



ROLE OF CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES IN INDIAN BANKING SCENARIO

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Introduction

CRM is the new buzzword in business circles. As per definition, CRM is the establishment, development maintenance and optimization of long term mutually valuable relationship between consumers and organizations. Successful CRM focuses on understanding the needs and desires of the consumer and is achieved by placing these needs at the heart of the business by integrating them with the organisation's strategy, people, technology and business processes. It is not simply a buzzword, a new business processes. It is not simply a buzzword, a new software package or a breakthrough in sociological research methodologies, It is the renaissance of a belief that at the heart of all transactions is the creation of mutual value for all parties.

Customer Relationship Management

Although CRM is a recent concept, its tenets have been around for some time. Marketing people have always promoted close relationship with customers. Customer profitability has been touted as significant for many years, but has been difficult to determine as most institutions are organized along product or channel lines, as opposed to customer orientation. Similarly the concept of mass customization has been in literature for nearly a decade. However, all have remained essentially theoretical concepts, aspirations rather than a practical or commercial reality. Today, due to advances in ICT, establishment of one-to-one relationship, customer-value analysis and mass customization are possible. Many organizations have recently made a commitment to become customer focused. But implementing customer relationship management is not easy. Optimizing customer experiences at all points of contact and creating real value for customers requires that all business strategies be based on an understanding of customers and their needs. These strategies need to focus on building value for the customer and the organization and achieving greater customer loyalty.

The idea of CRM is that it helps businesses use technology and human resources gain insight 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 more efficient, cross sell products more effectively, help sales staff close deals faster, simplify marketing and sales processes, discover new customers, and increase customer revenues. It doesn't happen by simply buying software and installing it. 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. For example, many financial institutions keep track of customers' life stages in order to market appropriate banking products like mortgages or IRAs to them at the right time to fit their needs. Next, the organization must look into all of the different ways information about customers comes into a business, where and how this data is stored and how it is currently used. One company, for instance, may interact with customers in a myriad of different ways including mail campaigns, Websites, brick-and-mortar stores, call centers, mobile sales force staff and marketing and advertising efforts. Solid CRM systems link up each of these points. This collected data flows between operational systems (like sales and inventory systems) and analytical systems that can help sort through these records for patterns. Company analysts can then comb through the data to obtain a holistic view of each customer and pinpoint areas where better services are needed. In CRM projects, following data should be collected to run process engine: 1) Responses to campaigns, 2) Shipping and fulfillment dates, 3) Sales and purchase data, 4) Account information, 5) Web registration data, 6) Service and support records, 7) Demographic data, 8) Web sales data.

Need for Customer Relationship Management (CRM) in Banking Sector

Customer relationship management is a broad approach for creating, maintaining and expanding customer relationships. CRM is the business strategy that aims to understand, anticipate, manage and personalize the needs of an organization's current and potential customers. At the heart of a perfect strategy is the creation of mutual value for all parties involved in the business process. It is about creating a sustainable competitive advantage by being the best at understanding, communicating, and delivering and developing existing customer relationships in addition to creating and keeping new customers. So the concept of product life cycle is giving way to the concept of customer life cycle focusing on the development of products and services that anticipate the future need of the existing customers and creating additional services that extend existing customer relationships beyond transactions.

- While customer retention is vital for banks seeking to maintain market share, understanding customer profitability is an important factor in a bank's competitiveness. Most of any bank's profits are derived from a relatively small percentage of customers, and a significant number of customers are actually loss making over the course of their relationship with the bank



- As a commercial reality in today's economy, banks need to be in a position to identify profitable customers and improve levels of service for these customers, while wasting less sales, marketing and customer service resources on unprofitable customers.
- Post implementation of Customer Relationship Management, a large bank (according to research by First Manhattan Consulting Group, 2000) learned that 20 per cent of their customers contributed to 150 per cent of their profits. Forty per cent to 50 per cent of the profits. The remainder contribute nothing to the profit picture.
- CRM can help to identify who are the profitable customers and also help to figure out strategies to convert more customers to profitability.
- Banks need dynamic, not just static, information about the client base to achieve even the simplest objectives of CRM. Appropriate CRM technology helps by delivering tools for rationalizing information, working smarter, sharing information and retaining the intellectual capital of the organization.
- Intellectual capital is a functional asset in banking and finance today, and influences what to sell. Client knowledge can no longer be contained solely in the heads of employees, so that if an employee leaves that knowledge does not leave too.

CRM in Indian Banking Scenario

Indian banks have now started to recognize superior customer care and maintenance of well-greased relationship with customers as important tools to profitability. With the growth of awareness and rapid imbibing of the Internet culture, common man is not ready to accept anything less than the best. On one level, CRM simply refers to organizing the bank around the needs of its most valuable, i.e. profitable customers. That is a straightforward concept, and just about everyone in the marketing community would agree that it is a sound business strategy for any bank to follow. CRM represents a new way of doing business for banks. It incorporates such seminal concepts as the sales culture, one-to-one marketing, data warehousing, data mining, customer segmentation, loyalty programs, and cross selling.

