

An Integrated Approach of customer relationship of management in Indian Banking Sector

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Abstract

CRM is most crucial and very important in service sector. Creating a relationship with the customers is quite easy as compared to retention the customer. Customers want from the service provider that they give maximum services to them which is equal to the money which they are paying. Relationship building with customers is now accepted and very crucial for the industries to maintained relation with same pace. In service industries, the goal is especially emphasized since a repeat customer is believed to cost merely a fraction of what needs to be sent in servicing a new customer is service transaction. It is believed that relationships flourish when marketers meet customers' core expectations and exceed in respect of other features of their total offering. Service firms have been the pioneers in adopting the practice of CRM practices.

In this paper, we study about the approach of CRM in banking sector. How the CRM will help to create a good relationship with the customer for a long time rendering their services to the target customer.

Key Words: Banking, Strategies, Customer Relationship Management (CRM).

CRM and its Features

Customer Relationship Management is a strategy which is customized by an organization to manage and administrate its customers in an efficient manner for achieving excellence in business. It is primarily entangled with following features:

1. **Customers Needs-** An organization can never assume what actually a customer needs. Hence it is extremely important to interview a customer about all the likes and

dislikes so that the actual needs can be ascertained and prioritized. Without modulating the actual needs it is difficult to serve the customer effectively and maintain a long-term deal.

2. **Customers Response-** Customer response is the reaction by the organization to the queries and activities of the customer. Customers are the “God” which provides response on the rendering services. Dealing with queries of customers is very important as small misunderstandings could convey unlike perceptions.
3. **Customer Satisfaction-** Customer satisfaction play a major role in CRM because if customer will satisfy with the services then they create a new snowball customers and if customers are dissatisfied then try to make them satisfy.
4. **Customer Loyalty-** Customer loyalty means create a faith between the customers and the organization. To create and maintain the loyalty with customers, it may need to improve the satisfaction level. Hence, customer loyalty is an influencing aspect of CRM and is always crucial for business success.
5. **Customer Retention-** Customer retention is a strategic process to keep or retain the existing customers and not letting them to diverge or defect to other suppliers or organization for business. Usually a loyal customer is tended towards sticking to a particular brand or

product as far as his basic needs continue to be properly fulfilled. He does not opt for taking a risk in going for a new product. More is the possibility to retain customers the more is the probability of net growth of business.

6. **Customer Complaints-** Always there exists a challenge for provider to deal with complaints raised by customers. Normally raising a complaint indicates the act of dissatisfaction of the customer. There can be several reasons for a customer to launch a complaint. A true reason can also stay alive due to which the customer is dissatisfied but sometimes complaints are begin due to some sort of misunderstanding in analyzing and interpreting the conditions of the deal provided by the provider regarding any product or service. Handling these complaints to ultimate satisfaction of the customer is substantial for any organization and hence it is essential for them to have predefined set of process in CRM to deal with these complaints and efficiently resolve it in no time.
7. **Customer Service-** In an organization, Customer Service is the process of delivering information and services regarding all the products and brands. Customer satisfaction depends on quality of service provided to him by the provider. The organization has not only to involve and simplifies the details of the services to be provided

to the customer but also to bear with the conditions as well. If the quality and trend of service go beyond customer's expectation, the organization is supposed to have a good business with customers.

Customer Relationship management is the strongest and the most well-organized approach in sustain and craft relationships with customers. Customer relationship management is not only pure business but also build a strong personal bonding within people. Development of this type of bonding drives the business to new levels of success.

Benefits of CRM

In spite of the complexity of the perception in CRM, a number of benefits could be related with building customer relations. Harrison (2000:231) points out some as:

- It allows cross selling opportunities, leading to low customer expenditure over time. The attraction of building customer relationship is the promise of cross selling; selling additional products and services to existing customer base and that it is generally believed that longer term customers will buy more and if satisfied with the company and the company has what the customer wants, the customer will buy from the same financial services.
- Building good relationship with customers, the company will compete

with their rival competitor. Harrison is of the view that retained and satisfied customers may be less susceptible to competitors appeal and indicates that Stum and Thiry (1995) argues that a satisfied customer may demonstrate immunity to the pull of competition.

- Harrison maintains that sales, marketing and set up cost are amortized over a longer customer life time. Linked to this point is that associated with acquiring a new customer which incurs initial set up cost and can be recouped over time. The ratio of cost to retention is high: it is costing up to five times more to create a customer than to keep one (Clutterback 1989; Liswood 1989). According to Harrison, Riechheld and Kenny (1990) argue that customer economics generally improve over time, which is why it is important to take a lifetime value perspective which considers the potential life time income from customer relations to the cost attributed to the customer.
- By understanding customers better, firms can provide higher levels of customer service and develop deeper customer relationships and as such CRM can be used to pin point high value customers, target them more effectively, cross sell the company's product and create offers tailored to specific customer requirement (Kotler et al., 2005).

