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MANAGING CUSTOMER'S RELATIONSHIPS IN BANKING SECTOR

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Abstract
In an age or decreasing customer loyalty, bankers have to place greater emphasis on managing customer relationships so that they can sell more products to their existing customers. Beyond designing strategies to attract new customers and create transactions with then, they have to go all out to retain current customers and build lasting customer relationships. They must build strong economic and social ties by promising and consistently delivering high-quality products, good service and reasonable cost. Indian bankers need to shift from trying to maximize profit on each individual transaction to maximizing mutually beneficial relationships with customers.

Keywords: CRM, Relationship Banking, CEM.

Concept of Relationship Banking

Relationship banking or Customer Relationship Management (CRM) in banks is a comprehensive management system which seeks to touch all areas and functions of banking business connected with value creation and delivery chain of the organization. CRM is neither a product nor a service; it is an overall business strategy that enables organizations to effectively manage relationships with their customers by providing an integrated view of the customers to everyone in the organization. It is a philosophy that places the customer at the heart of an organization's processes and culture to improve his satisfaction and, in turn, maximize profits for the organization. Relationship banking involves creating, maintaining and enhancing strong relationships with customers. It is the process of attracting, maintaining, enhancing and commercializing a relationship between a buyer and a seller. Attracting customers is only the first step in relationship management, while it is the be-all and end-all in a transaction approach. in fact, the actual relationship starts when transaction ends. A sale merely consummates the courtship at which point the marriage depends on how the seller manages the relationship.

Features of Relationship Banking

The relationship banking has certain cardinal features making it distinct from transaction banking:

1. Relationship banking is a proactive strategic system to deal with customers on an enduring basis, keeping in view, inter alia, needs, perceptions, social, cultural changes, lifestyles, spending and consumption habits of core customers, competitors' strategies and the firms' core competencies.
2. Excellence and not the effectiveness is the rule of relationship banking. Excellence in all the spectrum of activities, right from identification of customer needs to the customers satisfaction, signifies doing superb and superior things with accent on productivity, cost, quality, products innovativeness, delivery of world class services and understanding of customers' needs.
3. Relationship banking is a comprehensive approach. It does not belong just to sales and marketing. It is a way of doing business that touches all areas, it is way of thinking about and dealing with customer relationship.
4. Everyone in the organization has to be emotionally attached to the targeted customers.

5. Relationship banking focuses on customer retention and therefore places high premium on building and strengthening long-term relationships with customers. As against this, transaction banking is about customer catching.
6. Unlike the transaction banking which is only converting a prospect to a customer, the relationship banking assiduously cultivates the customer to take him further up in the relationship ladder to a client, a supporter and finally to a partner.
7. Relationship banking is based on basic premise that customers need focused and constant attention.
8. Relationship banking thrusts on creating superior value and satisfaction to customers that result in strong customer loyalty.
9. Relationship banking believes in maximizing mutually beneficial relationships with customers instead in maximizing profits on each individual transaction.
10. Basic objective of relationship banking is to earn customer loyalty and as such it emphasises on sustained post-sale nurturing.
11. There is high degree of customer commitment and care, and greater and consistent involvement of customers in operations of relationship building.
12. Relationship banking rests on mutual trust and confidence whereas transaction banking is based on "Exchange." Hence, transparency is the crux of relationship banking.
13. Relationship banking is more concerned with the repeat customers than with the market share. Accordingly, service encounters with a customer are not of episodic nature las in the case of transaction banking) but of a continuous one of mutual dependency.
14. Relationship banking is based on team system of working. It demands that all of the bank's operating units work together with marketing as a team to serve and satisfy the customer.

Objectives & Research Methodology

The purpose of this study is –

1. To understand customers' perception towards customer relationship management.
2. To enumerate the factors influencing customers' perception towards CRM.
3. To enumerate the components of customer experience management.

This study is based on the information collected from various secondary sources such as books, magazines, newspaper articles, research journals available online and various websites in order to achieve its objectives.

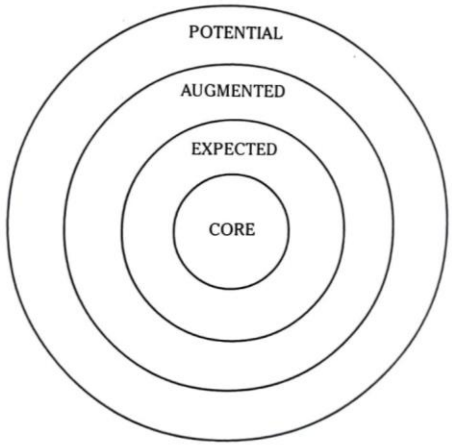
Literature Review

Prof. Sandeep Kumar mentioned (2016) that customer relationship management is one of the biggest challenges for the Indian banking sector especially for the public banking sector, because the customer satisfaction level in public sector banks is not satisfactory as compared to private sector banks. K. Ganesh Murthy (2010) mentioned in own study about various benefits of CRM just like lower cost of recruiting customers, no need to recruit so many customers to preserve a steady volume of business, reduce cost of sales, increased customers retentions and loyalty and evaluation customer profitability. Giridhar (2009) observed that by satisfying the internal customers and building good relationships with them, the relationships with the external customers can also be retained satisfied by the banks. Kumar Rajesh (2009) revealed that any bank that wishes to either grow in size of its banking operation or improve its profitability must consider the challenge affecting its customer relationships.

