

A Study on Customer Relationship Management in Banking Sector

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ABSTRACT

Customer relationship management is an overall business strategy that enables the organization to maintain good relationship with customers. Customer is considered as the king of the market. There is a unique relationship between customers and banks. Some banks are still following traditional marketing because of many reasons like lack of training, new technology literacy, financial targets, risk of failure etc. and on another hand; some are adapting CRM to maintain profitable relationship with customers. In this competitive era customers have a lot of choices they are generally not loyal to any organization, so with the implementation of CRM in banking sector customers can be retained for long period. CRM is concerned with creation, establishment and enhancement of customer relationship to maximizing the value of customers. The implementation of CRM has changed the bank culture to result oriented from task oriented. The methodology of the CRM aims to maintain customer satisfaction and increase consumer loyalty. The purpose of this paper is to study the importance of CRM systems and in-depth knowledge of methods and management techniques customer relationships. The main issue of this study is that CRM has become a multi-faceted and complex phenomenon that is ridden by various factors. Due to this complexity, a number of different variables have been used to measure CRM which investigated by several prior studies. This paper highlights the challenges facing by banking sector. The purpose of this research is to examine the relevance of CRM and impact of CRM in Indian banking sector.

Keywords: Customer relationship management, Types, Components, CRM in Banking sector, information technology, customer satisfaction, Positive effects CRM in banking sector.

INTRODUCTION

Introduction: -The concept of customer relationship management started in 1970s. Customer relationship management enables the banks to identify and fulfils the customer needs and desires. Let us first examine Who is a customer? Customer can be an individual, groups of individuals or organizations, government, agents etc. We can say that a customer is a legal entity who has some financial relationship with the banks. Customer Relationship Management CRM One of the main tasks of the department promotion and advertising of bank is to bring together buyers and sellers of products and services to create clients. At the time when the philosophy of all enterprises can not only be customer-oriented, development and maintenance long-term relations of cooperation and engagement of a company with customers is extremely difficult but very important for the development of each business. The customer relationship management (CRM) has become a necessary strategy for all firms, since effective implementation may increase satisfaction, loyalty and customer retention and thus, sales and lead to

repetitive purchases. The aim of CRM is collection of information about customer behavior through channels of communication to provide right product or service at right place and time. Identifying customer behavior is a typical task as it changes very frequently, so monitoring over the changing behavior is a challenge for banks. Building and maintaining deep -rooted relationship with customers is a comprehensive process. In all economy banks play an important role by creating saving habits among customers and also providing financial assistance to traders, industrialists, service providers. Banking sector is a consumer oriented as consumer is main focus of banks. Banks segregate the customers into a different group according to some criteria like their different needs and behavior in order to serve them properly. In today’s era information technology make this task easy in collecting data from individual customers to study and look over the pattern of individual behavior in order to win the trust, satisfaction and customer loyalty. Nowadays banking sector starts realizing about the importance of CRM for establishing, maintaining and retaining of customers to maximizing the profits.

Customer Relationship Management (CRM): -Customer relationship management is the core business strategy that integrates internal and external functions to create and furnish value to customers. CRM is a strategy to get the information about the customer’s behavior and requirements in order to establish long term profitable relationship with customers. Banking sector by adopting CRM analyze each and every customer separately and uniquely so that trust of customers, customers satisfaction and long-term loyalty of customers can be achieved. Customer relationship management is a commitment of banks to place the customers in the heart of the organization. CRM is a customer centric approach; its ultimately objective is handling of different customers through identification and understanding of differentiated needs, behaviors and preferences of customers. Customer relationship management is a customer centric approach, its ultimate objective is handling of different customers through identification and understanding of differentiated needs, behavior and preferences of customers. Banks that wants to grow the scale of business and improve its profitability should consider the following challenges are:

1. Acquiring of new customers and retention of existing customers more cost effectively.
2. Win back the trust of lost customers.
3. Increasing profits from existing customers.
4. Reducing the cost of sales.

Characteristics of Customer Relationship Management (CRM):-



Sources:<https://www.quora.com/What-are-the-characteristics-of-CRM>

Customer Relationship Management is a strategy which is customized by an organization to manage and administrate its customers and vendors in an efficient manner for achieving excellence in business. It is primarily entangled with following features:

