A STUDY ON CUSTOMER RELATIONSHIP MANAGEMENT

IN BANKS

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ABSTRACT

Customers are the focal point in the development of successful marketing strategy. Customer retention assumes significance in revenue analysis of various organizations. The success of CRM process depends on the active involvement of all managers and employees in the banking field a unique ‘Relationship’ exists between the customers and the bank. But because of various reasons and apprehensions like financial burdens, risk of failure, marketing inertia etc., many banks are still following the traditional ways of marketing and only few banks are making attempts to adapt CRM. Providing service to customers has been identified as the prime responsibility of the Banks and therefore, Banks considered that CRM is the best tool to perform the job of rendering good services. The lack of understanding on Customer Relationship Management (CRM) is always a concern among the service providers especially banks. Banks have their own way of managing their relationships with the customers. However, the perception of customers on CRM practices among banks should also be taken into consideration. CRM activity attend the needs of customers without delay in time, the banks can create more awareness to customers and can create a customer database very significantly.

Key words: CRM, BANK, CUSTOMER

INTRODUCTION

Customer relationship management is one of the strategies to manage customer as it focuses on understanding customers as individuals instead of as part of a group. CRM manages the relationships between a firm and its customers. CRM and knowledge management are redirected towards improving and continuously delivering good services to customers. To understand customer relationship management, we first need to understand three components which are customer, relationship and their management. Managing customer relationships is important and valuable to the business. Today, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management and its potential to help them acquire new customers retain existing ones and maximize their lifetime value. Banking sector is a customer-oriented service where the customer is the KEY focus. Research is needed in such sector to understand customers’ need and attitude so as to build a long relationship with them. Customer
Relationship Management includes all the marketing activities, which are designed to establish, develop, maintain, and sustain a successful relationship with the target customers.

The effective relationship between customers and banks depends on the understanding of the different needs of customers at different stages. The objective is to effectively analyze all the available data about the customer. The analysis of such data helps a firm assess a customer’s current and potential profitability satisfaction and loyalty. The ability of banks to respond towards the customers’ needs make the customers feel like a valuable individual rather than just part of a large number of customers. CRM is a sound business strategy to identify the bank’s most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, reprising, discretionary decision making, and customized service—all delivered through the various sales channels that the bank uses. In order to succeed with strategic organizational change banks should also communicate the change to customers in a way leading them to alter their behavior and attitudes accordingly.

RESEARCH PROBLEM

Banking sector has always been the focus of society due to its essential role in the finance world and the wellbeing of world’s economy. In the banking field a unique ‘Relationship’ exists between the customers and the bank. But because of various reasons and apprehensions like financial burdens, risk of failure, marketing inertia etc., many banks are still following the traditional ways of marketing and only few banks are making attempts to adapt CRM. It is with this background, the researcher has made a modest attempt towards the idea that CRM can be adapted uniformly in the banking industry for betterment of Banking Services. Particularly in banking sector, the role of CRM is very vital in leading the banks towards high level and volume of profits. So there is a need to study the role of CRM in development and promotion of banking sector through the sidelines of the practices, problems and impact of the CRM on banking sector all the time.

OBJECTIVES OF THE STUDY

The main objective of the study is to examine the importance of CRM in banking sector, and its impact on the ‘Customer Satisfaction’. The other specific objectives of the study are:

1. To review the literature on the concept and use of CRM in banking sector
2. To analyze the perception of customer on CRM as a tool of banking sector in retention of customers in general
3. To offer pertinent suggestions based on the findings of the study.