Customers' Perception Towards Crm

A focus on customer is pivotal to relationship banking. It is, therefore, essential to have an understanding of what customers aspire. Customers normally aspire for higher value from bank to be derived from the services of both tangible and intangible attributes, features and benefits.

There are four different levels that constitute a total product concept. These are core, expected, augmented and potential.



For a banking service such as a deposit account, the core element might be safety and return on deposits.

The customer also expects that the transaction must be completed without undue delay and a neat and accurate statement of account should be sent to him, besides warm and friendly atmosphere in the bank. This is the expected element of bank product.

The banker on his own provides additional services such as a loan facility, a locker or credit card and also makes frequent customer calls which differentiate the product from that of competitors. This is augmented element of products.

Potential element of bank product consists of all potential additional features which a banker is capable of packing into the banking product, besides forging personal rapport with the target customer. At this stage the banker becomes a friend, philosopher and guide to customers.

Process of Developing Relationship with Customers

Process of developing relationship with customers is a circular one. It begins with identification of customer needs which may be manifest in needs and arouse incipient needs through proactive marketing approach. Further, entire range of needs of the customer should be discerned. Once the needs of the customer have been determined, the banker must try to find out an agreed price for the product for delivering the product with value. This value could be by way of product quality, optimum cost, timely delivery, post sales service package, etc. Besides, the value would be both actual (seller's point of view) and perceived (buyer's point of view). It is the creation of value that helps maintain and enhance relationship between the buyer and the seller. Third step involved in the process of relationship banking is to get feedback from the clients about the product offerings and suggestions about improved product use of helpful new products. This will enable the banker to determine the gap, if any, between the upfront promises and the downstream realities and sincere efforts should be made as early as possible to remove the gap so as to avoid any damage to the relationship. This will generate customer loyalty which culminates into customer retention and repeat orders.

Factors Influencing Customers' Perception Towards Crm

During the past decade commercial banks in India have been working hard to improve customer relation management operations and spending enormous funds annually on CRM initiatives as the banks are facing challenge of catering to a more demanding customers someone who is less tolerant of errors or omissions. With the cost to acquire new customers rising ever markedly against the cost to retain customers, they want to hang on for a long time. In addition to building new relationship, bankers are looking at deepening relationships. The bankers are gradually realizing that the cornerstone of the business rests on providing superior products and services designed to add value for customers. There is a huge demand for innovative, value-added products and services that enhance the overall customer experience. The bankers move to provide creative solutions for customers spending needs is in that direction.

Commercial banks in India have, of late, taken several steps to improve services to their customers. The most important ones are -

1. Introducing Multiple Delivery Channels - In their endeavour to ease customer dealings with the banks, most of them have gradually introduced multiple delivery channels, like ATM, Phone Banking, Net Banking to shift the customers away from the traditional brick and mortar banking.
2. Extended Banking Hours Facility - Since in Indian situation branch banking cannot be totally relegated to the backseat because of continuing customer preference for such system, some of the banks like SBI, ICICI, Punjab National Bank and Bank of Baroda have resorted to extended banking hours from 8 a.m. to 8 p.m. in select branches.
3. Management of Customer Complaints - Banks have begun taking serious note of customer complaints. Reply within 24 hours is ensured informing the status of complaint. Even the highest authority personally monitors the progress regarding customers compliant in certain banks.
4. Customer Retention - Banks are now keeping regular track of number of accounts closed and the accounts wherefrom heavy withdrawal is taking place. Reasons for closure of accounts are ascertained to arrest customer attrition.
5. Designing Products and Services to suit Customers - Most of the banks concentrating on their retail portfolio are in the process of aligning their products to suit specific customer needs. Product innovation and modification of existing products are undertaken on an ongoing basis to match the changing needs of the customer.
6. Relationship Pricing - Sensing the fact that relationship pricing strategies encourage customers to have multiple facilities and services with the bank, many banks have introduced various schemes with freebies to attract new customers on the one hand and to establish a long-standing relationship through a spectrum of products, on the other.
7. Customizing the Relationship - Most banks have redesigned their account opening forms with plethora of information primarily with a view to establishing an abiding relationship with the customer and also cross selling bank' s various products.

Customer Experience Management (Cem) In Banks

With deepening competitive pressures, traditional demands of product function, reasonable price and quality have lost their relevance. Even concept of customer relationship management with focus on strengthening long-term relationship has not been found significantly helpful in retaining customers. Everyone is now realizing that no matter what the firm's product offering is, there will always be competitors willing to do it cheaper or better. One can always find a cheaper car, a better-looking designer shirt, a mobile service offering more freebies, an airline with better seats, a bank with more ATMs. As such, if one wants to retain one's premium positioning and higher margins, one is left with

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only one option: delver a really powerful and pleasant customer experience, and reinforce it in as many ways as possible, so that the customer no longer cares if the rival product is cheaper or has more frills. Research shows that customer satisfaction is not enough to guarantee sustained superior performance in the market place; for that a company needs enthusiastic customers.