1. **Customers Needs-** An organization can never assume what actually a customer needs. Hence it is extremely important to interview a customer about all the likes and dislikes so that the actual needs can be ascertained and prioritized. Without modulating the actual needs it is arduous to serve the customer effectively and maintain a long-term deal.
2. **Customers Response-** Customer response is the reaction by the organization to the queries and activities of the customer. Dealing with these queries intelligently is very important as small misunderstandings could convey unlike perceptions. Success totally depends on the understanding and interpreting these queries and then working out to provide the best solution
3. **Customer Satisfaction-** In today's competitive business marketplace, customer satisfaction is an important performance exponent and basic differentiator of business strategies. Hence, the more is customer satisfaction; more is the business and the bonding with customer.
4. **Customer Loyalty-** Customer loyalty is the tendency of the customer to remain in business with a particular supplier and buy the products regularly. This is usually seen when a customer is very much satisfied by the supplier and re-visits the organization for business deals, or when he is tended towards re-buying a particular product or brand over times by that supplier. Hence, customer loyalty is an influencing aspect of CRM and is always crucial for business success.
5. **Customer Retention-** Customer retention is a strategic process to keep or retain the existing customers and not letting them to diverge or defect to other suppliers or organization for business. Usually a loyal customer is tended towards sticking to a particular brand or product as far as his basic needs continue to be properly fulfilled. He does not opt for taking a risk in going for a new product. More is the possibility to retain customers the more is the probability of net growth of business.
6. **Customer Complaints-** Always there exists a challenge for suppliers to deal with complaints raised by customers. Normally raising a complaint indicates the act of dissatisfaction of the customer. There can be several reasons for a customer to launch a complaint. A genuine reason can also exist due to which the customer is dissatisfied but sometimes complaints are launched due to some sort of misunderstanding in analyzing and interpreting the conditions of the deal provided by the supplier regarding any product or service.
7. **Customer Service-** In Customer satisfaction depends on quality of service provided to him by the supplier. The organization has not only to elaborate and clarify the details of the services to be provided to the customer but also to abide with the conditions as well. If the quality and trend of service go beyond customer's expectation, the organization is supposed to have a good business with customers.

Review of Literature: - Customer Relationship Management (CRM) has become one of the most dynamic technology topics of the millennium.

Peppers and Rogers (1999) argued that other organizations view CRM as a tool, which has been particularly designed for one-to-one customer communications, which is the function of sales, call centers or the marketing departments.

Puccinelli (1999) looks the financial services industry as entering a new era where personal attention is decreasing because the institutions are using technology to replace human contact in many application areas. Over the last few decades, technical evolution has highly affected the banking industry

Bose (2002) noted that CRM was invented because the customers differ in their preferences and purchasing habits. If all customers were alike, there will be little need for CRM. As a result, understanding customer drivers and customer profitability, firms can better tailor their offerings to maximize the overall value of their customer portfolio (Chen and Popovich).

Chen and Popovich (2003), CRM is not a concept that is really new but rather due to current development and advances in information and enterprise software technology, it has assumed practical importance. The root of CRM is relationship marketing, which has the objective of improving the long-term profitability of customers by moving away from product-centric marketing.

Greenberg (2004), CRM generally is an enterprise-focused endeavor encompassing all departments in a business. He further explains that, in addition to customer service, CRM would also include, manufacturing, product testing, assembling as well as purchasing, and billing, and human resource, marketing, sales and engineering.

Frow and Payne (2004) added that CRM stresses two-way communication from the customer to the supplier to build the customer over time. The two-way communication has been enhanced greatly by advances in technology particularly the Internet.

Objective of study: -

- To study the relevance of customer relationship management in banking sector.
- To examine the benefits of implementation of customer relationship management in banking sector.
- To investigate the impact of technology on performance of commercial banks.
- To know the challenges faced by banking sector in providing better facilities and maintaining good relations with their customers.