CUSTOMER RELATIONSHIP MANAGEMENT

In literature, many definitions were given to describe CRM. During the last decades there has been strong orientation on customers’ satisfaction by fulfilling their needs and wants as means for the achievement of organization’s objectives. This underlying
motivation on customer focus is clear mission to create value for customers, stay profitable and gain desired performance. By creating value for customers organizations would gain customers’ loyalty, which in turn would result in business’ growth and profits. The main difference among these definitions is technological and relationship aspects of CRM. Some authors from marketing background emphasize technological side of CRM while the others considers IT perspective of CRM. From marketing aspect, CRM is defined as "a combination of business process and technology that seeksto understand a company’s customers from the perspective of who they are, what they do, and what they are like" Technological definition of CRM was given as a market place of the future is undergoing a technology-driven metamorphosis”. Consequently, IT and marketing departments must work closely to implement CRM efficiently. They focused on the evaluation of the critical satisfaction dimensions and the determination of customer groups with distinctive preferences and expectations in the private bank sector.

The methodological approach is based on the principles of multi-criteria modeling and preference disaggregation modeling used for data analysis and interpretation. Have focused on the management of the exchange relationships and the implications of such management for the performance and development of technology-based firms and their customers. Specifically the customer relationships of new technology-based firms has been studied. The managing relationships with their customers (especially with employees, channel partners and strategic alliance partners) was critical to the firm’s long-term success. It was also emphasized that customer relationship management based on social exchange and equity significantly assists the firm in developing collaborative, cooperative and profitable long-term relationships. They have also hierarchically segmented data sources into clusters, automatically labeled the features of the clusters, discovered the characteristics of normal, defected and possibly defected clusters of customers, and provided clues for gaining customer retention.

**CRM IN BANKING SECTOR**

CRM is a sound business strategy to identify the bank’s most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, repricing, discretionary decision making, and customized service-all delivered through the various sales channels that the bank uses. The model developed here answers what the different customer segments are, who more likely to respond to a given offer is, which customers are the bank likely to lose, who most likely to default on credit cards is, what the risk associated with this loan applicant is. A greater focus on CRM is the only way the banking industry can protect its market share and boost growth. With intensifying competition, declining market share, deregulations, smarter and more demanding customers, there is competition between the banks to attain a competitive advantage over one another or for sustaining the survival in competition.

Over the last few decades, technical evolution has highly affected the banking industry. ATM displaced cashier tellers, telephone represented by call centers replaced the bank branch, internet replaced the mail, credit cards and electronic cash replaced traditional cash transactions. In recent years, banks have moved towards marketing orientation and the adoption of relationship banking principles. The bank would need a complete view of its customers across the various systems that contain their data. If the
bank could track customer behaviour, executives can have a better understanding, a predicative future behaviour and customer preferences. Most sectors of the banking industry are trying to use CRM techniques to achieve a variety of outcomes. In the area of strategy, they are trying to:

- Create a customer-focused organization and infrastructure.
- Secure customer relationships
- Maximize customer profitability;
- Identify sales prospects and opportunities;
- Support cross and up-selling initiatives;
- Manage customer value by developing propositions aimed at different customer segments;
- Support channel management, pricing and migration.
- Gaining accurate picture of customer categories.
- Assess the lifetime value of customers.
- Understand how to attract and keep the best customers.

**CRM OBJECTIVES IN BANKING SECTOR**

The idea of CRM is that it helps businesses use technology and human resources gainsight into the behavior of customers and the value of those customers. If it works as hoped, a business can: provide better customer service, make call centers moreefficient, cross sell products more effectively, help sales staff close deals faster, simplify marketing and sales processes, discover new customers, and increase customer. For CRM to be truly effective an organization must first decide what kind of customer Information it is looking for and it must decide what it intends to do with that Information. Company analysts can combine through the data to obtain a holistic view of each customer and pinpoint areas where better services are needed.

