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## **IMPACT OF CRM ON CUSTOMER SATISFACTION AND CUSTOMER LOYALTY IN ARMENIAN BANKS**

*The main purpose of this research is to investigate and identify the potential impact of CRM on customer loyalty and satisfaction in the local market. Many studies have demonstrated the strong relationship between the three, but this research focuses specifically on understanding it in the context of the Armenian market. In addition, the research seeks to provide analysis and empirical evidence to enhance the existing knowledge about CRM in the banking sector, particularly in developing markets like Armenia. To examine the hypothesis presented in the article, a quantitative analysis was organized to collect data from B2C customers in Armenia. Respondents came from almost every Armenian bank, totaling 397 participants.*

*We conducted regression, correlation, and comparative analysis on the collected data to identify patterns and relationships between CRM, customer satisfaction, and customer loyalty. Results reveal a medium level dependence between CRM, customer satisfaction, and customer loyalty in Armenian banks, and the change of one affects the others. Armenian banks are one of the most important sectors of the RA economy, providing financial services to individuals, legal entities, and other institutions. CRM strategies are becoming increasingly important for businesses, including banks, in today's competitive market. Understanding how banks adapt to rapidly changing customer demands and market dynamics is crucial. Maintaining a high level of customer satisfaction and loyalty in the banking industry is a cornerstone for long-term success and sustainability. Therefore, identifying the factors that influence customer*

*satisfaction and loyalty is important for strategic decision-making and improving customer-oriented approach.*

**Keywords:** CRM, customer satisfaction, customer loyalty, customer reactivation, customer retention

JEL: G20, G21

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**INTRODUCTION.** The Armenian banking system consists of 18 banks (Central Bank of Armenia, 2024), which all provide mostly the same types of services. This leads to intense competition among all to attract and retain more customers. The current banking system is changing dynamically and customer loyalty and satisfaction are key factors affecting the performance and long-term viability of financial institutions. The Armenian banking system is not lagging behind, and banks are improving their strategies to achieve higher rates for the aforementioned factors. Many factors can affect customer loyalty and satisfaction. We believe that one of the key factors is customer relationship management (CRM) and its practices. This thesis has been proven in many studies, and we believe that CRM mainly exists to raise customer loyalty and satisfaction rates. But how does it work in the Armenian B2C banking industry? This study aims to investigate the complex linkages and how CRM can affect customer satisfaction and customer loyalty, specifically in the Armenian banking industry.

The concept of CRM has evolved from being a technical solution for automation to a strategy focused on understanding, analyzing, and managing customer interactions both with each other and with the business. In the banking sector, where relationships are complex and competition is intense, an effective CRM strategy helps improve customer retention. It is very typical in the Armenian banking sector since customers have many options for getting almost the same services. Understanding how CRM can affect customer loyalty and satisfaction is essential for banks to build lasting client relationships.

Client satisfaction is very crucial for establishing relationships between clients and banks. Customer satisfaction can be defined as estimating the pre-purchasing expectations from the product or the service, with the results reached after the initial purchase (Kalaiarasi & Mugunthan, 2020). Positive interactions and experiences with the bank and its staff can contribute not only to higher satisfaction rates but also to customer loyalty. The banking sector, with its array of services and products, hinges on the ability to provide superior customer service that goes beyond meeting basic needs.

Any business in any industry must tailor its operations to meet the needs and demands of its customers as much as possible to succeed. Covering customers' needs can lead to customer loyalty, which is one of the main factors

in getting ahead of the competition. We believe that CRM practices and customer service satisfaction affect customer loyalty and that dependence is also positive in Armenia, so, this research aims to find relationships between those factors.

A survey was conducted to collect data to examine this. The recipients were B2C customers of nearly all Armenian banks.

## LITERATURE REVIEW.

- The Armenian banking system faces significant challenges related to customer needs amid high competition. Banks must determine what to offer, whom to target, when to offer services, and how to present them, with answers changing constantly. Today, customers have numerous expectations from banks, such as Service at reduced cost.
- Service “Anytime and Anywhere”.
- Personalized Service and so on (Kamali, 2023).