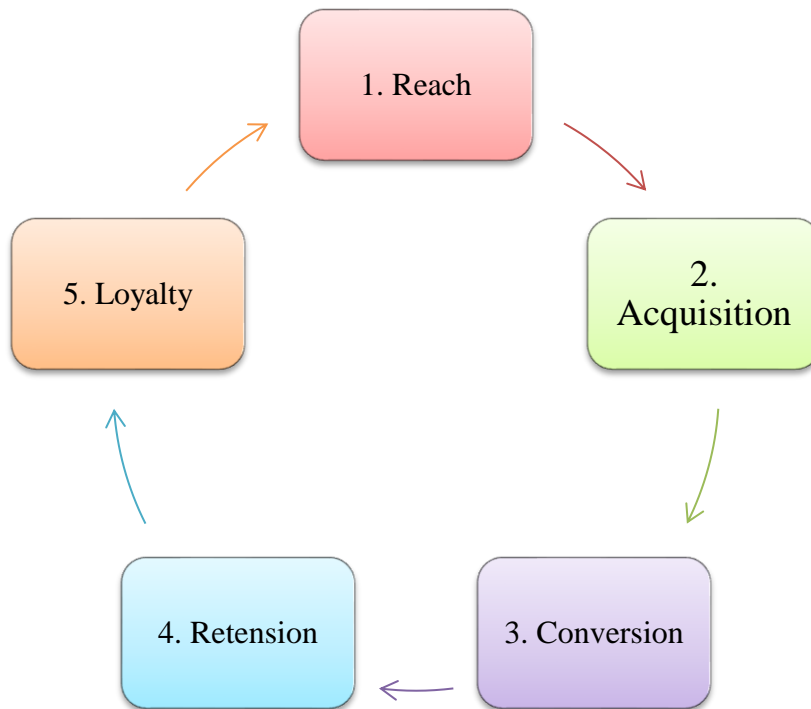
Research Methodology: -

The presents study is completely based on secondary sources of data collection such as news papers, books, journals, magazines and internet resources.

Objective of customer relationship management: -

1. To attracting the new customers.
2. To retention of existing customers.
3. To build the trust of customers towards banking sector.
4. To maintain personal relationship with customers, personal relationship in the sense that banks deals with each customer in different and unique manner.
5. To interact with customers through various communication channels to create value for customers.
6. To deal the customers with respect, attention and polite manner.

Customer life cycle: -Customer life cycle comprises of customer acquisition, customer development, customer satisfaction and customer retention.



❖ **Customer Acquisition:** -

In this competitive era, acquisition of customers is a complex process. We should use some strategies to attract the new customers like customer relationship management is a good business strategy to grab the opportunities available in market.

❖ **Customer Development:** -

Customer development involves availability of products to customer according to their own choices and wants. Customer development can be achieved by providing right product at right place and right time.

❖ **Customer Satisfaction and Loyalty:** -

As traditional marketing was based on earning more and more profits only by selling the products and rendering services but now in modern marketing along with selling the product to customer for profits, customer satisfaction is equivalent important. CRM in banking sector proves beneficial in boosting the loyalty of customers and customer's satisfaction.

❖ **Customer Retention:** -

The cost of acquiring new customer is far higher than the cost of retaining existing ones. Every organization should make efforts to build and retain customers for longer period.

Types of Customer Relationship Management: -



1. Operational CRM: -

Operational CRM gives you a complete picture of each customer journey. Operation CRM can automate lead scoring and win profitability, so that you know which leads to nurturing with automations. Operational CRM provides automation features like sales automation, marketing automation and service automation.

Benefits of Operational CRM are:

- Boosting market processes
- Enhancing internal communication
- Increasing customer satisfaction and revenue

2. Analytics CRM: -Analytics CRM analyzes the each and every customer data, maintains it and provides it for reports. Now Information technology make it easier to gather large quantities of customer data. By analyzing this gathered information, we can understand which factors are responsible for customer retention and what problems customers are facing and what factors are beneficial in boosts up the sales.

Benefits of Analytics CRM are:

- Understanding the customer behavior better
- Boosts customer loyalty
- Accurate financial forecasting and planning

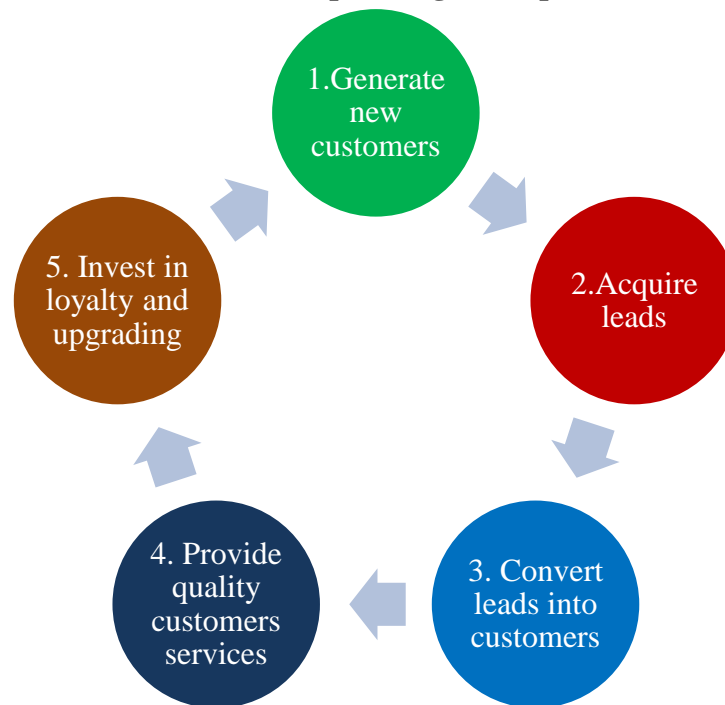
3. Collaborative CRM:

Collaborative CRM are also known as strategic CRM that focuses on customer satisfaction, customer service and customer retention than customer acquisition. To deal with the customers and managing business activities, banking sector should invest in collaborative CRM. To increase the profits, customer satisfaction and royalty various departments in the organization like sales department, marketing department, finance department shares information with each other.

