
Benefits of Customer Relationship Management to the Banks and their Customers

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ABSTRACT

A long term relationship with customers to protect its stability in today's blooming market. Customer's expectations are now not only limited to get best products and services, they also need a face-to-face business in which they want to receive exactly what they need and in a quick time. Organizations are increasingly interested in retaining existing customers while targeting new customers. Customer satisfaction provides an indication of how successful the organization is at providing products or services to the marketplace. The new competitive weapon is customer relationship management for organizations for serving internal and external customers. CRM is a business strategy directed to understand, anticipate and respond to the needs of a

current and potential customers of an enterprise in order to grow the relationship value. The Customer Relationship Management is the decisive procedure for every business. Banking sector emphasizes on the interaction, relationship management and networks to identify and satisfy the customer's wants and needs in order to achieve higher revenue and profits in the current competitive market. The customer relationship management in the banking sector is implemented to serve customers. The aim of this paper is to identify and describe the benefits of using customer relationship management in the banking sector.

Key Words: Customer Relationship Management, Banking Sector, Benefits, Customers



I - INTRODUCTION

The continuous development in the economies has placed a whole new set of capabilities in the hands of the customers. As presented by Drucker that the customer is the ultimate objective of every organization as they are the one who keep the organization alive in the market. Similarly, 'Customer as King' and, therefore, developing close and cooperative relationship with customer is more important in the current era of intense competition. Customers are getting possible positive and negative information about the product of the modes of communication in the developing economy. It directly affects the reputation and sales of the product and result. Several factors have contributed to the rapid development and evolution of CRM in recent years. Due to the advent of sophisticated computer and telecommunication technologies these include the growing de-intermediation process in many industries that allow producers to directly interact with end-customers. In many industries such as the airline, hospitality, banking, insurance,

computer software, or household appliances industries and even consumables, the de-intermediation process is fast changing the nature of marketing and consequently making relationship marketing more popular. These industries individualize their marketing efforts through database and direct marketing tools.

In today's environment customer relationship management systems are becoming popular in most sectors and have emerged as a chief business strategy. Involving human and technical dimensions customer relationship management has been widely accepted and practiced as the most effective marketing technique. All round customer centricity and commitment of the entire organization is involved in customer relationship management. Business competition, marketing and economic advancement of a country is a critical challenge of effective customer relationship management. Integrating technology, procedures and people customer relationship management ensures the relationships with

customers to increase the organization's market share.

Customer relationship management is important to maintain the customers, increase their loyalty and satisfaction and profits of the organization. Businesses continuously improve the efficiency of their operations using IT to achieve high productivity. Information systems and technologies are used by managers to complete higher levels of efficiency and output in business operations particularly with changes in business practice management (**Esprit, 1997**). Information systems and technologies are major tools that firms use to create new products and services as well as developing new business models. Business models describe to create wealth how a company produce, deliver, and sell a product or service (**Wilder, 1996**). Information technology (IT) is the management and use of information using computer-based tools. It involves acquiring, processing, storing, and distributing information. Majority of companies run with the tools and functions

produced by information technology. All business activities use some form of technology with the new technologies in place, and the explosion of the Internet (**Andam, 2003**). The establishment, development, maintenance and optimization of long-term relationship between customer and organization are customer relationship management. The main aim is to find, attract, and win new clients, retain and reduce the costs of marketing and client service. Company-wide business strategy including customer-interface departments as well as other departments described by customer relationship management (**Meroz, 1996; Kotler, 2006**).

The core of the banking business is customers and customer relationships. Looking back, firstly, experts suggest that banks floundered too many expectations from the customer relationship management and secondly, not having the right internal processes that could complement the customer relationship management system. Neither banks nor the vendors realized that

CRM goes much beyond technology in those early days. The bank needs to change the organizational structure and processes adequately to support a customer relationship management solution. As expected, without these process and culture enhancements in place, the ambitious enterprise-wide customer relationship management programs fell flat. These flawed experiences with CRM in the past, banks are realizing that they cannot afford to ignore the philosophy behind CRM. Ensuring that every bank employee is better informed to deal effectively with customers and their needs with a powerful customer relationship management solution, it provides a complete perspective of a customer's relationship with the bank across multiple channels like e-mail, telephone, interactive voice response, branch, web chat and across multiple products. It enables banks to understand customer's expectations and preferences, offer the potential to deliver higher levels of personalized service and more effectively implement cross-selling and up-selling strategies.