### **Customer relationship management**

Customer relationship has been an area of interest for most marketers and organizations, and the interest in it is growing rapidly. Many companies focus on re-establishing connections with both new and existing customers to boost long-term loyalty. To achieve this, many have implemented strategic, technology-based CRM applications (Chen & Popovich, 2003). There is no universally accepted definition of CRM in the literature. Kumar and Reinartz (2018) define CRM as a "strategic process of selecting customers whom a firm can most profitably serve and shaping the interactions between a company and these customers. The ultimate goal is to optimize the current and future value of customers for the company". Another definition of CRM is that it is a comprehensive strategy and process for attracting, retaining, and collaborating with selected customers to achieve the best results for both the organization and the customer (Parvatiyar & Sheth, 2001). Recently, Rafiki, et al. (2019) described CRM as a business philosophy that helps organizations clearly understand customers' needs and preferences based on their histories. This understanding is essential for organizations to plan for the long term. Generally, CRM combines the technologies, strategies, processes, and practices the organization uses to analyze and manage all interactions and relationships with the customers during every step of the lifecycle (Iriqat & Abu Daqar, 2017). Studies state that German banks could stabilize themselves because of relationship marketing techniques and activities compared to American banks in the 1980s and 1990s (Husnain & Akhtar, 2015). The main question is how CRM helps companies, especially banks, and what are the main benefits? Some of the most important of those benefits are:

- creation of a customer-focused organization,
- customer loyalty,

- sales opportunities,
- cross-selling and up-selling,
- customer segmentation,
- complete 360-degree view of any customer,
- personalized customer journeys,
- reporting and analytics, and so on. (Ali et al., 2023)

In conclusion, the main idea of CRM in any business is to increase customer satisfaction by analyzing customers' detailed information in-depth, which helps the business in competition (Wang et al., 2010). An appropriate CRM strategy will help the company to have higher rates of retention, reactivation, cross-selling, and upselling. CRM is not new also to the banking industry. One of the main roles here is managing the customer relationship lifecycle. According to the literature, there are three core phases of that lifecycle - Customer acquisition, Customer Enhancement, and Customer recovery. Each cycle has its own CRM tasks and main activities. In the first phase, the primary activities should focus on persuading and stimulating customers. In other words, the business must utilize its channels to attract and engage new customers. The next stage involves three major tasks: managing contact rates, conducting regular evaluations, and enhancing sales management. After acquiring new customers, the bank must create and maintain regular contact with them through its main touchpoints, such as contact centers, branches, ATMs, and mobile banking systems. Having that contact with the clients, receiving and analyzing enough data and feedback from them will help the bank to tailor its products and services based on the customer's needs. In this second task, the bank will be able to better segment its customer base for improved outreach. Finally, after gathering enough information on customers, the bank should begin cross-selling additional products and services as much as possible. We can argue that the second cycle should be focused mainly on customer retention to avoid possible churn. Finally, the third cycle usually happens when the customers start losing their interest in the products or services and here the bank has to organize activities mainly for reactivating those users (Yao & Khong, 2011).

### **Customer satisfaction**

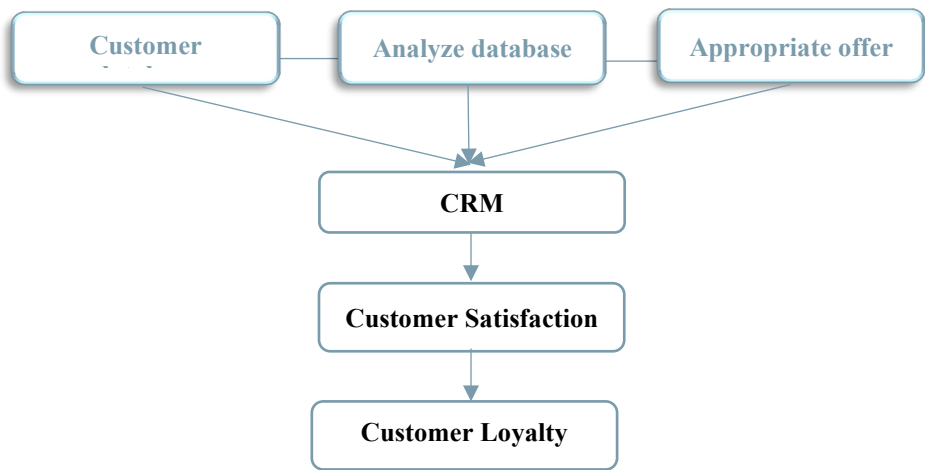
Customer service is the main goal of any bank. Customers have needs and expect the bank and its representatives to meet those needs. We believe that customer satisfaction first comes from the results of customer service. Excellent customer service is important in the banking industry because it makes customers feel valued, helps meet their needs more effectively, and improves overall customer retention (Timilsina, 2023). The customer satisfaction level can be discovered when clients compare the results of actual products or services performance with their expectations (Siddiqi, 2011). Banks should find the right approach to meet their customers' needs. Therefore, they are making efforts to use both traditional and non-traditional methods to achieve customer

satisfaction, including ATMs, smart cards, mobile applications, financial services, and 24/7 support (Khashman, 2023).