For example, Feedback from a customer collected by technical support team will help marketing team to suggest more suitable products or services to the customer.

Benefits of Collaborative CRM are:

- Improves customer service
- Retaining of existing customers
- Customer data available for multi-channel interactions

Customer relationship management process:-

There are five steps of CRM process are:

1. Generate brand awareness: -The first step of CRM is how to introduce prospective clients to your business is by building brand awareness. There is a lot of competitors in the market so, the marketer should create brand awareness among customers in the market that this particular brand is also exists in the market. Generally, it is the introduction of your business to customers.

2. Acquire leads: -CRM process is just begun from introducing your brand to potential customers. While introducing the brand marketer should encourage the customers to learn more about your business to attracts towards your brand. Marketing campaigns are also beneficial to influence the customers.

3. Convert leads into customers: -The next step of CRM process is conversion of leads into customer. This is the step where you actually see the profits of an effective CRM strategy. When customers are interested about your brand then now it's time to turn those leads into actual customers.

4. Provide quality customer service: -To maintain the customer relevancy providing quality customer service is imperative step. It is of extreme importance to understand what changes are required to improve customer experience.

5. Invest in loyalty and upgrading: -The final step in CRM process is to provide support to customers to boost up the loyalty of customers. In addition to retaining the customers for increasing profits another way is to focus on upgrading their purchasing order by switching their shopping habits to more luxury products or services.

Components of Customer Relationship Management: -

1. Human Resource Management: -Human resource management is an important component of CRM as employees of the organization are considered as crucial assets. Human resource management helps in analyzing the skills of employees in different situations across the organization. So HRM assists in successful implementation of CRM.

2. Customer Service: -Customer service section gathers information and data about the customers purchase behavior, their needs and wants as well as shares this relevant information with concerned departments. This helps in building good relations with CUSTOMER.

3. Sales Force Automation: - Sales force automation is the essential component of CRM which forecasts the sales and recording sales processing. With the help of sales force automation, it is very easy to determine revenue generation opportunities.

4. Marketing: - Customer relationship management assists the marketing by effectively implementation of promotion strategies. Marketer actively track the data about every customer to improve customer understanding and enhancing the customer loyalty.

Positive effects of CRM in banking sector: -

Customer relationship management has a very vital role in the banking sector in establishing, maintaining and retaining of customers as well. Positive effects are as follows:

1. Information obtained through CRM is speedy and exact.
2. Understanding customer behavior and their needs and desires, so that product or service can be customized according to customer.
3. CRM is helpful in selling multiple products of banks such as deposits, credits and investments etc.
4. CRM also helps in boosting the strong customer loyalty and good relationship with customers.
5. Customer relationship management helps in selection of profitable customers.
6. Customer relationship management assists in improving efficiency and effectiveness of sales.
7. By using CRM, banks providing new technologies to customers such as mobile banking, ATM, E-cards etc.
8. CRM provides information about customers that helps in segmentation of market.

Problems of CRM in banking sector: -

Despite of many benefits of CRM, there are some problems that banking sectors are facing such As:-

1. Evaluation of customer perception accurately is a very challenging task facing by banking sector.
2. In developing and retaining of customers loyalty requires huge cost.
3. The most common challenge is shifting of customer from one bank to another to take the benefit of interest rate if another bank offers higher interest rate.
4. CRM is also affected by frequent transfer of operational staff.

The other problem is that all customers are not ready to build a relationship with any organization, they have a perception that organization has collected that much personal information about them.

Conclusion: - The aim of this research was to study the impact of CRM in banking sector. CRM has been a focus point of modern marketing in recent years. The study of CRM play a crucial role in Indian banking sector in attracting the new customers and retaining of existing customers. New technology is highly affected to customer behavior and with the changes of technology customer behavior and perception has changed and customers are demanding more satisfactory products from producer or service provider. It is one of big challenge in the new era of liberalization and globalization for a business is to serve and maintain good relations with the customer for it has only solution only ie. CRM. In Indian banking sector, technology is now in very important position. Every bank wants to use effective and good technology, for fulfillment of their purpose, it is necessary of understanding importance of CRM by every banks. With the help of CRM, banks can easily fulfill the demand of customers at low cost. Banks should provide training to employees in order to develop positive attitude towards customers. The implementation of customers relationship management changes the bank culture from task oriented to result oriented.

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