To the large banks and other financial services firms, who are spending tens of crores to perfect these strategies, CRM is a state of mind, a behavior, an amalgam of strategies. Quite simply, it puts the customer at the center of the universe. It emphasizes profitability and is technology enabled. These initiatives have gathered such a lot of momentum today that even chronically dormant banks have suddenly become very aggressive customer sawy. Indian nationalized banks, which are largely governed by the RBI norms, are facing stiff competition from foreign banks that have entered India sometime ago. In the wake of such serious competition, Indian banks are left with no choice but to take adequate steps to protect themselves.

IDBI banks have chalked out clear-cut policies for improvement of services to customers. They have identified two main areas of improvement – the lending side and the resource side. In the lending side, they have worked on creating a URL where a customer can get any information on the status of their loans e.g. on the prevailing interest rates, the EMI on the loan which is extended on reducing balance scheme, the updated amounts payable and all other information which a customer normally requires at any stage. All these have been undertaken with the aim of improving relationship with the customers. Since IDBI has still not gone in to the retail banking segment, the bank hasn't yet opened up this option to its web site, but does plan to come up with similar offerings in the long run.

On the resource mobilization front, IDBI prefers to test the waters by trial and error. Here, they have tied up with private placements and auction sites to enhance their facilities like marketing of bonds. Their tie-ups with financial portals like netexpress.com and myiris.com have helped them to reach out to each and every customer thus increasing better value delivery and higher penetration.

Another fast emerging nationalized bank, Dena Bank has adopted different strategy in order to further services to clients. It has struck strategic alliances with private sector banks. This will enable it to work towards mutually beneficial schemes like payment gateways and debit cards. IDBI invested close to Rs.20 crore for this project of formulating CRM and final implementation. It started off on the fast track some 16 years ago on the pretext of improving the computer division (one of the front runners on this upgradation) and is now on the verge of completion. It has already set up call centers and is working on data warehousing. This is all because IDBI is trying to change the very image of the organization. It is trying to shed its erstwhile image of product orientation focus to an entirely new concept of customer relationship approach. The basic platform of operation of the latest development will be of "batch system" type and will be on RDBMS and Unix. It has connected 75 per cent of its offices to the intranet with email and Internet facilities through VSAT connectins. It has also set up an extensive network for MIS covering all the offices with a convergence and compilation at the head office in Mumbai.

Lessons for the New Entrants

When it comes to upgrading to newer technologies, there are immense hurdles organizations face on this arduous task of change, reform and improvement. A major problem that most of the banks face is that of the bandwidth being offered to



them by VSNL and DoT. As a result of this infer structural problem, which is out of their direct control, they are impaired and hence find it extremely difficult to predict the success of their endeavour. Integrating all the software, networking all the branches and most importantly achieving success in changing the old mindset to adopt the new and more sophisticated tools and techniques is not easy. This mammoth task requires hundred per cent commitment and consistent support from the top management and tenacity and perseverance to go through that rough path. IDBI had to face similar problems in their search for competent players during the initial consultancy period and initialization of the project. They derived immense strength from their highly talented human resource and today belong to the clan of lesser fortune banks in the country to have dared to tread the CRM road.

The Opportunity

Today the competition in banking industry has forced every bank to opt for this novel tool to inveigle customers. Time is not far when these very Indian banks take their foreign counterparts head-on on the global scene. There is a big scope for changes and improvement. In fact this is a very dynamic tool without any thumb rule of operation. As a result it is very flexible and each bank designs its own formulation, best suited for its own customers, for its own environment and for its own people.

It is clear that customer relationship management is evolving rapidly and should be at the center of most organisations' corporate strategies. New channels to market, for both product and communication, and new data related technologies are driving this evolution, in particular the need to make the campaign and communication management process operational in a real time environment. The New World of e-CRM is not here yet; for most organizations the vast majority of customer communication remains through direct mail and telephone. But over the next two years customer expectations of how a leading edge organization will operate will inevitably change, and the demand from the customer for instant marketing dialogue between them and the supplier will force the pace of change in the CRM environment. Adopting a correct and future proofed IT infrastructure within the organisation now, allied to the architecture of the communication management systems installed, will provide the platform for successfully driving competitive advantage from customer relationship management.

CRM helps the organizations to understand issues such as:

- One-to-one relationship with customers.
- Frequency Marketing.
- Loyalty programs.
- Cross-selling opportunities.
- Up-selling opportunities.
- Customer Account Management and Business Development.
- Various forms of Partnerships with clients including Co-Branding Joint-Marketing etc.

Present and Future Trends in CRM in Banking Sector

Bank merely an organization it accepts deposits and lends money to the needy persons, but banking is the process associated with the activities of banks. It includes issuance of cheque and cards, monthly statements, timely announcement of new services, helping the customers to avail online and mobile banking etc. Huge growth of customer relationship management is predicted in the banking sector over the next few years. Banks are aiming to increase customer profitability with any customer retention. This paper deals with the role of CRM in banking sector and the need for it is to increase customer value by using some analytical methods in CRM applications. It 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, pricing, discretionary decision making.