II – CUSTOMER RELATIONSHIP MANAGEMENT

Customer relationship management is a business strategy and technology that aims to understand, anticipate and manage the needs or requirements of organizations current and potential customers. With the goal of improving business relationships with customers, customer relationship management is a term that refers to practices that companies use to manage and analyze customer interactions and data throughout the customer life cycle. By strengthening customer satisfaction, loyalty and advocacy, customer relationship management is a company-wide business strategy designed to reduce costs and increase profitability.

Berry (1983) Customer service management is a key component of business today. The concept is very important as it incorporates customer, customer service, customer satisfaction, customer value, customer loyalty, customer retention, etc. It is linked to Customer Relationship Management (CRM) and Customer Experience

Management (CEM). CRM and customer service management are interchangeably used. Relationship Marketing attracts maintains and enhances customer relationship.

Jeremy Galbreath and Tom Rogers (1999) founded that CRM is a new management concept - a new approach - to managing customers. CRM is about the management of technology, processes, information resources, and people needed to create an environment that allows a business to take a 360-degree view of its customers. CRM environments are complex and require organizational change and a new way of thinking about customers - and about a business in general. Creating such an environment requires more than adequate management of the customer relationship or new technologies, it requires new forms of leadership as well. Customer relationship leadership, or CRL, is a new model to recreate or readjust their leadership styles in order to foster an atmosphere in their

businesses to adopt and practice the principles of CRM.

Hemachandra Mulridhar Padukar (2000) described that the CRM as a strategy used to learn about customer needs and behaviors in order to develop stronger relationships with them. There are several electronic components used to support CRM that makes the concept as e-CRM. He studied the role of technology in the better performance of the CRM. The electronic components are very significant as it provide better customer service, cross sell products more effectively, discover new customer and increase customer revenue.

CRM is defined by **Couldwell (1998)** as “a combination of business process and technology that seeks to understand a company’s customers from the perspective of who they are, what they do, and what they are like”. According to **Bergeron (2001)**.The implementation of customer relationship management results in several changes and revolutions in the organizational structure and improvement in the competitive performance

and abilities. The results can be predicted from implementing customer relationship management systems in every organization. These include increase in the customer satisfaction, customer development management, new business opportunities, customer recognition, categorization of customers into profitable and non-profitable customers, and appropriate business plan development.

III – CUSTOMER RELATIONSHIP MANAGEMENT BENEFITS

Two major areas are the main concentration of customer relationship management: to build a closer and broad relationship with customers and based on customer needs to increase organizational capability to coordinate its behavior with individual customers, or what the organization knows about his/her requirements and interests. This is because existing customers are always more portable than prospects customers, and less cost to selling more products to existing customers. Coordinating the products and services with

consumer needs and expectations are important to attract more customers. Correspondingly, attracting new customers is much more costly. Certainly, for the organization, the main goal of customer relationship management is to maximize the value of customer life cycles (**Payne and Frow, 2004**).

In CRM initiatives and growth of customer equity benefits are considered as a critical connection. These central benefits of CRM will be connected conceivably in the end of customer equity to the three kinds of equity they are relationship, value and brand. To provide value drivers eight core benefits were recognized. They are:

- Improved ability to target profitable customers.
- Incorporated assistance across channels.
- Improved sales force efficiency and effectiveness.
- Better pricing.
- Personalized products and services.

- Enhanced customer service efficiency and effectiveness.
- Categorized marketing messages

Munandar and Dadang (2011)

suggested that CRM has positive and important effects on customer loyalty, and that changes in the company's customer loyalty are directly related to changes in the implementation of CRM. This means first customer relationship management needs to be implemented to increase customer loyalty. Customer satisfaction and loyalty is linked by a better customer relationship management implementation. Loyalty will ultimately affect the performance of the company because this indicates that customer loyalty needs more attention of the company. Customer loyalty is a customer commitment to deal with a particular firm, and purchase their products and services. A loyal customer encouraged others to do business with the firm. The most important asset of a company is the loyal customers and it is essential to keep loyal customers who will contribute long-term profit to the organization. Loyalty is a

psychological awareness process or the observable reaction of a consumer in a business context, where intentional and factual retention or intensification of the relationship is based on specific reasons (Keaveney, 1995).

According to **Kamrul Islam Shaon S.M and Rahman H (2015)**, customer relationship management is an essential to understand what factors motivates customers. Customer relationships are more important as market conditions to get more adverse. Demand patterns of customers as well as life cycle of products and services are changing due to increasing competition in the marketplace. Through customer relationship management understanding the customer allows organizations to offer the desired service to the customer. Customer relationship management benefits to customers may include:

- Customer relationship management increases customer retention and loyalty.

