

Customer Relationship Management In Banking Sector

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ABSTRACT

The banking business is becoming more and more complex with the changes emanating from the liberalization and globalization. For a new bank, customer creation is important, but in an established bank the retention is much more efficient and cost effective mechanism. CRM is a sound business strategy to identify the banks most profitable customers and prospects, and devotes time and attention to expanding account relationships with them. Customer data may be used as a platform for CRM systems for communicating, creating loyalty, customer service, trust cultivation and relationship maintenance.

This paper studies about the role of CRM in banking sector and the customer perception about CRM.

KEY WORDS : Customer Relationship Management (CRM), Banks, Customers

INTRODUCTION

Within the present business environment, characterized by an increasingly aggressive competence, the battle to win customers is stronger everyday .Companies that enter to compete in a new market weaken the already existing and solid ones, due to the new ways of doing and conceiving business. One of the factors that have driven all these changes is the constant change and the evolution of technology. Because of this reality, the Customer Relationship Management concept has evolved in such a way that nowadays it must be

viewed as a strategy to maintain a long term relationship with customers.

The key to success in business is focusing on customer's needs, providing the products and services that suits their needs and managing the relationships with them to make sure they repeat their purchases. The only key to success in business is applying Customer Relationship Management (CRM). The term CRM can be explained by four words as follows:

- (1) **KNOW** : CRM manages the customer relationship by creating a clear understanding ;
- (2) **TARGET** : CRM was developing services and products based on the added value for target groups ;
- (3) **SELL** : CRM was enabling the actual sale and delivery of services and products through the selected channels ; and
- (4) **SERVICE** : CRM was developing long term profitable relationships with customers after sales service.

Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer. It involves integration of marketing, sales, and customer service, and the supply-chain functions of the organization to achieve greater efficiencies in delivering customer value.

Over the last few decades, technical evolution has highly affected the banking industry. For more than 200 years, banks were using branch based operations. Since the 1980s, things have been really changing with the advent of multiple technologies and applications. Different organizations got affected from this revolution; the banking industry is one of it .In this technology revolution, technology based remote access delivery channels and payment systems surfaced. 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, and interactive television will replace face-to-face transactions. In recent years, banks have moved towards marketing orientation and the adoption of relationship banking principles. The key motivators for embracing marketing principles were

the competitive pressure that arose from the deregulation of the financial services market particularly in India. This essentially exposed clearing banks and the retail banking market to increased competition and led to a blurring of boundaries in many traditional product markets . The bank would need a complete view of its customers across the various systems that contain their data. If the bank could track customer behavior, executives can have a better understanding, a predictive future behavior and customer preferences. The data and applications can help the bank to manage its customer relationship to continue to grow and evolve.

EMERGENCE OF CRM

In recent years however, several factors have contributed to the rapid development and evolution of CRM. These include the growing de-intermediation process in many industries due to the advent of sophisticated computer and telecommunication technologies that allow producers to directly interact with end- customers. Another force driving the adoption of CRM has been Total Quality Management. When companies embrace TQM philosophy to improve quality and reduce costs, it became necessary to involve suppliers and customers in implementing the program at all levels of the value chain.

CRM BENEFITS

CRM enables an organization to gain better information on customers' values behaviors, needs and preferences and helps it gain a competitive edge over its competitors. CRM generates benefits by synthesizing customer information in to knowledge.

Commentators have grouped CRM benefits under two main paradigms: operational and strategic benefits.

Operational benefits refers to the operational savings of an organization resulting from its improved internal efficiency. CRM enables a company to redesign its processes to improve its operational efficiency, such as marketing and customer support, front- office efficiency, and productivity in sales, which in turn decrease customer related costs.

Strategic benefits consist of the tactical, opportunistic, and competitive advantages derived from the impact of electronic data interchange and Extranet on business processes and relationships.

ROLE OF CRM IN BANKING INDUSTRY

1. Over time, retail bank customers tend to increase their holding of the other products from across the range of financial products/ services available.
2. Long-term customers are more likely to become a referral source.
3. 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.
4. Customers in long-term relationships are more comfortable with the service, the organization, methods and procedures. This helps reduce operating cost and costs arising out of customer error.
5. 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.

CRM OBJECTIVES IN BANKING SECTOR

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, Web sites, 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.

OBJECTIVES OF THE STUDY

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

REVIEW OF LITERATURE

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.

According to Brown (2000), CRM is a process of acquiring new customers, retaining the existence customers as given them profitable and at the same time to understands, anticipate , and manages the needs of an organization's current and potential customers.

Ryals and Payne (2001) stressed CRM is a management approach that use information technology to build a long term relationship with customers and at the same time give the profit to the organization.

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

RESEARCH METHODOLOGY

The present study is based on both primary and secondary data. Primary data was collected through a well structured questionnaire from among the 120 customers of a selected nationalized bank in Palakkad district. Secondary data was collected from various journals, books, articles, sites etc.

RESULTS AND FINDINGS

1. From the analysis, it is found that only few customers recognise that there is a change in marketing approach of Banks due to changing business environment. Majority of customers uncertain that the CRM is centered in a particular department very few of the customers have accepted that CRM is prevalent through all the levels in the Banks.
2. 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.
3. It is found that Customer Retention is not a big challenge to Banks as per the opinions of customers of selected Bank.
4. It is beyond doubt that when banks through CRM activity attend the needs of customers without delay in time, the banks can create more awareness to customers and can create a customer data base very significantly.
5. All the customers are uncertain about CRM of a Bank that contains creation of complete customer database. Technological advancement adopted by Banks was not useful to get the update and latest information over CRM.
6. Most the customers have not accepted that the selected Bank is not showing interest in CRM activities, with full attention but maintaining the same as a compulsion. CRM activity has been felt as an additional workload by the employees.

CONTRIBUTION OF CRM TO BANKS

- Customer Information Assimilation and Storage
- Analyzing Profitability
- Aiding Marketing Efforts

- Gaining New Customers
- Relationship Management
- Assisting Customer retention

CHALLENGES OF IMPLEMENTING CRM

1. Getting management sponsorship.
2. Quality of customer data.
3. Lack of skilled people.
4. Determining the right time for customer needs.
5. Using customer data more intelligently.
6. Using right technologies.

CONCLUSION

The domain of customer relationship management extends into many areas of marketing and strategic decisions. CRM refers to a conceptually broad phenomenon of business activity, and if the phenomenon of cooperation and collaboration with customers. CRM has the potential to emerge as the predominant perspective of marketing. Building relationships with customers is a fundamental business of every enterprise, and it requires a holistic strategy and process to make it successful.

Today, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management (CRM) and its potential to help them acquire new customers, retain existing ones and maximize their lifetime value. At this point, close relationship with customers will require a strong coordination between IT and marketing departments to provide a long-term retention of selected customers. This paper deals with the role of Customer Relationship Management in banking sector and the need for Customer Relationship Management to increase customer value by using some analytical methods in CRM applications.

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