In banking sector, relationship management could be defined as having and acting upon deeper knowledge about the customer, ensure that the customer such as how to fund the customer, get to know the customer, keep in touch with the customer, ensure that the customer gets what he wishes from service provider and understand when they are not satisfied and might leave the service provider and act accordingly.

CRM in banking industry entirely different from other sectors, because banking industry purely related to financial services, which needs to create the trust among the people. Establishing customer care support during on and off official hours, making timely information about interest payments, maturity of time deposit, issuing credit and debit cum ATM card, creating awareness regarding online and e-banking, adopting mobile request etc are required to keep regular relationship with customers.

The present day CRM includes developing customer base. The bank has to pay adequate attention to increase customer base by all means, it is possible if the performance is at satisfactory level, the existing clients can recommend others to have banking connection with the bank he is operating. Hence asking reference from the existing customers can develop their client base. If the base increased, the profitability is also increase. Hence the bank has to implement lot of innovative CRM to capture and retain the customers.



There is a shift from bank centric activities to customer centric activities are opted. The private sector banks in India deployed much innovative strategies to attract new customers and to retain existing customers. CRM in banking sector is still in evolutionary stage, it is the time for taking ideas from customers to enrich its service. The use of CRM in banking has gained importance with the aggressive strategies for customer acquisition and retention being employed by the bank in today's competitive milieu. This has resulted in the adoption of various CRM initiatives by these banks.

Strategy of Customer Relationship Management

The following steps minimize the work regarding adoption of CRM strategy. These are:

- Identification of proper CRM initiatives
- Implementing adequate technologies in order to assist CRM initiative
- Setting standards (targets) for each initiative and each person involved in that circle
- Evaluating actual performance with the standard or benchmark
- Taking corrective actions to improve deviations, if any

Suggestions

All organizations have not reaped equal benefits from the same technology. Certain factors should be taken care of when implementing CRM. The following directions can be recommended for CRM adoption.

- Getting a first hand feedback from the customers-preferably through an unbiased party-would be vastly useful in identifying problem areas in the customer relationship cycle, a key for any CRM implementation exercise i.e., a customer rather than management led approach to business should be adopted.
- Winning commitment to the CRM concept at all levels in the organization is critical.
- Short term business innovations should focus on high value customers rather than mass marketing.
- Customer mapping must begin immediately covering Customer identification, Differentiation, Interaction and Customization.
- Successful CRM implementation requires a well planned CRM infrastructure in place that allows capture, storage, and analysis of customer data.
- Organisation must select a CRM software based upon the incremental ROI (Return on investment) that it will bring to the organization. Sans this exercise, the benefits of CRM implementation cannot be fully exploited.
- Prototype the system: prototyping the CRM system facilitates the phasing in of new technology, allows experimentation on a smaller and less costly scale, and tests the system's functionality.
- There is an increasing need in the country for institutions offering high class CRM training programmes to organizations, as this could save enormous cost and time to these organizations on learning and implementing the same.
- Administrate the system: one person or department must be held responsible for overseeing the welfare of the CRM automation system. A key role is the information "gate keeper" who is responsible for ensuring that information is timely, relevant, easy to access, and is positively impacting users' decision making needs.
- Organisations need to select CRM vendors cautiously and must prefer those that offer sufficient training, incentives etc. to their employee/representatives, and bring with them a rich and diverse experience in the field.

Conclusion

In this new millennium there is an enormous opportunity for organizations to improve their customer ownership" by building a coordinate and integrated set of activities, which address all the key strategic elements of CRM. Ultimately, however, organisations success in CRM will involve creating an appropriate strategic vision for the future, making the appropriate choice of applications, creatively using appropriate analytical techniques to exploit the data, and choosing the right vendor for supply of the technology solution. As the CRM journey continues, vendors predict that the near future will see a sharing of common customer interaction channels, with a push toward customization and personalization. There will also be a sharing of business rules across channels and the ability for customers to track channels, with a push toward customization and personalization. There will also be a sharing of business rules across channels and the ability for customers to track channels in a seamless way. Another trend that is fast coming up is partnership among vendors. Seibel has an allegiance program where they work with 300 other companies to integrate and develop products. It is a partnering philosophy to deliver a product, even if they have competitive technology. Partnering is paramount. With regards to this study noting the limited scope with respect to subject selection and sample size with select banks in the Indian banking sector, it would be interesting to expand this research to other industries also. A wide spread study over a longer period of time using a large sample size and a methodology that ensured stronger reliability and validity measurements would make an interesting contribution to the customer relationship management literature.



Customer Relationship Management is concerned with attracting, maintaining and enhancing customer relationship in multi service organizations. CRM goes beyond the transactional exchange and enables the marketer to estimate the customer's sentiments and buying intentions so that the customer can be provided with products and services before the starts demanding. Customers are the backbone of any kind of business activities, maintaining relationship with them yield better result

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