**Customer loyalty**

Good CRM creates customer satisfaction, and on the other hand, satisfied customers remain loyal and bring in new customers. Loyalty is the commitment customers show when they choose to buy a new product or service, regardless of marketing influences on their behavior. (Zegullaj, et al., 2023). Keeping customers loyal is a good economic strategy because loyal customers tend to stay longer and spend more. Additionally, it is five times cheaper to retain an existing customer than to acquire a new one. (Kotler & Armstrong, 2018). According to Ganesh et al. (2000), there are two types of loyalty: passive loyalty which describes the customers who would not leave the company even under unfavorable circumstances, and active loyalty where the customers would spread the information to their friends and families and help acquire new ones. There can be another differentiation for loyalty: behavioural and attitudinal. Behavioural loyalty can be described with repeated purchases and transactions, and attitudinal loyalty is usually defined equivalently with relationship commitment (Jumaev, et al, 2012). Kotler and Armstrong (2018) also define CRM through customer loyalty by saying, “CRM is to manage detailed information about individual customers and carefully manage customer touch points to maximize customer loyalty”.

In Figure 1 we can see all these processes and activities combined and their possible connections:



**Figure 1.** *The relationship between CRM, customer satisfaction and customer loyalty (Kalaiarasi & Mugunthan, 2020)*

Many researchers have already investigated the linkage between CRM and customer loyalty, and as Ibrahim et al. (2015) point out, most of the

findings support the relationship between CRM and loyalty as satisfaction, trust, trust, and commitment are outcomes of CRM implementation.

**RESEARCH METHODOLOGY.** Research papers, reports, and scholarly publications from both local and foreign sources were examined for this article. This research employed methodical approaches including historical analysis, abstraction, comparison, graphic representation, regression, and correlation methods for data collection, processing, and achieving the set goals. To test the hypothesis in the article, we organized a quantitative analysis to collect data from B2C customers in Armenia. The quantitative survey method is one of the proper methods to learn about the connections between variables (Hanaysha & Mehmood, 2022). We used a cross-sectional approach to gather information on customers' experiences regarding CRM, customer satisfaction, and loyalty. The target population for this study comprised bank B2C customers across different age groups, income levels, and banking references. The questionnaire consisted of four parts: demographics, CRM, customer satisfaction, and customer loyalty. The distribution was conducted online. It included both open and closed questions, with the majority of the closed questions aimed at receiving ratings from customers on a scale of 1 to 5. The author adjusted questions that fell outside this scale. Online surveys were distributed via email and social media platforms. Prior to the main data collection, a pilot test was organized with a small group of different bank customers to check the questionnaire's accuracy and relevance. In conclusion, we have respondents from every bank, besides Mellat Bank and the total respondent count was 397. For the approximate B2C customers' quantity, 385 surveys are enough for a 95% confidence level and a 5% margin of error. Regression, correlation, and comparative analysis have been conducted with the collected data to find patterns and links between CRM, customer satisfaction and customer loyalty.

### **Hypotheses of the study**

Based on the above-mentioned information, we have formulated these hypotheses to fulfill the objective of the study:

1. There is a positive dependence between CRM practices and customer satisfaction in Armenian banking industry.
2. There is a positive dependence between CRM practices and customer loyalty in the Armenian banking industry.
3. There is a positive relationship between customer satisfaction and customer loyalty in Armenian banking industry.
4. The effect of CRM factors on customer loyalty is statistically significant in the Armenian banking industry.

