cum exploratory research design. Because it involves an empirical investigation of HDFC bank's customer retention strategies. It is also classified as descriptive because a large amount of literature has been reviewed in order to make the concept more explicit.

Sample design

Time and financial resources are always hurdles in conducting a census. With these limitations, the sample has been drawn so that it may represent the entire population. Therefore, a sample of 120 respondents who has an account with HDFC bank was taken from the National Capital Region (NCR) of India.

Data Collection

The study used both primary and secondary data to achieve the research objectives. The questionnaire technique has been used for primary data collection, while books, journals, articles, newspapers, and websites have helped to gather secondary data.

Questionnaire Design

The questionnaire was divided into two sections by the researcher. Part A was used to collect demographic information, and Part B was used to solicit responses on 22 statements related to the customer retention strategy, using a four - point Likert scale with scale anchors ranging from "1" to "4" indicating strong agreement. The researcher used one statement to measure consumer's attitude on a five - point Likert scale with scale anchors ranging from "1"—disagree to "4"—strongly agree.

Objective of the study

To study customer perception regarding customer retention strategies of HDFC Bank.

4. Results & discussion

Collected questionnaires were coded and entered into the SPSS 23 spreadsheet for analysing the data.

Phase 1

The purpose of the first phase of the empirical study was to identify the details of the respondents. The researcher has presented the data regarding the demographic profile of the sample. Except for the names of the candidates, which were optional, the researcher has analysed the data collected regarding their gender, age, educational qualification. As per the results, it can be interpreted that most of the respondents were male compared to female, and most of them are of the age group 30 to 40 years into their post - graduation final year.

Table 1: Demographic study based on age of the respondent

Age	Count	Percentage
20 - 30 yrs	11	9.2
30 - 40 yrs	68	56.7
40 - 50 yrs	35	29.2
Above 50 yrs	6	5.0
Total	120	100.0

Sources: Primary data

A sample of 120 - person shows a varied age range. The 20–30 age group has 11 respondents, or 9.2 % of the sample. The following age group, 30–40, has 68 people, 56.7% of the assessed population. The 40–50 age group comprises 35 people, 29.2% of the sample. The study included 6 respondents over 50, 5.0% of the population.

Table 2: Demographic study based on education level

Education	Count	Percentage
10+2	2	1.7
under graduate	68	56.7
Post graduate	50	41.6
Total	120	100.0

Sources: Primary data

According to the table, 2 respondents (1.7%) have 10+2.56.7% of respondents, 68, have undergraduate degrees. Additionally, 41.6% of the sample—50 respondents—are post graduate.

Table 3: Demographic Study based on Gender

	Count	Percentage
Male	75	62.5
Female	45	37.5
Total	120	100.0

Sources: Primary data

From table no 3. It is clear that 62.5% respondents are male and rest are female.

Phase 2

Questions related to customer retention strategies.

Table 4: Customer retention strategies

	S. A (frequency)	Agree (frequency)	Neutral (frequency)	Disagree (frequency)	Total (frequency)
My bank organizes periodical customer loyalty programs to retain customers	108 (90%)	12 (10%)	0 (0%)	0 (0%)	120 (100%)
My bank has effective recovery systems in order to maintain its relationship with customer	60 (50%)	0 (0%)	30 (25%)	30 (25%)	120 (100%)
Bank a substantial percentage of its loyal customers	96 (80%)	0 (0%)	12 (10%)	12 (10%)	120 (100%)
The bank has a high number of long serving customers	120 (100%)	0 (0%)	0 (0%)	0 (0%)	120 (100%)
The bank customer base has really grown in the recent years	108 (90%)	12 (10%)	0 (0%)	0 (0%)	120 (100%)
Bank customers see little advantage in switching to other banks	12 (10%)	30 (25%)	30 (25%)	48 (40%)	120 (100%)
Generally, the Bank has experienced a high retention of its bank customers for the past two years	96 (80%)	0 (0%)	0 (0%)	24 (20%)	120 (100%)
Bank puts your interests before theirs when preparing your proposal	120 (100%)	0 (0%)	0 (0%)	0 (0%)	120 (100%)
Bank effectively communicates the benefits of products and services to retain customers	48 (40%)	24 (20%)	0 (0%)	48 (40%)	120 (100%)
Bank invest in technology and digital solutions to enhance customer retention efforts	108 (90%)	12 (10%)	0 (0%)	0 (0%)	120 (100%)
bank embraces innovation to adapt to changing customer needs and preferences	108 (90%)	12 (10%)	0 (0%)	0 (0%)	120 (100%)
I am satisfied with our bank's current customer retention strategies and efforts	48 (40%)	48 (40%)	0 (0%)	24 (20%)	120 (100%)
Products and services presented by the bank meet the needs of the customers	72 (60%)	24 (20%)	0 (0%)	24 (20%)	120 (100%)
The bank conducts consumer analysis and foresee changing needs for quality products and services	60 (50%)	30 (25%)	0 (0%)	30 (25%)	120 (100%)
A customer relationship management system is used by customer service officers to understand customer profiles and offer quick responses	60 (50%)	30 (25%)	0 (0%)	30 (25%)	120 (100%)
The bank has a call center that allows customers to call care centers for assistance	72 (60%)	24 (20%)	0 (0%)	24 (20%)	120 (100%)
Bank officials make follow - ups to ensure that complaints were handled effectively and consumers were satisfied	108 (90%)	12 (10%)	0 (0%)	0 (0%)	120 (100%)
Bank provides products at low prices which add value to achieve competitive advantage which, in turn, increases	24 (20%)	24 (20%)	0 (0%)	72 (60%)	120 (100%)