**REVIEW OF LITERATURE**

The following literature review section provides a discussion and argument for the service quality and CRM practices. The phrase CRM appeared in the literature after the evolution in the relationship marketing philosophy. Berry (1983) defined relationship marketing as attracting, maintaining and enhancing the customers’ relationships in multi-service organization. After a few decades, the evolution in relationship marketing philosophy changed the word relationship marketing to CRM. According to Brown (2000) CRM is a process of acquiring new customers, retaining the existence customers, and at the same time understands, anticipates and manages the needs of an organization’s current and potential customers. Furthermore, Mylonakis (2009) described CRM as an innovative process to create a long term relationship and gaining trust. Further, a clear vision of CRM along with appropriate strategies if applies in banking sectors found out that beneficial in maintaining the customer service quality, customer satisfaction and customer retention which ultimately leads to the growth of the organization and profitability (Bansal and Sharma, 2008).
Girdhar (2009) observed that by satisfying the internal customers and building good relationship with them, the relationship with the external customers can also be retained and satisfied by the banks. Kumar & Rajesh (2009) reveals that any bank that wishes to either grow in size of its banking operation or improve its profitability must consider the challenges affecting its customer relationship. The challenge before the banks is not only to obtain updated information for each customer, but also to use the information to determine the best time to offer the most relevant products (Lau et al., 2003). It is also important to understand that if customers bring in profits for the bank, it becomes imperative for the bank to provide excellent services to those customers, otherwise they switch to other banks (Ray, 2007). Service quality in banking implies consistently anticipating and satisfying the needs and expectations of customers.

Parasuraman et al. (1985) also hold the view that high quality service gives credibility to the field sales force and advertising, stimulates favourable word-of-mouth communications, enhances customers’ perception of value, and boosts the morale and loyalty of employees and customers alike. 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 (Sherif, 2002). In today’s competitive banking industry, customers have to make a choice among various service providers by making a trade-off between relationships and economies, trust and products, or service and efficiency (Sachdev et al., 2004). Roger Hallowell (1996) conducted a research on customer satisfaction, loyalty, and profitability and found that as compared to public sector, private sector bank customers’ level of satisfaction is comparatively higher.

CRM is a key to create a superior customer experience. It manages the customer relationship by creating a clear understanding (Know), by developing services and products based on the added value for target groups (Target), then enabling the actual sale and delivery of services and products through the selected channels (Sell), and developing long term profitable relationships with customers after sales services (Service) (Hussain, et al., 2009). Many researchers have been done in various industries especially in the banking sector that focusing on customer oriented services (Ndubisi et al., 2007; Rootman et al., 2008; and Dutta and Dutta, 2009). The literature on CRM suggests that banks should consider the customer relationship life cycle (Dwyer et al., 1987). In general, there are three core phases: customer acquisition, customer enhancement, and customer recovery. The acquisition phase describes the initiation of a customer-bank relationship.

**CRM ANALYSIS AND FINDINGS**

CRM has emerged as a popular business strategy in today’s competitive environment. It is a discipline that enables the companies to identify and target their most profitable customers. It involves new and advance marketing strategies that not only retain the existing customers but also acquire new customers. It has been found as a unique technique which can bring remarkable changes in total output of companies. Through the literature survey and data analysis, it can be inferred that CRM tries to find out the relationship between perception and satisfaction, commitment and loyalty that underlines the significance in Indian Banking Sector. Customers largely select their banks based on how convenient the location of bank was to their homes or offices. With
the advent of new technologies in the business of banking, such as internet banking and ATM’S, now customers can freely choose any bank for their transactions. Private Banks havetraditionally viewed themselves as exceedingly Customer Centricity offering what they believe tobe highly personalized services to the High Net Worth Customers. It is also found that the structured approach of CRM can provide various benefits to a bank, namely a distinctive and consistent customer experience, clear identification of the organization, technological and process-related capabilities.

The banking industry is much further along than other industries in recognizing the value of CRM and implementing decision support systems to support CRM. Though most of the banks have already focused on tactical point solutions, they’re ready for a transition toward strategic, enterprise-wide CRM initiatives that cross major business lines. An ineffective decision support system for CRM enables to collect data about customer from everytouch consolidate this information into a single view of the customer, and use this information for customer profiling, segmentation, cross-selling, up selling and retention efforts. As banks continue to seek a unified understanding of customer relationships across diverse channels, the importance and penetration of CRM is expected to grow like anything.