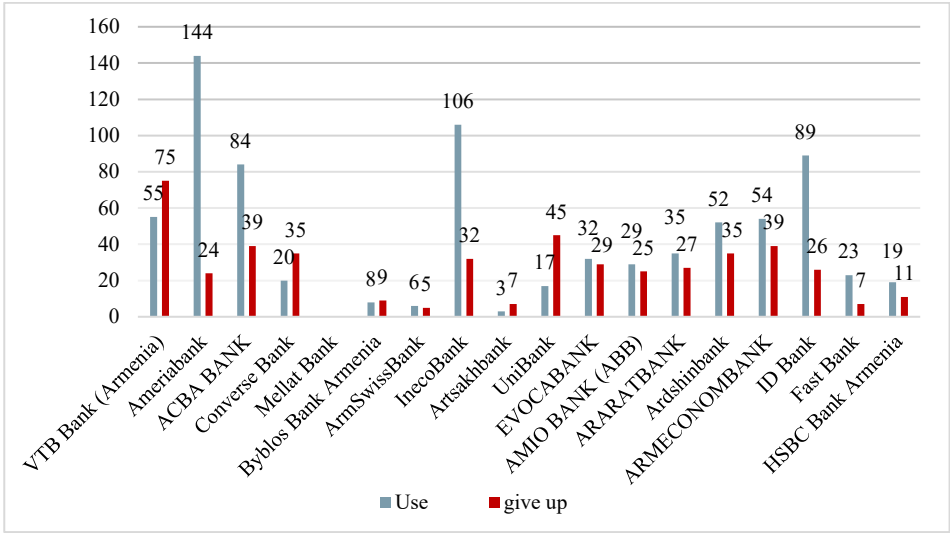
Results

We created an online survey for customers of Armenian banks, and the number of respondents was 397. The survey consisted of four main parts: demographic questions, CRM practices, customer satisfaction, and customer loyalty. There were both open and closed questions in the survey, and for most of the closed questions, respondents had to choose from 1-5 scale, where 5 was the highest point. 277 of the total respondents are women, and the rest (120) are men. The demographic results of the respondents can be found in Table 1.

Table 1

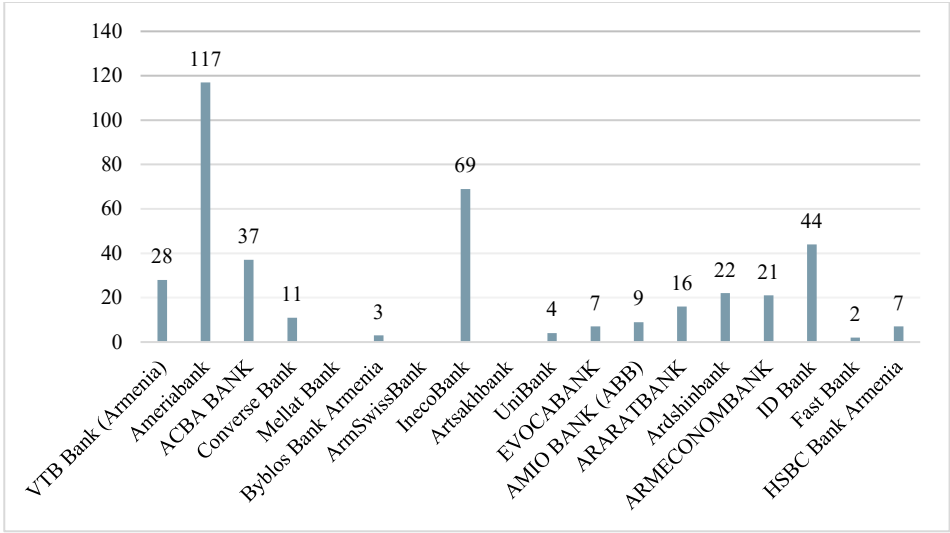
Respondents' profile			
Category		Count	Percentage / %
Age	18-24	79	19.9
	25-34	187	47.1
	35-44	80	20.2
	45-54	30	7.5
	55-62	14	3.5
	63 and above	7	1.8
Working experience	Doesn't have	6	1.5
	1-5	167	42.1
	6-10	84	21.1
	11-15	67	16.9
	16-20	29	7.3
	21-25	21	5.3
	26 and more	23	5.8
Education level	elementary	6	1.5
	high school	13	3.2
	incomplete undergraduate	67	16.9
	undergraduate	269	67.8
	graduate	42	10.6
Montly income level	Less than 100,000 AMD	24	6.0
	100,001-180,000 AMD	40	10.0
	180,001-250,000 AMD	69	17.4
	250,001-500,000 AMD	159	40.1
	500,001-1,000,000 AMD	61	15.4
	1,000,001 AMD and more	19	4.8
	Refuse to answer	25	6.3

The respondents were asked which banks they currently use and if they had ever given up using some. The result is represented in Figure 2. 67 respondents mentioned never stopping using a bank's services or products.



**Figure 2.** Respondents distribution between using and giving up banks' services and products

The respondents had to choose their main bank from the 18 Armenian banks mentioned, and here are the results (Figure 1) 3):



**Figure 3.** Respondents distribution between main banks

Figures 2 and 3 indicate that the most reliable banks in Armenia are Ameriabank, Incobank, ID Bank, and Acba Bank, with a relatively low number of customers ceasing to use their services. In contrast, VTB Bank (Armenia) has seen the highest number of customers stop using its services and products, which may be attributed to the economic sanctions on Russia in recent years If we take a look at Figure 2, we will see that again, in almost every age



range, Ameriabank is the most used bank, and then we have Inecobank and ID bank in the 2<sup>nd</sup> and 3<sup>rd</sup> places. This means that regardless of age, the population primarily uses the mentioned banks. Tables 3 and 4 illustrate the distribution of customer preferences for various banks based on their work experience and monthly income levels.

