



BUILDING CUSTOMER CENTRIC MARKETING STRATEGIES IN INDIAN BANKING SECTOR - THE CRM WAY

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Abstract

The last decade has witnessed major changes in financial sector as new banks, new instruments and new financial institutions along with new challenges and opportunities. So the concept of Customer Relationship Management (CRM) plays a very crucial role in addressing the challenges and issues. There is a strong sense that CRM efforts will improve the performance of the organization. Technological changes have made all the financial services available at the fingertips of the customer. While banks need to constantly orient their employees towards never losing focus of the customer, technology can be yoked to enable the human aspect to function more effectively. CRM today is much more a human function than technology adoption. The frame work of CRM at banks records the data pertaining to customer at every point of contact and provides a bird's view of customer information regarding his saving and investment patterns. CRM enables banks to augment the value they attracted from customers while customer will get greater value as banks meet their specific needs. The core theme of relationship marketing in banking sector is to focus on collaborative and cooperative relationship between banker and customer. Banking sector is one of the early adopters of CRM by identifying tools, scope and importance. By profiling the customers, banks can identify different market segments in its customer base and could be able to design marketing strategies as per the segment needs.

Keywords: *Banking, Customer, Customer Relationship Management, Relationship Building, Marketing Mix.*

1.1 Introduction

Change is the only factor which is constant in the dynamic world and banking sector is not an exception to that. The increasing levels of deregulations taking place so as to infuse competition have facilitated the globalization of banking sector. As a result good number of foreign banks is established. Along with Public sector banks and Private sector banks, Foreign banks equally gaining their foothold in Indian market. Operating in this dynamic and competitive environment has created many challenges in banking sector. One of the major challenges in front of banking sector today is to protect the customer retention ratio due to increased competition. Customer relationship management (CRM) is one of the most efficient approaches in creating and maintaining valued relationship with customers to retain the existing base.

The primary objective of CRM is to provide the complete information about the customer in 360⁰ point of view at every touch point. Today service sectors such as banks, insurance companies, and others realized the importance of CRM and its potential to help them acquire new customers retain existing ones and maximize their lifetime value. CRM is a sound business strategy to identify strong prospects and customers of banks which devotes sufficient time, cost and attention in order to sustain the relationships. CRM has potential to develop and enhance the bank performance and delivering greater customer value.

1.2 CRM Objectives in Banking Sector

The basic thrust and idea of CRM is to couple human resources with technology to get insights and understanding on consumer behavior and value to the customers. A successful CRM programme in banks will cross sell the products better, simplifies marketing and selling processes and gets the sales closes faster. One of the basic objectives of CRM in banking sector is to define what the basic information requirements are and what to do with that information. CRM analyzes basic buying history, preferences, needs and wants. The ultimate aim of CRM in banking sector is to improve customer loyalty and brand preference.

1.3 Need for the Study

The CRM approach has gained increased attention from practitioners and academia as a marketing approach off late. Changing economic conditions, decreased inflation rates, flexible monetary policy of RBI have made banks to focus on development of customer relations. Banks today is finding difficulty in competing with the basic products such as saving banks, current banks or fixed deposits. Technology advancements are continuously taking place and product features and functions are replicated by every bank. CRM provides an ability to differentiate the submissions of the banks and provide customer a reason to bank with a particular banker. CRM is concerned with creation, development and enhancement of individualized customer relationships with carefully targeted customers and customer groups resulting in maximizing their customer life time value.



1.4 Review of Literature

To understand more in customer relationship management, one must understand three components of CRM viz., customer, relationship and their management. According to Stone et al. (2002) most the financial services institutions are trying to use CRM techniques to achieve a variety of outcomes. Panda(2003) described understanding customer expectations vis a-vis service delivery is more critical in managing relationships with the customers. Peppers and Rogers(2004) revealed that today's managers see customer satisfaction from their eye not from customers' eye . According to Rangaraj (2010), CRM has become one of the major elements of corporate strategy for many organizations. With the increased deregulations, intensifying competition, the only way for banks to retain its market share and protect customers is CRM (Shibu,2011). According to Chary & Ramesh(2012) any financial institution seeking to adopt a customer relationship model should consider six key business requirements , they are Create a customer-focused organization and infrastructure, Gaining accurate picture of customer categories, Assess the lifetime value of customers, Maximize the profitability of each customer relationship, Understand how to attract and keep the best customers, Maximize rate of return on marketing campaigns. Sanjay kantidas(2012) said providing service to the customers is prime responsibility as such CRM can be considered as a best tool to render the services.