- Customization of products and services.
- Customer relationship management maintains less process and high quality of products and services.
- Meet customer expectations.
- Improvement in customer satisfaction and loyalty.

According to **Nastaran Mohammadhossein and Nor Hidayati Zakaria (2012)**, the following are the customer relationship management benefits for customers, such as

- Improved customer service.
- Increased personalized service.
- Responsiveness to customer's needs.
- Categorize the customers.
- Improve marketing customization.
- Integration of multi-channel.
- Time saving.
- Improved customer knowledge.

According to **Maximillah Bitutu Muro, Peterson Obara Magutu and Kepha Nyankora Getembe (2013)**, benefits of

customer relationship management systems use in commercial banks include:

- Ensured professional behavior of the employees of the bank.
- Developed and improved new products for the customers.
- Help banks to understand their customers' demography and analyze loan performance.
- Allow banks to develop its customer's base and sales capacity.
- Ensured personalized attention.
- Make available effective services.
- Increase effectiveness of the customers' services and conduct risk analysis.
- Built a long lasting relationship with improved processes.
- Promptness in handling customer complaints.
- Facilitated variety of products offered.
- Enabled to conduct risk analysis and increase customer service effectiveness.

According to **Mazin Ahmed Mohamed Bilail, Peter Charles Woods and NourEldin Mohamed Elshaiekh, (2014)** in the banking sector the implementation of customer relationship management with knowledge management will provide various benefits. These benefits help banks in their different activities. These benefits are given below:

- Customer profiles created.
- Customer satisfaction levels are increased.
- Effectiveness of web-enabled services.
- Customer centre efficiency and profitability is improved.
- Improved business intelligence.
- Supported problem solving and accessed to relevant information.

Each and every individual customer's information can be stored and organized by customer relationship management system and easily retrieval them. Person or employee can save the time of themselves and customers for pointing about the information at the time of selling. In addition company managers and marketers can analyze

customer behaviors and trends in less time and then, complete more systematic research about the company's customer base and product contributions. CRM will let companies to interact with customers more regularly, by personalized way of message and communication. On a timely basis, this can be produced rapidly. Therefore finally they can better understand their customers and look forward to their needs.

After reviewing the studies some of the benefits are more significant to customers by the implementation of customer relationship management in the banking sector. They are as follows:

- Customers are well educated with the up to date financial information.
- Improved product and services.
- Time saving.
- Focused on customers and needs or requirements of the customers.
- Personalized marketing.
- Increased customer loyalty.
- Improvement in customer satisfaction.
- Integration of multi-channel.

- Customer knowledge will be improved.

The implementation of customer relationship management system in the banking sector, the banks and bankers are getting the following benefits:

- Ensured professional behavior of the employees.
- Develop new products.
- Improve and offer new products.
- Develop its customer's base and sales capacity.
- Providing effective services to their customers.
- Built a long lasting relationship.
- Promptness in handling customer complaints.
- Facilitate variety of products.
- Enable to conduct risk analysis.

IV – CONCLUSION

Customer Relationship Management Systems helps to the banking sector with their competitive business in the competitive world. In that competition, acquiring new customers is difficult and also holding

existing customers is a quite challenging task.

Maintaining relation with existing customers is a dynamic job. That is why the implementation of customer relationship management systems in the banking sector can play a critical role in success of the banking sector. A powerful customer relationship management solution provides a complete perspective of a customer's relationship with the bank across multiple channels. Nowadays, managers are gradually using customer relationship management to improve the revenue and profit, quality of product and services, retention of customers, satisfaction and loyalty of customers. The benefits are emerging and the companies are more interested in using CRM systems by implementing a successful customer relationship management. There are many benefits for banking sector by the result of implementing customer relationship but there are a number of benefits that will have a positive impact on customers. It is clear that by means of and implementing CRM will have an impact on customers. Satisfying the

customers means increasing revenue and income for banking. Accordingly it is in necessary part on the policy makers and strategist of each banking sector to understand and improve the benefits of CRM from customer's perspective which can finally lead to customer's satisfaction and loyalty. Customer relationship management is very important to the banking sector to increase knowledge about the clients, improve active customer contact, increase the satisfaction of the clients and increase the return per client. Therefore there are four steps that banks should take to benefit from customer relationship management, modify their commercial product vision to a customer centric vision, integrates different channels effectively and efficiently, make sure data quality and set up complex marketing strategies.

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