Table 2

*Selection of banks according to the age of the respondents*

<i>Banks</i>	<i>Age</i>					
	<i>18-24</i>	<i>25-34</i>	<i>35-44</i>	<i>45-54</i>	<i>55-62</i>	<i>63 and more</i>
VTB Bank (Armenia)	9	20	21	2	1	2
Ameriabank	26	68	35	10	4	1
ACBA BANK	17	37	22	4	3	1
Converse Bank	2	6	6	3	3	-
HSBC Bank Armenia	1	7	4	2	4	1
Mellat Bank	-	-	-	-	-	-
ID Bank	16	45	17	8	2	1
Fast Bank	7	9	1	4	1	1
Byblos Bank Armenia	4	2	1	1	-	-
ARMECONOMBANK	8	27	11	4	3	1
Ardshinbank	8	27	10	4	1	2
AMIO BANK (ABB)	6	13	7	2	1	-
ARARATBANK	7	12	7	8	1	-
ArmSwissBank	-	3	2	1	-	-
UniBank	1	8	6	2	-	-
EVOCABANK	5	18	4	5	-	-
InecoBank	12	63	16	9	6	-
Artsakhbank	-	2	1	-	-	-

Table 3

*Selection of banks according to the working experience*

<i>Banks</i>	<i>Working experience</i>						
	<i>11-15</i>	<i>1-5</i>	<i>16-20</i>	<i>21-25</i>	<i>26 and more</i>	<i>6-10</i>	<i>Doesn't have</i>
Mellat Bank	-	-	-	-	-	-	0
ID Bank	21	30	5	4	6	22	1
Ardshinbank	8	18	7	1	5	13	-
ARARATBANK	1	13	4	5	5	7	-
Fast Bank	3	8	-	2	2	8	-
HSBC Bank Armenia	2	6	2	4	1	4	-
ARMECONOMBANK	7	19	6	3	3	14	2
UniBank	2	8	-	-	2	5	-
Artsakhbank	-	2	-	-	1	-	-
AMIO BANK (ABB)	5	12	3	2	2	5	-
EVOCABANK	9	9	1	2	1	9	1
InecoBank	18	44	8	3	6	27	-
Byblos Bank Armenia	1	3	1	1	-	2	-
ArmSwissBank	2	3	-	-	1	-	-
VTB Bank (Armenia)	11	20	7	4	4	8	1
ACBA BANK	12	31	7	4	9	19	2
Ameriabank	27	54	12	9	8	33	1
Converse Bank	3	8	2	2	4	1	-

Table 4

Selection of banks according to the monthly income level

Banks	Monthly Income Level						
	1,000,00 1 AMD and more	100,001- 180,000 AMD	180,001- 250,000 AMD	250,001- 500,000 AMD	500,001- 1,000,00 0 AMD	Refuse to answer	Less than 100,000 AMD
VTB Bank (Armenia)	2	8	9	28	5	1	2
HSBC Bank Armenia	1	1	1	10	5	-	1
ARMECONOM- BANK	2	5	11	18	10	4	4
Fast Bank	1	3	1	7	5	3	3
ID Bank	4	10	13	35	15	4	8
Ardshinbank	1	5	11	19	12	3	1
ARARATBANK	2	4	5	14	6	2	2
AMIO BANK (ABB)	3	2	4	11	6	2	1
EVOCABANK	1	2	4	11	8	3	3
Artsakhbank	-	-	1	1	1	-	-
UniBank	5	-	8	3	1	-	-
InecoBank	6	8	17	46	16	6	7
Mellat Bank	-	-	-	-	-	-	-
ArmSwissBank	3	-	-	3	-	-	-
Converse Bank	2	-	6	9	3	-	-
Ameriabank	9	13	24	51	26	15	6
Byblos Bank Armenia	1	-	1	3	3	-	-
ACBA BANK	3	9	13	36	13	4	6

On average, the respondents used their bank's services and products for 5 years and 1 month, and 59% of the respondents had dealt with the bank for less than 5 years. Customers' loyalty to their main bank is 4.31 on average, and the average loyalty for each bank is shown in Table 5. It shows that though Ameriabank was chosen as the main bank the most, its loyalty is not the highest.

Table 5

Average loyalty point of customers for each bank

Bank	Average loyalty
ACBA BANK	4.34
Ameriabank	4.47
AMIO BANK (ABB)	3.74
ID Bank	4.49
ARARATBANK	4.10
Ardshinbank	4.12
Byblos Bank Armenia	4.67
HSBC Bank Armenia	4.28
EVOCABANK	4.43
Inecobank	4.57
Converse Bank	4.09
ARMECONOMBANK	4.42
UniBank	4.25
VTB Bank (Armenia)	4.18
Fast Bank	4.5

