

A Study on Customer Relationship Management in Banking Sector

Dr. Ajay Verma¹, Dr. Atul Gupta², Mr. Tarun Sharma³

^{1,2}Associate Professor, Department of Management Studies, Swami Keshvanand Institute of Technology, Management & Gramothan

³Assistant Professor, Department of Management Studies, Swami Keshvanand Institute of Technology, Management & Gramothan

ABSTRACT

Customer Relationship Management (CRM) plays a pivotal role in the Indian banking sector, offering a strategic approach to managing relationships with customers and enhancing their experience. This paper examines the impact of CRM on the banking industry in India, exploring how it can improve customer satisfaction, loyalty, and overall business performance. The study reviews existing literature and analyzes various aspects of CRM adoption in Indian banks, including challenges such as training, technology adoption, and changing customer expectations. The findings indicate that CRM strategies can significantly enhance the quality of customer service and strengthen customer relationships, leading to higher retention rates and a competitive edge in the market. Despite the challenges in implementing CRM, such as technological constraints and a lack of skilled personnel, the benefits far outweigh the obstacles. Through the effective use of CRM tools and techniques, Indian banks can foster stronger connections with customers, tailor services to individual needs, and ultimately drive growth and profitability. This paper concludes that the adoption of CRM in the Indian banking sector is essential for banks to thrive in a rapidly evolving market. By embracing CRM practices, banks can achieve higher levels of customer satisfaction and loyalty, which are crucial for long-term success in the industry.

Keywords: Customer Relationships Management, Customer Satisfaction, Customer Loyalty, Data, Information, Banks

INTRODUCTION

Over the years, Indian banks have expanded to cover a large geographic and functional area to meet the developmental needs. They have been handling a world of data about customers - their profiles, location, etc. They have a close connection with their customers and a good knowledge of their wants, necessities and cash positions. The banking sector is in front of massive tasks of attracting the new customers and retaining the existing ones. The difficulties commonly encountered by the bankers are shifting of customer reliability, trouble in synchronizing demand and supply, monitoring the performance quality of human interaction, etc. need to be articulated and tackled by managers. The attraction, holding, and construction solid customer relationships through quality services are at the heart of the modern marketing.

The constant development in the economies takes placed a whole new set of competencies in the hands of the customers. As presented by Drucker that the customer is the ultimate objective of every organization as they are the one who keep the organization alive in the market. Similarly, Mahatma Gandhi also

supported the concept by saying and considering the ‘Customer as King’ and, therefore, developing close and cooperative relationship with customer is more important in the current era of intense competition and demanding customers, than has ever been before. Hence, in the emerging economy, customers are getting possible positive and adverse information about the product through any of the styles of communication. It directly affects the status and sales of the product and outcome in to Profit or Loss.

A sound marketing policy is required to be accepted by the banker to form customer trust and retain them in the business and for competitive advantage across the industry. The policy should emphasis on service quality rather than existing marketing mix, understanding of the customer expectations and perceptions and what they suggest for the marketer, use of technology, planning for service recovery, customer-defined service standards, value pricing, etc. Customer relationship management (CRM) solutions, if executed and integrated properly, can help significantly in improving customer satisfaction stages. Data warehousing can help in providing better transaction experiences for customers over different transaction channels. This is because data warehousing helps bring all the transactions coming from different channels under the same roof. Data mining helps banks analyze and measure customer transaction patterns and behaviour. This can help a lot in improving service levels and finding new business opportunities.

Thus, the customer base of banks has improved, and so has the selections of customers for choosing the banks. This situation coupled with the pressures of competitive and dynamic markets has contributed to the growth of CRM in the banking Sector.

REVIEW OF LITERATURE

Dr. Raja M. Rather, (2013) found that public sector banks are not behind in providing new innovative services and products, customer centric approach by employees, strengthening image of bank, expanding accessibility, offering more augment services to the customers. It further indicates that private sector banks are losing its experience based core competitive area where they started with that leads to serious strategic challenge for private sector banks.

Dr. Sarita Bhatnagar, (2012) observed that Customer Relationship Management has become unavoidable for growth and profitability of Banks in current era marked by rising competition, technological advancement and empowered customers. The CRM practices are adopted to generate better understanding of the customer for product development, segmentation, appropriate targeting, campaign management and maintenance of long term profitable and mutually beneficial relationships with customers. In Indian Banking Customer Relationship Management is still at a nascent stage. A very small proportion of its potential has been utilised. The concept has been implemented on a limited scale. The study investigates the impediments to successful implementation and benefits of CRM.