- Apart from the author's perception about the benefits of CRM, the other benefits may also they are;
- Develop better communication channels
- Database collection
- Create detailed profiles of individual customers
- improved customer satisfaction
- Identify new prospects of selling opportunities
- It may be create better market share and profit margin
- Creates better revenues
- More effective and efficient in reaching the customer and doing marketing
- Rendering better customer service and support
- Improved response time to customer requests for information
- Superior customer loyalty
- Enhanced to meet customer needs and wants.
- Craft strong position against global competition

CRM and Indian Banking Sector

Now, we talked about the Indian banking industry which has witnessed rapid development in recent past with the

initiation of financial sector reforms. The thrust of financial sector reforms was to improve efficiency, competitiveness and productivity of the financial system which is delivering to the account holder or new customer. The entry of new generation private sector banks which provided technology aided services like Internet Banking, Mobile banking, Inter Branch Network etc has electrified the banking environment in India and has added a new dimensions to automation in Indian banking.

Customer relationship management is a vital factor to improve the performance of the banks. Most of the banks in India are new turning to CRM as they are increasingly realizing that the cost of acquiring new customers is for higher than the cost of retaining existing customers. This quest has led to the implementation of CRM in banks. The concept of CRM is in the initial stage of implementation in banks, as getting the CRM philosophy work in a bank is quite complex as well as a challenging task for, its implementation is based on certain key principles, namely;

- The banks must realize that all customers having different preferences and belonging to different background.
- Customer profitability varies from person to person.
- Not all customers are evenly desirable for the banks.
- The banks must differentiate their customers based on the 'value criteria'.

- Value is the profit that the customer adds to the bank account.

A more profitable customer is a 'High Value' customer and a less profitable customer is a 'Low Value' customer.

In recent years, the banking industry around the world has been undergoing a rapid transformation. In India also, the wave of deregulation of early 1990s has created heightened competition and greater risk for banks and other financial intermediaries. According to a RBI statement, in future, India will have a competitive banking market as one of the most attractive market after 2009. India will see foreign banks come in, with more benefits offered to a customer. Therefore, it is imperative that Indian banks wake up to this reality and re focus on their core area and tries to maintain the customers and learnt how to retain the customers. A greater force on CRM is the only way the banking industry can protect its market share and to enhance the growth rate. The success of CRM strategy is all depends on its ability to understand the customers need and to integrate them with the organizations strategy.

Strategies adopted by Indian Banks

Financial institutions were no more different from other organizations. Banking in every part of the world is serving as backbone of the country's economy. Goldsmith states that "financial development in different countries of the world starts with Banking Financial Institutions" (1969). This is primarily due to the fact that amongst all

financial institutions, banks have the major share in granting loans to individuals for their needs. For businesses requiring short term working capital, banks are the main source (Rose & Hudgins, 2005). However, with increased competition over the years, banks started losing customers. Findings by Basel Committee in 1999 revealed that banks have a large deficiency in "know-your-customer" policies which resulted in loss of valuable customers (Basel Committee on Banking Supervision, 1999). This was a shocking manifestation since banking cannot survive without customers and un-satisfaction amongst the clients could lead to shut down of the complete organization.

Here, some banks are the adopting a following approaches to target their customer and building a customer loyalty. They are;

Customer 360° view - Creating a unified customer view by assembling and manipulate data from various sources including the data warehouse.

Integrated sales platform - Multi-wave process workouts to ensure unification and consolidation of all unstructured processes and semi automated processes.

Customer experience management - Enabling improved relationship management by creating virtual portfolios and accountability

Cross Selling Capability - The platform operates across all channels, providing global visibility and status of offers.

Mobile ATMs: Customers of Bank can access their bank accounts through mobile ATMs. These ATMs are kept in vans and parked at locations that have a high traffic of bank customers such as the commercial areas in a city or up market residential areas

Bulk Deposits: Bank's Bulk Deposit ATMs enable customers to deposit large amounts at one time. Unlike conventional ATMs, which are able to accept only 30 notes at a time, these ATMs allow the deposit of huge amounts. The bulk deposit facility can be availed of by select customers who need to deposit huge amounts of cash.

Mobile phone as a Virtual Wallet: The mobile phone has been transformed into a virtual wallet a new innovation in mobile commerce.

Conclusion

As new technologies and channels emerge, the need to control costs and maximize the ROI from existing CRM investments raises many questions:

- How can a bank lower its operational cost structure while leveraging the newest technologies?
- How can it manage its customer service/call center workforce more efficiently and effectively?
- How can the bank's investment in customer care be refocused to create a permanently lower and more flexible cost base?

With intensifying competition putting pressure on increasing required customer service levels and improving top-line revenues, investment in new capabilities to make the customer relationship stronger and more profitable is critical for future growth. However, it is important for banks to maintain a tight rein on their costs while deploying these solutions.

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