Many factors influence why people choose their primary bank. Among the respondents, 254 cited the quality of customer service as a key feature. Additionally, 208 emphasized the importance of prompt responses and problem-solving, while 198 valued trust in the bank. After these features, we had modern and seamless mobile/web banking, which included 161 respondents, and 140 were eager to have relationships with professional staff. The main conditions that respondents consider include bank image, variety of services and products, convenient bank location, connections within the bank, personalized offers, marketing campaigns, innovations, and queue-free service. However, there are obviously other considerations as well. If we look deeper into the above-mentioned conditions and take marketing campaigns and personalized offers, which are a big part of CRM, we see that only 37 users pay attention to personalized offers and 26 to marketing campaigns. Besides this, the users have also mentioned the key factors that are the basis for their loyalty towards their banks and 178 of them mentioned convenient mobile/web banking, 159 of them pay attention to quality of customer service, 123 of them - convenient location of the branches and ATM-s, 103 of them - interest rates and finally only for 31 respondents loyalty and rewarding programs are a factor for loyalty. 67 of 232 respondents have mentioned that they have at least once received a personalized offer from their bank, and 54 of them received an offer to take a new loan with better rates or change credit card limits. When they were asked what kind of personalized offer they would like to receive, again most of them preferred loans with better rates. There were also some others, like better rates for deposits, better commission fees for transactions, higher-level cards as a gift, and so on.

To ensure the consistency and reliability of the collected data, a reliability test using Cronbach’s Alpha was conducted. The test was implemented separately on CRM, customer satisfaction, and customer loyalty data; the results are shown in Table 6. We can see that the alpha value is higher than 0.7 in all three, which is an acceptable alpha value (Tavakol & Dennick, 2011).

Table 6

Reliability Statistics		
	Cronbach’s Alpha	N of Items
CRM	0.71879	397
Customer satisfaction	0.84278	397
customer loyalty	0.71357	397

As mentioned above, the survey consisted of 4 main parts: demographic, CRM, customer satisfaction and customer loyalty. For the research paper, we mostly studied CRM as a part of marketing with its personalized offers, communication and loyalty programs. In Table 7, we will see most of the statement results claimed in the 2nd, 3rd and 4th sections.

Table 7

*Mean and standard deviation (SD) of the results of claimed statements for CRM, customer satisfaction and customer loyalty*

	<i>Variable</i>	<i>All</i>	<i>Mean</i>	<i>SD</i>
CRM	Satisfaction with the advantages and rewards	397	3.11	1.18
	Enough communication by the bank about features and changes	397	3.15	1.12
	Take customer's opinion into account when making decisions	397	3.06	1.16
	Adaptation of services/products to customers' personal needs	397	3.27	1.06
	Fully informed about products and services	397	3.60	1.00
	Personal, financial data protection	397	3.65	1.17
	Loyalty change based on personalized offers	397	3.89	0.93
	Effectiveness of communication by the bank	397	3.86	0.99
	Clarity of communication by the bank	397	3.91	0.93
	Fully informed about promotions and marketing campaigns	397	3.47	1.11
Loyalty	Emotional connection with the bank and its values	397	3.04	1.16
	Concern about the bank's success	397	3.52	1.16
	Trust that the bank will always act in the customer's interests	397	3.58	1.07
	The bank values its customers' loyalty	397	3.64	1.01
	Satisfaction with the main bank compared to previous banks	397	3.81	0.95
	Refer the bank to friends	397	4.11	1.00
	Planning still to use the services/products	397	4.06	1.00
	Loyalty to the bank	397	4.13	0.98
	Frequency of using the bank's services	397	3.87	1.19
Satisfaction	Thoughts to change the main bank	397	2.22	1.84
	Employees' awareness of services/products	397	3.63	1.09
	Availability of senior managers for problem solutions	397	3.65	1.04
	Satisfaction with the availability of the bank's support teams	397	3.53	1.09
	Main bank's customer service quality compared to the banks used before	397	3.64	1.03
	Satisfaction with the solutions to problems	397	3.74	1.09
	Satisfaction with the quality of customer service	397	3.75	1.07
	Frequency to contact with any support team	397	2.71	1.16
	Loyalty change based on support quality	397	3.87	1.12
	Frequency to receive an offer to leave feedback on the quality of the employees	397	3.32	1.25
	The banks periodically review and improve customer service	397	3.75	1.04

As we see from Table 7 the highest SD (compared to the others) (shows how much each data point tends to deviate from the mean) have these statements: thoughts to change the main bank, frequency of receiving an offer to leave feedback on the quality of the employees, frequency of using the bank's services. In Table 8, we can see the total values of mean and standard deviation for CRM, customer satisfaction, and customer loyalty. The mean values from both Table 7 and Table 8 show us that most of them are higher than the average

3 (the scale to evaluate every statement and question was from 1-5), so the respondents had neutral, mostly agreed, or fully agreed opinions on them.