Suresh Chandra, (2012) Digital generation has overturned long held norms of communication, engagement, decision-making and transaction. It is very essential to generate customer experience at every customer touch point for a successful growth strategy. A good customer experience will drive customer acquisition and promote customer retention which translates into increased profit. Because of intense competition there is decline in brand loyalty. The customers are switching over frequently to avail the better facilitates from other banks. Therefore it is very vital for Public and Private Sector banks to changes their marketing strategy with the help of customers' experience and customers' satisfaction data. Banks need to use customer's related data not only to design marketing strategy but also to assess the performance of their marketing efforts. Banks are under paramount pressure to relate their qualitative data with quantitative performance.

Eid, (2007) discussed the critical success factors (CSFs) for CRM implementation. CSFs can be viewed as those activities and practices that should be addressed in order to ensure the successful implementation of CRM within the banking sector. Eid further developed a conceptual model to integrate the CRM system, covering three different areas: CRM enablers, CRM effectiveness and CRM success.

Liu, (2007) presented an ideal CRM architecture which shows a complete view of CRM activities and projects all the functional areas within the bank. The model is specifically designed for banks and it covers most of the CRM components. The model contains four major functional areas within a bank: contact channel management, customer data management, enterprise-wide management, and IT management.

Bateman & Snell, (2007) observed that CRM is a business process which results in optimized profitability and revenue generation, while achieving customer satisfaction. Often also known as relationship marketing by marketing academicians, CRM is an information technology assisted process that establishes a collaborative environment for businesses to analyze the buying behaviour and product/service requirements of an individual or group of existing as well as potential customers.

SCOPE AND RELEVANCE OF THE STUDY

Primary objective is to accumulate and assemble information from the literature of foremost researchers, consultants and practitioners with objective of recognizing and illuminating the major facet of Customer Relationship Management in Banks. To fill in the appraisal of secondary data, primary data gathered from Public & Private Banks through questionnaire and personnel interview method. Scope of the study is limited to CRM practices of Public Banks and Private Banks.

OBJECTIVES OF THE STUDY

1. To understand and evaluate the effectiveness of CRM in banking sector.
2. To compare the structure, objectives and working styles between various Public Banks and Private Banks.
3. To identify the level of computerization and level of automation by banks to provide better services to customers.
4. To assess the customer satisfaction level.
5. To study the various barriers of effective CRM.

INNOVATIVE SERVICES THROUGH CRM

Banks have prepared several innovations for sustenance by using the CRM System such as:

- The introduction of ATMs.
- Biometric ATMs.
- Electronic Cash
- Teller System.
- Mobile and E-Mail Alerts
- Single Window Service.
- Internet Banking
- Introduction of two in one Accounts.
- Introduction of Plastic Money: Credit Card, Debit Card, Smart Card.

Technological Tools for CRM

- Customer database: A good customer information system should consist of a regular flow of information, systematic collection of information that is properly evaluated and compared against different points in time, and it has sufficient depth to understand the customer and accurately anticipate their behavioral patterns in future. The customer database assistances the company to plan, implement, and monitor customer contact. Customer relationships are increasingly sustained by information systems. Companies are increasingly adding data from a variety of sources to their databases. Customer data policy should focus on processes to manage customer acquisition, holding, and development.

Other Technologies that are used are as follows:

- Electronic Point of Sale (EPOS)
- Sales Force Automation
- Customer Service Helpdesk
- Call Centers
- Systems Integration

Call Centers helps in automating the operations of inbound and outbound calls generated between company and its customer. These solutions integrate the voice switch of automated telephone systems (e.g. EPABX) with agent host software permitting for automating call directing to agents, auto display of relevant customer information, predictive dialing, self-service Interactive Voice Response systems, etc. These systems are valuable in high volume segments identical banking, telecom and hospitality. Today, more inventive channels of interacting with customers are developing as a outcome of new technology, such as global telephone based calls centers and the internet. Companies are now focusing to proposal solutions that leverage the internet in building comprehensive CRM systems allowing them to handle customer interactions in all forms. While CRM solutions are front office automation solutions, ERP is back office automation solution. An ERP helps in automating and giving an integrated view of business, whereas CRM automates the relationship with customer covering contact and opportunity management, marketing and product knowledge, sales force management, sales forecasting, customer order processing and fulfillment and complaint handling by providing an integrated view of the customer. It is necessary that the two systems integrate with each other and complement information as well as business workflow. Therefore, CRM and ERP are complementary. This integration of CRM with ERP helps banks to provide faster customer service through an enabled network, which can direct all customer queries and issues through appropriate channels to the right place for speedy resolution.