From the analysis it is found that Customer Retention is not a big challenge to Banks as per the opinions of customers of selected Banks. It is found that though CRM activities have not helped to increase the confidence of the customers in meeting the changing needs, it helped to increase the confidence of the customers while rendering services in mean time efficiently. CRM activities of the selected Banks are not up to the mark in retaining the key customers. During the e-banking era and services based on advising rather than cash services, where the interaction between customer and bank employees is of major importance, banks face the challenge of winning customer’s loyalty through product features and service excellence. This is however, related to winning customers’ confidence of internet banking usage. CRM undertaken by employee approach to customers is found very poor. It is further observed that the CRM activities are initiated and implemented by the Banks in a serious manner, so that the customers in particular and the society in general benefited a lot. Providing service to customers has been identified as the prime responsibility of the Banks and therefore, Banks considered that CRM is the best tool to perform the job of rendering good services.

**DATA WAREHOUSE AND DATA MINING**

Data mining has to be more intelligent and offer information on the customer in real time. It is the database that holds the customer information and serves as the central collective memory of the organization. Company effectively utilizes the data mining to support their sales and service staff in particular. They have also supported their sales and staff with advanced technology which has helped them use the data for the purpose of developing a customized offer. The CRM group analyzes results obtained and designs action plans, such as campaigns, promotions, special marketing initiatives, etc. Plans developed are then implemented by means of the several channels used by the bank to reach customers. Evaluation or results completes the cycle. The results become an integral part of the description of the bank-customer relationship in the warehouse. The learning cycle is thus complete and results obtained can be reused in future analyses and in future marketing plans. It is easy to understand that the Data Warehouse cannot actually be built 'once for all' but is a kind of living structure continuously enriched and updated as the Relational Marketing activity develops.
OLAP (On Line Application Programming) analyses are developed by means of Business Object in its web version. CRM analysts use this tool to issue complex SQL queries on the Data Warehouse or on the Analytical Datamart and carry out mono and bivariate statistics on the whole customers' population or on selected groups. The Analytical Datamart is derived from the Data Warehouse through the following steps:

1. Raw data processing: data selection, data extraction, and data verification and rectification
2. Data modeling and variable preprocessing: variable selection new
   Variable creation, variable statistics, variable discretization.

The above processing, based on traditional data analysis, is strictly dependent on the investigated process; new variable creation, for instance, is intended to aggregate information contained in the raw data into more expressive variables. A simple example is the number of credit transactions on current account that contains much of the information contained in the individual transactions, but is easier to analyze and represent. Variable discretization, based on the distribution of the original variables, is intended to generate categorical variables that better express the physical reality of the problem under investigation. The Analytical Datamart is customer centric and contains the following data:

1. Demographic (age, sex, cultural level, marital status, etc.)
2. Ownership of bank's product/services
3. Product/services usage (balance, transactions, etc.)
4. Global variables: profit, cost, risk, assets, liabilities
5. Relationship with the bank: segment, portfolio, etc.

CUSTOMERS' LOYALTY & SATISFACTION

When faced with organizational change customers usually require explanatory information as to why the change is conducted. It has been argued that the quality of information is the key for organizations to succeed with change. In this case managers should treat information about change as product for customers where customers' needs are clearly recognized. In relation to the organizational changes, the bank should inform its beneficiary customers via personal letter where all the necessary information is provided as to where, when, and how they could do their errands related to services. In my personal opinion, the bank should also use all possible ways for informing its customers, especially in places where customers are interacting with the bank in most. It can be at the desk when receiving service, via personal bank advisor, via e-mail and letter.

The information about the organizational change should be made in a form of short verbal notice when interacting with customers in other banking matters. This way of informing customers is regarded to be the most efficient due to having possibility for making further explanations when customers require such. However, of more significant value for customers is guidance in new system that requires information and education which is positively related to customer loyalty. Moreover, the information process, life cycle of information along with control should be well managed by the bank. Furthermore, the bank should constantly work on ensuring security and privacy of internet banking and e-card usages since these issues are
closely related to the trust and thus customers’ loyalty. The focus should be not only on providing right services for the right customers but also ensure the safety and confidentiality of the operations customers engage into with the bank.