Table 8

*Mean and SD of CRM, customer satisfaction, and customer loyalty*

	All	Mean	SD
CRM	397	3.37	0.55
Customer satisfaction	397	3.56	0.58
Customer loyalty	397	3.6	0.54

Table 9

*Correlation analysis between CRM, customer satisfaction, and customer loyalty*

	Loyalty	CRM	Support
Customer Loyalty	1		
CRM	0.591883	1	
Customer satisfaction	0.536049	0.648201	1

Table 9 shows the correlation linkage between CRM, satisfaction, and loyalty based on the data we collected through questionnaires. Correlation coefficients show a medium-level correlation between all three (Hakobyan, 2004). This proves our 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> hypothesis, but not fully. It shows that though it is widely accepted that CRM systems are designed to enhance customer satisfaction and foster loyalty, the analysis results suggest that while CRM does contribute to satisfaction and loyalty, it does not fully realize its potential within the Armenian banks. In practice, it appears that some gaps or inefficiencies in the way CRM is implemented may be limiting its overall impact. This finding sheds light on the untapped opportunities for optimizing CRM to drive stronger customer relationships. There could be many reasons behind this:

- Customer loyalty and satisfaction depend on various factors, including brand image and product quality. It can be assumed that these and other factors influence them, creating a more complex relationship intense.
- How effective are CRM and CRM tools integrated? If CRM tools and processes are not fully integrated or customized to meet customer expectations, they may not have a strong impact on loyalty or satisfaction.
- CRM improvements might take time to impact customer loyalty and satisfaction and so on.

In addition to examining the overall relationship between CRM and customer loyalty, we conducted a more detailed analysis by exploring the correlation between individual components (Table 7) of CRM and loyalty. The goal of this analysis was to identify which specific elements of CRM practices have the greatest influence on customer loyalty. By breaking down CRM into its constituent parts, we provide a more granular view of how various aspects of customer relationship management contribute to loyalty, helping to identify the most impactful areas for further development and refinement. The strongest

correlation is between customer loyalty and clarity of communication by the bank, adaptation of services/products to customers' personal needs, and personal, and financial data protection (CRM factors) (Table 10). These findings highlight the importance of not just providing a CRM system, but ensuring that it is optimized in areas like communication, personalization, and data security to foster stronger customer loyalty. We have also conducted a correlation analysis between each CRM practice and customer satisfaction, and here, the strongest correlation is between clarity of communication by the bank, fully informed about promotions and marketing campaigns, the effectiveness of communication by the bank, and customer satisfaction (Table 11). As shown in both Table 10 and Table 11, the correlation between these factors is weak. Thus, we reach the same conclusion: there is a connection between these factors, but many other important factors also influence customer loyalty and satisfaction.

Table 10

*Highest correlation between CRM factors and Customer loyalty*

	<i>Customer Loyalty</i>
Clarity of communication by the bank	0.446996
Personal, financial data protection	0.387102
Adaptation of services/products to customers' personal needs	0.408737

Table 11

*Highest correlation between CRM factors and Customer satisfaction*

	<i>Customer satisfaction</i>
Clarity of communication by the bank	0.437030496
Fully informed about promotions and marketing campaigns	0.428012004
Effectiveness of communication by the bank and customer satisfaction	0.437030496

After discovering the mentioned results, we conducted a regression analysis of the CRM factors in Table 7 and their relationship to customer loyalty and satisfaction. The results are shown in Table 12. **Multiple R** (0.629) indicates a moderate positive correlation between the predictors and the dependent variable (customer loyalty). **R Square (R²)** (0.396) means that around 39.6% of the variance in customer loyalty is explained by the model's predictors. Adjusted R Square is slightly lower than **R²**, **suggesting that some predictors may contribute less**. The ANOVA tests the null hypothesis, and in Table 12, we can see that our Significance F is extremely low (close to 0), which rejects the null hypothesis. Here, we see that the highest effect on customer loyalty can have clarity of communication, which we saw in the above-mentioned correlation analysis: one unit increase in clarity of communication by the bank can cause a 14.3% increase in customer loyalty.