IMPORTANCE OF CRM

It reveals that the traditional approach of marketing became insufficient regarding achievement of marketing goals. Thus, scenario created the emergences the new approach i.e. relationship marketing. A CRM contains of a historical outlook and analysis of all the acquired or to be acquired customers. This supports in reduced searching and correlating customers and to foresee customer desires effectively and increase business.

The relationship marketing approaches differs from traditional transactional approach as shown in figure 1.1 and figure 1.2. The aspect of transactional marketing approach has focus on individual transaction. It does not concern continuous relationships with customer. Therefore, its framework does not contain a strategic long term perspective. It only centre around tentative adjustments process regarding performance

of marketing function. Therefore, in this context customers are viewed as outsiders. Under transactional approach customer’s satisfaction, expectation and multiple influences about decision making processes are not given due implication. It reflects very minor attention paid to customer service and customer promise.

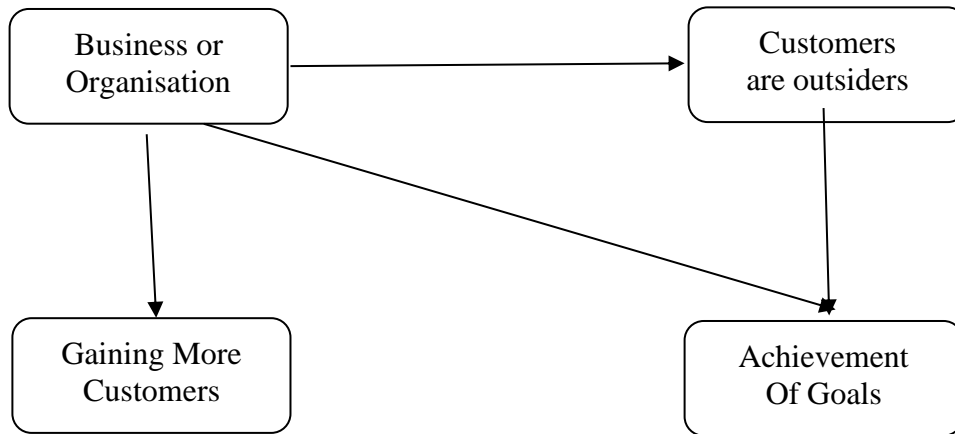


Figure 1.1: Transactional Marketing Framework

On the other way relationship marketing focus on continue marketing instead of isolated individual transaction. The relationship marketing approach consider customer as insider for the organisation. It also aims to build up a long term perspective. In other words, it represents never ending relationship with customer. The idea of holding customers forever enables the relationship marketing approach centres around developing hard core reliable customers. In this approach high degree of customer commitment, contact and services are re-maintained.