Emerging competitive pressures centre around the customer's experience and the crucial issue is how to provide customers with compelling experiences that create enduring memories and lasting relationships. The only differentiator that bank can rely on for lasting advantage is the experience that a customer carries within her head. If a customer starts believing in a brand and starts taking some degree of ownership of it, the brand will have become a part of her. From then on, as long as the brand delivers overall customer value and keeps on innovating, it will be tougher or competitors to dislodge. Customer experience is an intangible quality which is different from one person to the other. Experiences are built around feelings, emotions, smells, colours, spaces, sounds, human contact, branding and a thousand other factors and time. A great experience is created because it does not happen by accident and it is not only the result of better product features and functions or better services but because of how it makes people feel.

The objective of any market programme of a bank is to create a platform on which customer can experience something of value. New focal points of a bank should include such things such as feelings, emotions, ideas, actions and connections, able to fulfil people's demands from the heart, whilst also helping enterprises identify new niches in which to operate. The concept of ‘experience’ is closely related to the process of behaviour, which is not restricted to enabling to buy whatever they want. It involves all activities and events experienced as part of the purchasing process. Experience is created when the individual interacts with the enterprise and it is, therefore, important to ensure that these interactions are as perfect as possible as seen from the customer's perspective.

Components of Customer Experience Management (CEM)

1. **Service** - Service is a critical component of experience, and providing good service requires many characteristics, including empathy, sensitivity and caring. It also requires proper tools-the right information delivered at the right time, the right products and the authority to do the right thing.
2. **Technology** - Emerging technologies are enhancing value of products and services and also facilitating greater experiences. For banks, technology becomes the centrepiece because it is the interface to the customers. However, the relevant software has to be designed, customer needs to be anticipated and right information to be provided to users.
3. **Look Beyond the Product** - The key to managing customer experience lies in taking the story well beyond the product. A bank has to provide a comfortable space where human minds can relax and interact freely. Similarly, instead of merely looking at providing "luxury', a bank can think of catering to the exploratory and entertainment needs of the customer.
4. **The Critical Intangible-Trust** - Most of the factors in the customer experience management are intangible and the very first thing on this list is trust. If a banker has built trust in customers’ they will not switch over to other institutions. ln real world, the sad truth is that most organizations are not giving their employees any tools for building trust, and as a result there is a systematic breakdown in the ties that make a market strong.
5. **Realign People Practices** - Every company has to realign its people practices because managing the internal customer is no different from managing the external customer. Without employees enchanting experiences, there is no customer experience. Employees are the creators of customer experiences. If they do not have great delightful experiences, they will not deliver one to the

customer. Either through product and service innovations, or through exceptional customer service, employees are the people that cement the relationship with customers. Employees experiences are the ways to make them want to do it.

Conclusion

The relationship banking is based on the premise that customers do not merely buy banking products or services, but solutions to their problems. This is more so in the case of high value customers of critical importance, who mostly belong to the corporate sector. In relationship banking, bank's people, processes and technology are integrated in such a way as to maximize the relations of the bank with all types of its customers. The true value of relationship banking is to transform strategy, operational processes and business functions so as to retain customers and increase customer loyalty and profitability. Realising, though belatedly, that it is customers on whom depends the ultimate survival of banks and it is they whose willingness to pay for a product or service converts economic resources into wealth and things into goods and it is they who determine what is its business and, what it produces and whether it will prosper, commercial banks have, of late, embarked upon long-term marketing plan with focus on customers. However, they are still finding it too difficult to woo new customers and retain the existing ones because of higher value offered by the new players in terms of cost, quality, product differentiation, delivery and service. The mind-boggling question before Indian bankers today is how to attract customers and retain them.

With deepening competitive pressures, concept of CRM has been found lacking in retaining customers. It is, therefore, being realised that if a bank intends to retain one’s premium positioning and higher margins, one is left with only one option: deliver a really powerful and pleasant customer experience and reinforce it in as many ways as possible so that the customers no longer cares if the rival product is cheaper or has no frills. Thus, concept of customer experience management (CEM) is gaining prominence these days. Focus of CEM is on customers, technology, look beyond the product, trust, realignment of people practices.

Regarding CRM operations by commercial banks in India, it has been noted that during the past decade the banks have been striving hard to improve customer relationship management operations and spending enormous funds yearly on CRM initiatives. They have, of late, taken several steps to improve services to their customers. Realising the inadequacy in banking services, the RBI issued in recent times specific guidelines to the banks. Even the Banking Ombudsman Scheme has been revamped in 2006 in order to enlarge its extent and scope of the authority and make the scheme more effective. The RBI has also directed the banks to build adequate institutional machinery, for formulating policies and executing them to the benefit of customers. The RBI permitted banks to deliver cash and drafts to the individual customers at their doorsteps on request.

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