1.5 Banking Sector in India

Banking sector in India was operated under beurocratic style till 1991. The Indian banking system consists of 26 public sector banks, 25 private sector banks, 43 foreign banks, 56 regional rural banks, 1,589 urban cooperative banks and 93,550 rural cooperative banks, in addition to cooperative credit institutions. Public-sector banks control nearly 80 percent of the market, thereby leaving comparatively much smaller shares for its private players.

As a result of liberalization, privatization and globalization, banking industry has been subjected to unforeseen changes. Banks in India facing stiff competition from private and Foreign players, volatile customers, changing regulations, high credit risks. All these factors forcing the banks to search for new measures to stay competitive besides maintaining profitability. The banking sector is laying greater emphasis on providing improved services to their clients and also upgrading their technology infrastructure, in order to enhance the customer's overall experience as well as to give banks a competitive edge.

1.6 Marketing Mix of Banks

The real essence of delivering quality resembles in delivering right banking services to the right customer in a right time with a right price. Marketing mix for banks includes banking product, Pricing the banking products, availability of banking products, Promotion of banking products, People who will deliver the services, Procedures through which the products are delivered and Physical evidence of the service products. Basic banking products are saving banks accounts, current accounts, FDRs. With the changes taking place in the technology allied products such as internet banking, m-banking, Self-service kiosks, ATMs along with cash depositing machines are introduced which are tailored made to the real time needs of the customers. Since banks cannot change the price as price refers to interest rates and service charges, banks can project the prices as per the needs of different cross sections of the society. Sometimes interest subventions and re pricing of long term loans such as home loans can differentiate the service price.

Now a days banking activities crossed the traditional boundaries. Banking services are now available at the laptops, mobile phones and at self-servicing kiosks at any time upon the need of customer. Banks now promoting the products through advertisements, using innovative techniques of promotion like email marketing, direct marketing activities. Banks are now coming forward to sponsor local events, donating books, uniforms to schools and needy. Banking services are people oriented. Banking staff are supposed to be well trained to deliver value to the customers through their promptness as the processes deals with money. Physical evidences are the tangible elements such as passbooks, information brochures, records and vouchers.

1.7 CRM and Banking Sector

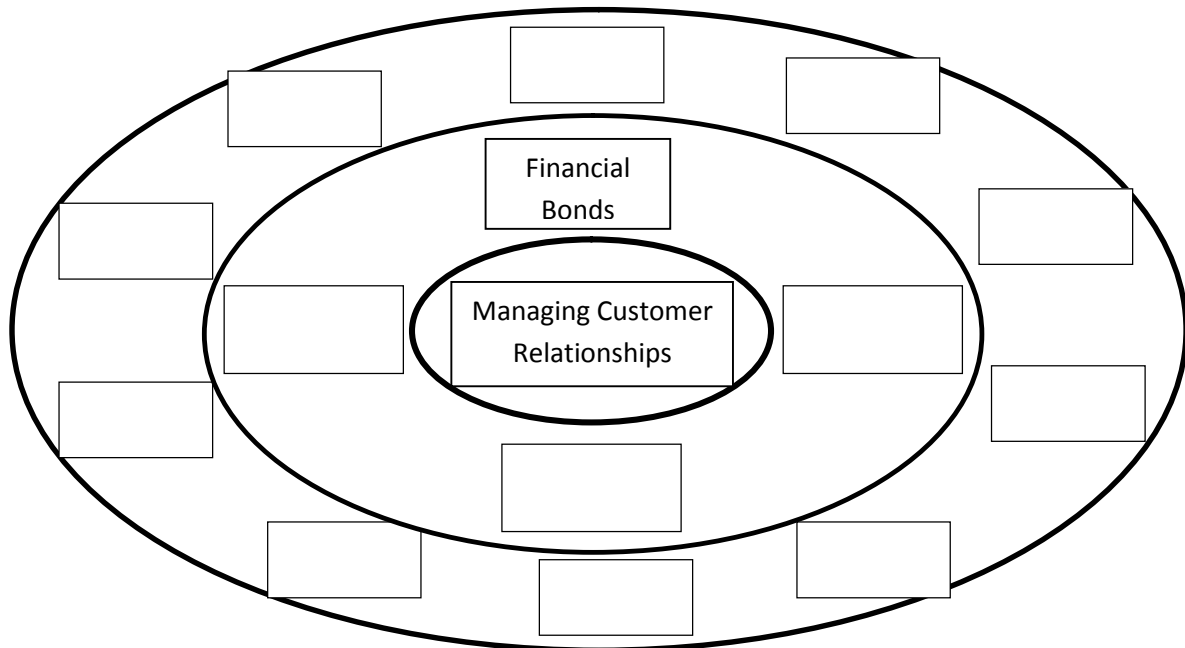
Banking sector is a customer-oriented service where the customer is the key focus. Research is needed in this sector to understand customer's attitudes and perceptions so as to build a long relationship with them. Customer Relationship Management includes all the marketing activities, which are designed to establish, develop, maintain, and sustain a successful relationship with the target customers. CRM identifies the present and future markets, selects the markets to serve and identifies the progress of existing and new services. CRM can be considered as a sound business strategy that banks to devote sufficient time and attention towards fostering relationships with customers through discretionary decision making as banks cannot alter the marketing mix elements such as price.