consumers positive behavioral intentions					
bank has competitive pricing compared to others	24 (20%)	24 (20%)	0 (0%)	72 (60%)	120 (100%)
Product price is most significant measure in the determination of banks	48 (40%)	24 (20%)	0 (0%)	48 (40%)	120 (100%)
bank utilizes data analytics to understand customer behavior and preferences	60 (50%)	60 (50%)	0 (0%)	0 (0%)	120 (100%)
Bank has a robust customer engagement program that fosters loyalty	96 (80%)	0 (0%)	0 (0%)	24 (20%)	120 (100%)

Sources: Primary data

The provided descriptive statistics offer insights about the customer perceive their bank's retention strategies. According to which 90% customers are strongly agree on the statement that their bank organize periodical loyalty programs to retain customer. 50% customer agree on the statement that their bank has effective recovery system while 50% are neutral and disagree to it. While talking about the loyalty base of customers, 80% customers feel that they are loyal to their bank, also bank has a high no of long serving customers. 108 out of 120 respondents are strongly agree that due to their banks retention strategies customer base has grown in the recent years while only 80% are agree on the statement that bank put customers voice and grievance handling proper procedure. On the other hand, only 40% respondents strongly agree while asked whether their bank effectively communicates the benefits of products and services to retain customers, a major chunk (48%) feel the opposite. When asked that their bank invest in technology and digital solutions to enhance customer retention efforts, 90% respondents opted strongly agree. 60 respondents agree that their bank has a customer relationship management system is used by customer service officers to understand customer profiles and offer quick Responses. Majority of respondents are strongly agreed while asked that call centre service and the follow ups by bank in a good customer retention strategy. Majority of respondents (80%). Asked about the switching policy of banks

5. Discussion and Interpretation

Demographic profile of respondents represents the Age, Gender and education level. Some respondents feel that bank's recovery system is not much effective. Overall, only 40% respondents are satisfied on their bank's current customer retention strategies and efforts. There are mixed responses while asked about how much satisfied they are about the customer retention strategies adopted by the banks.

Some Strategies to improve customer retention

These customer retention strategies will assist to re-establish a healthy balance between the bank and its clients by moving the balance in the right direction.

- Create a customer loyalty program that provides discounts or other benefits to customers who purchase from you again.
- Sales promotional methods can encourage customers to purchase from you again. Reimbursements rebates, frequent buyer rewards, collection campaigns, and so forth.
- Banks may create an atmosphere of integrity that is visible to both customers and staff by implementing training programs.

- Effective customer support includes timely delivery, excellent after-sales assistance, regular connection with customers via email and social media, and frequent product and service updates.

6. Conclusion

Many multinational banks have joined the Indian market since liberalisation, resulting in severe competition in the country's banking business. Even once-thriving public sector banks are feeling under pressure. In this scenario, maintaining ties with existing clients has become more important. However, many financial institutions are now battling with customer attrition. To sustain customer loyalty, the bank must provide more than simply basic services. It must provide a complete banking experience. The major purpose of this research is to reduce customer attrition in the banking business. Banks may develop differentiation strategies to retain clients based on the identified traits and how they contribute to lower customer turnover. The study too had some limitations, like, Time, financial resources and geographical area, because of this, it is challenging to generalise the findings.

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