Table 12

Regression analysis between CRM factors and customer loyalty

Multiple R	0.62918465					
R Square	0.39587333					
Adjusted R Square	0.38022238					
Standard Error	0.42214331					
Observations	397					
ANOVA						
	df	SS	MS	F	Significance F	
Regression	10	45.0749601	4.50749601	25.293885	8.83179E-37	
Residual	386	68.7871185	0.17820497			
Total	396	113.862079				
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Customer Loyalty	1.70587344	0.14269882	11.9543626	3.081E-28	1.425309191	1.9864377
Enough communication by the bank about features and changes	0.00738619	0.01939065	0.38091492	0.7034759	-0.03073832	0.0455107
Effectiveness of communication by the bank	0.00576661	0.02551982	0.225966	0.8213475	-0.05594187	0.04440865
Clarity of communication by the bank	0.14306372	0.02740114	5.22108664	2.913E-07	0.089189551	0.19693788
Fully informed about products and services	0.01248727	0.02605992	0.47917536	0.6320852	-0.03874988	0.06372443
Fully informed about promotions and marketing campaigns	0.05816453	0.02249151	2.58606665	0.0100733	0.013943337	0.10238573
Adaptation of services/products to customers' personal needs	0.07503208	0.02516228	2.98192706	0.0030461	0.025559801	0.12450436
Loyalty change based on persona-lized offers	0.04231231	0.02429323	1.74173303	0.0823518	-0.00545129	0.09007593
Satisfaction with the advantages and rewards	0.05723085	0.02032847	2.81530566	0.0051229	0.017262464	0.09719923
Take customer's opinion into account when making decisions	0.05192203	0.02046043	2.53767963	0.0115515	0.011694179	0.09214988
Personal, financial data protection	0.09248517	0.02021917	4.57413371	6.452E-06	0.052731685	0.13223865

Our regression analysis of the relationship between different CRM factors and customer loyalty showed that certain predictors, such as clear communication, data protection, and personalized service, positively contribute

to customer loyalty. However, their impact appears smaller than expected. This outcome can be attributed to a few factors. Customer loyalty is influenced by several factors beyond just CRM efforts. These factors include product quality, brand image, and external market conditions. Loyalty drivers can vary significantly across customer segments. Aggregating diverse customer responses into one model can dilute the specific impact of CRM on loyalty, yielding smaller coefficients on individual predictors. This analysis highlights the complexity of customer loyalty and suggests that while CRM initiatives play a role, their effectiveness may depend on other factors or a more segmented approach. This leads us to conclude that CRM strategies and processes are underdeveloped in the Armenian banking system. Therefore, we can state that our fourth hypothesis is not fully supported.

**CONCLUSIONS.** CRM plays a huge role in companies' success, especially in banks' success. Its strategy can significantly affect customers' future behavior, leading to many changes in nearly every sector of the banks' activities. This research analyzes the connection between CRM and customer satisfaction, as well as customer loyalty, in Armenian banks. The findings highlight the importance of CRM practices in enhancing both customer satisfaction and loyalty. In the Armenian market, the relationship is not as strong as in other markets, indicating that there is still much work to do. All hypotheses presented in the article were supported by quantitative data gathered from surveys. The current CRM practices may not be sufficiently robust or tailored to fully meet the needs and expectations of customers, which presents an opportunity for banks to further strengthen their customer relationships. Banks' management should give much more attention to their CRM strategy, communication channels, and ways, and reward programs to retain more customers for higher rates of customer satisfaction and loyalty. This will enhance the competitiveness of any bank in the market. Armenian banks should periodically evaluate and improve their CRM strategies to stay in tune with changing customer expectations and market dynamics. Based on the results, we recommend that banks take their CRM strategies more seriously and train their employees to ensure everyone is in sync. It is crucial to regularly seek feedback from customers about their satisfaction with customer service for future improvements. We recommend implementing a CRM tool to automate campaigns and manage customer journeys at every lifecycle stage. Many CRM tools available in the market offer a variety of features, particularly for banking services. This will help gather more data on customer behavior, create appropriate customer segments, and improve loyalty programs.

Armenian banks should utilize CRM tools to provide personalized services and products. By effectively using customer data to understand individual preferences and behaviors, banks can tailor their offerings better, likely increasing both satisfaction and loyalty. Banks should prioritize clear, transparent, and consistent communication with their customers. This can involve refining the way information is delivered, ensuring that customers are



well-informed about products, services, and updates, which in turn builds trust and strengthens the relationship. Due to the high sensitivity of customer data, banks must implement strong data protection measures. A strong focus on safeguarding personal and financial information will not only build trust but also enhance customer loyalty as customers feel more secure in their interactions with the bank. Banks should develop a feedback loop through CRM, allowing customers to provide insights on their experiences. This will help banks continuously improve their services and ensure that CRM systems are being used to address real customer needs. Training bank staff to effectively use CRM tools leads to more efficient and personalized customer interactions. Empowering employees with the knowledge and skills to maximize CRM further enhances customer service satisfaction.

This study, like most studies, has its limitations. Firstly, it is important to note that the research was conducted within a single industry. Including information from different industries and cultures could yield more accurate results. Secondly, the results could be more reliable if the sample size were larger. As mentioned above, some banks did not provide adequate information. Lastly, the research was conducted only on B2C market.

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