Though many banks offers access to their products via multiple channels, managing customer relationships has become still more complex. The challenge in front of bankers now is to deliver high quality service across all the channels. This context



enables us to through light on how CRM can be considered as a tool to enhance value, improve relationships and retain the customer. In the good olden days managing customer was quite easy. Most of the customers would have one or two accounts. Banks used to contact them over phone. But the things have changed and become complicated. Now the products or offers of banks are increased as a result the number of customers has also increased. This created a serious problem for banker in contacting the customers. Internet, Mobiles, social networking sites, blogs, and emails make the banker closer to the customer. But still face-to-face interaction has its own significance in banking sector. But the kind of interaction depends absolutely on attitude of the customers.

1.8 A CRM Model for Banking Industry



1.9 Customer Information Systems

Customer information systems provide the basic knowledge about the customer from the banker point of view. Information will be available from every transaction a customer made and from statement generation process. Ideally every bank should maintain information about the customer related to

- Demographic factors
- Life style characteristics
- Disposable incomes
- Profitability contribution
- Credit worthiness
- Purchase behavior
- Contact details
- Visiting history
- Transaction details

Through data mining applications the above gathered data will be sorted, analyzed and useful information will be extracted for leveraging long term relationships so as to ensure customer loyalty.

2.1 Effective Customer Relationships in Banking

CRM has been considered today as one of the sound business strategy. It is a discipline that enables the marketers to segment and target the right customers. CRM is one of the best strategy for retaining the profitable and loyal customers of the bank. CRM in banking sector is a blend of tools that enables the business to grow besides adding new customers to the business. Delivering best service according to the perceptions of the customers, ensuring loyalty with commitment in customer centric approach is the underlying principle in banking sector. The effective relationship between customers and banks depends on the understanding of the different needs of customers at different stages. Banks need to analyze all the available data about the customer effectively. The analysis of such data results the bank to assess the perception levels and loyalty of the



customer. The ability of bank is to make the customers feel like a valuable individual to the institution rather than just part of a large number of customers.

Many banks are still following the traditional ways of marketing and only few banks are making attempts to adapt CRM. The focus of CRM will help banks to understand the customer's current needs, what they have done in the past, and what they plan to do in the future. The effectiveness of CRM requires a three-divided approach. Initially all the CRM efforts should begin with a well-defined plan. Second, an infrastructure must be developed to achieve appropriate CRM objectives in banking sector. The infrastructure should align to meet customer needs, according to their preferences, in the most cost-efficient manner. Finally continuous analytic intelligence should be used to determine and modify consumer behavior.

Technology paves a new wave of banking. Banks now ready to provide 24X7 operations. With internet banking and mobile banking facilities, banking services are provided at any point of time. Banks should choose sophisticated software so as to gather and analyze information in a right time. A separate CRM cell headed by customer relationship manager must be established in order to make CRM a continuous activity. Attracting a new customer is five time costlier than retaining an existing customer. A strong sense of commitment is required from entire banking employees at branch level as customer loyalty is the base for all operations. Regular CRM surveys must be conducted to check the effectiveness of CRM operations. Further banks should respond quickly the complaints raised by the customers. If needed establish a complaint cell with a toll free number.

Banks may also establish an online feedback system where in customers can give their feedback. Banks should ensure high customer satisfaction at every contact point of contact as services are sold in the market through positive word of mouth. Further employees must be trained in such a way to deliver greater value to the customer and to maintain valued relationships with customers. The ability to predict the products that customers are likely to purchase over a period of time and rationalization of business processes are some of the benefits retail banks obtain by taking to successful management of their customer relationships.

Conclusion

To survive in the competition, Indian banking needs to understand the influence of CRM on customer satisfaction and retention. Given an opportunity banks must deliver value to the customer and making him as a part of the business. Banks need to develop an integrated approach in order to focus the needs of the customers. Indian banking sector is flooded with private and foreign banks. Specialized marketing skills are required where all banks almost offers similar kind of products with less or no differentiation. Banking sector should establish customer centric approach where Customer relationship management will play a flagship role. Customer relations cannot be developed overnight or single day. Customer relationship management is a continuous process where bank employees and customers are part of this.

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