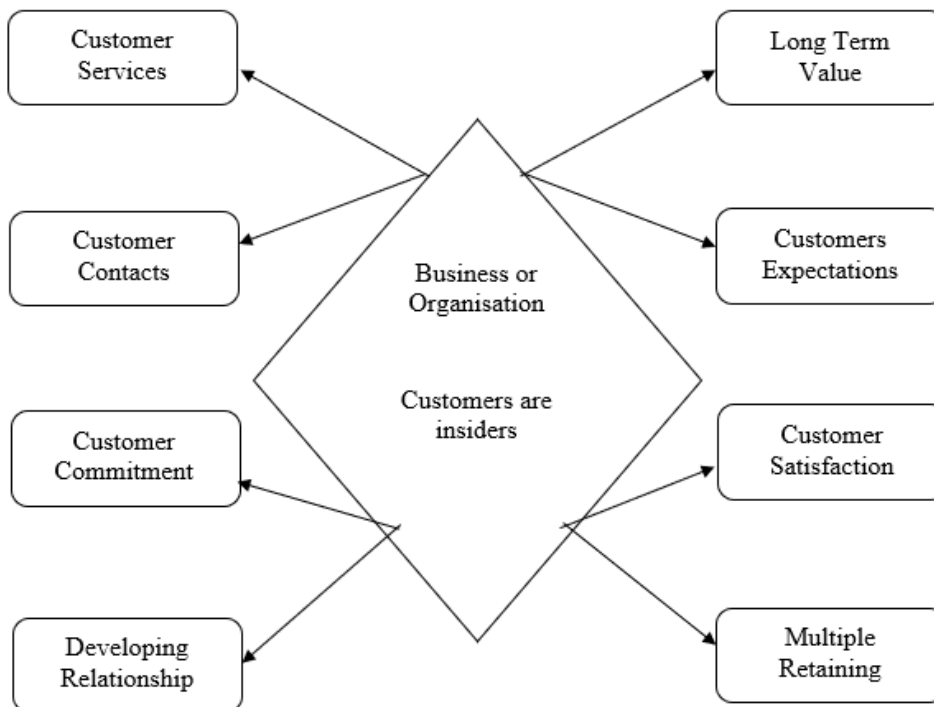


Figure 1.2 Relationship Marketing Framework

Therefore, it is cleared that the second approach has gradually taken the shape of customer relationship management. Relationship marketing has its narrow focus on the customer. It only focuses on the marketing function of the organisation concerned. But CRM focus more widely on customer and also on the entire function connected with customers. Such as value creation and delivery chain of the organisation concerned. Organisations have preferred the use of the term CRM instead of Relationship Marketing.

Need of CRM in the Banking Industry

A Relationship-based Marketing approach has the following benefits:

- Well Informed Customers - The Customers in Banking Industry today are well informed. With the introduction of new technology, the world has become like a small village. Thus, if a Bank wants to have more customers, it should develop a good relationship with its present customers and try to maintain the same in the future also.
- Intense Competition - There is intense competition among the Private Sector Banks, Public Sector Banks and Foreign Banks and they are all taking steps to attract and retain the customers. New technologies, research amenities, globalization of services, the flood of new products and the concept of all the services under one roof to provide better customer service leading to customer delight.
- Decline in Brand Loyalty - In the present scenario, brand loyalty is on decline. The customers are transferring over frequently to avail the better services from other banks. Fresher and superior products and services are being introduced constantly in the market. Thus, the banks have to upgrade their products, improve customer service and create bonds of trusts through proper care of customer needs and regular communications.
- Improved Customer Retention - In the intensely competitive banking industry, retention of existing customers is vital, which can be achieved through the process of CRM. With increased number of banks, products and services and practically nil switching costs, customers are easily switching banks whenever they find better services and products. Banks are outcome it tough to get new customers, and more importantly, keep existing customers.
- Over time, bank customers tend to increase their holding of the other products from across the range of financial products / services available.
- Long-term customers are more likely to become a referral source.
- The longer a relationship continues; the better a bank can understand the customer and his/her needs & preferences, and so greater the opportunity to tailor products and services and cross-sell the product / service range.
- Customers in long-term relationships are more comfortable with the service, the organization, methods and procedures.

CONCLUSIONS

CRM is a powerful concept for the success of any industry. It covers the way to maintain an optimistic relationship with customers to increase the business and profitability. From the Research paper, it is evident that CRM must be implemented in the Banking Sector and the CRM process has to be systematic. The future of Banking lies with the CRM strategies adopted by Banking Companies. Indian Banks have noted a phenomenal growth in the previous decade with the initiation of Economic Reforms. The banks, both Public and Private, have renovated themselves into profit concerned with business organizations besides playing a developmental role in the economy.

The study has taken a wider view about CRM in public sector banks and private sector banks. It is evident from the data, while analyzing the CRM Implementation in both the sectors; it was found that the Private Sector Banks have been able to implement the CRM practices more effectively when compared to their Public Sector counterparts. This shows that strategically speaking, the Private Sector Banks have been further innovative in understanding their customers and in building good associations with them. Private Banks are proposing more value-added facilities for special group of customers (class-banking approaches).

The study of the results received advises that the banks (whether Public or Private) are equally exaggerated by the kind of CRM initiatives they undertake. The banks are now under tremendous pressure to retain the older customers because of the competition in the Banking Sector. This would not only ensure superior customer relations but also loyalty between them, which is very critical and important in today's competitive world. Banks have started acknowledging the significance of the customers in developing their business.

They have recognized that it is necessary to protect and produce its customer base and ultimately its profitability. The CRM attitude adopted by banks emphasizes on maximizing the value for the customer and the bank. The banks can do this by construction a strong relationship with the customers. To meet the customer needs and to beat the competition, they must deliver superior quality service.

The roles of the front office people are quite important in attracting and retaining the customers as reported by the bankers of private banks and large-sized public sector banks. Face-to-face interaction is another strategy adopted by few bankers, more particularly by rural branches and middle-sized banks. The route to a successful business requires that banks understand their customers' needs, requirements and data mining is the essential guide. Extensive usage of Internet is going to be a standard and it's the challenge for the corporate world to fulfill desire of the customers. No doubt CRM is here to take on the business world and essential to compete effectively in today's market place.

Overall, this study would hopefully positively contributed to the body of academic knowledge and will be helpful to offer more service offering and to the building of customer relationships management.

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