The information about the organizational changes is of the most important value for the customers. Therefore, the information should be given in time, in a consistent and clear way so customers would not be confused with new system. In addition when pursuing its organizational strategies the bank should always consider the cost for educating the personnel and customers especially in the cases of going to complete banking activity. Customers who cannot manage ATMs, e-cards, internet banking would be put aside of the change which could result in less satisfaction of the services offered by the bank. Therefore, it is essential to meet customers’ expectations by studying customers’ demands and needs and try to match or to change customers’ behavior and attitudes with help of well-defined reorganizational strategies.

However, the concept of customers’ loyalty which is seen as relation between the relative attitude that customer has to the services he/she receives and the trust directed behavior he/she shows. Such conclusion could be probably drawn by the personal bank advisors who interact in a specific personal way with beneficiary customers. Relying on the customers’ satisfaction of personal advisors one can say that these beneficiary customers are loyal.

CONCLUSION

The general discussion can be said that the bank is yet to develop an integrative approach which focuses on the customer needs and to deliver to it. As shown by the study, the bank is far from developing a customer centric approach both for the customer as well as for the employees. Thus, for customer relationship management to deliver to its expectations, it should play an integrative role within the bank and ensure that all processes are integrated in the bank global strategy, which is far from reality in the study above. In view of this, to implement a CRM integration strategy, the following recommendations can be adopted:

1. In a competitive environment, the Banks should adopt suitable marketing skills rather than depending on the trading skills. Hence, new services should be constantly introduced to ensure the growth of the Banks and to be competitive in the market and to keep up the enthusiasm of the employees and customers etc.
2. Implement a Customer Centric Process in Banks.
3. Employee Relationship Management first before Customer Relationship Management.
4. Increase customer experience through the web site.
5. Develop channel integration for effective Customer Relationship Management.
6. Proper training should be given to the bank personnel regarding the behavioral patterns by the Banks before they come and work in the field.
7. More importance should be given to handling online transaction and using m-commerce and mobile banking services.
8. It should be realized that customer relation cannot be built overnight. CRM should be considered as Continuous Relationship Management.
9. Data gathered from the customers should be given proper value and it should be properly utilized. Decision making authority should be extended to field force and some resources should be given for faster implementation.
10. The Banking sector is developing and getting higher day by day in urban and semi urban areas; there is large number of customers using the services in the urban and
semi urban areas. So a wide scope in rural areas is expected in the days to come.

Particularly in marketing approach, considering customer retention as a big challenge, provisioning the facilities attending the needs without delay in time, meeting the changing needs creating the database, employee approach to customers, customer awareness, impact of CRM relationship with customer impact over bank objectives, CRM and public image, CRM and updating the data, CRM and customer satisfaction, other nationalized is found quite good. On the other hand, in terms of retention of existing key customers, enhancing customer loyalty, provisionising technological infrastructure, location of CRM, existence of CRM, approaches of CRM, coverage of CRM by e-Marketing, relationship with the customer, CRM’s objectives and making the customer delight, retention of customers benefits of CRM to the organization, loyalty, customer confidence, are found quite satisfactory and in good condition with specific bank. It is very clear from the foregoing analysis that the approach of CRM by banks is to some extent same and one but the reach is quiet distinguishable. It is due to the profile, their capability and the strategy of CRM in making it and reaching down to customers. On the contrary, it can also be asserted that the background of both banks also found as a big cause for reaching the top CRM. Hence, CRM is an inevitable tool of marketing that can be considered as Critical Responsibility of Market with regard to Banks in present context. The results in this study show the respondents either agree or strongly agree on majority of the statements in the dimensions used. This study is significant to banks as they get information on what are items that are important to customers so as to maintain the relationship.

The targeted campaigns through Internet and the call center for customers actively using one or both of these innovative channels for their banking operations. The same approach is now being extended to small and medium businesses and to commercial customers.

REFERENCES


