

A CONCEPTUAL STUDY ON CUSTOMER RELATIONSHIP MANAGEMENT IN BANKING SECTOR

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Abstract

In Today's scenario, companies quest for customers to please them in every respect and offer them the best deal. "Customerise everything" is the new realization of every profit-making company because they are the revenue and profits. It is also significant to note that if customers bring in profits for the company, it becomes domineering for the company to provide excellent services otherwise they may switch to other companies. Amongst some Indian banks and PSBs (private sector banks) were driven for a long period by the fulfillment of service objectives. This paper highlights from the perspective of profitability, Implementation process that adopted currently and benefited from it. It also focuses on how the banks are rendering services to attract and retain their customers; this can be analyzed on following Parameters such as Product, People, Service and Images. Some of them are also suggested to maintain CRM practices in banks. CRM is a sound business strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationships with Banking Industry in India has undergone a rapid changes followed by a series of fundamental developments. The research work is an empirical study intended to explore the technological revolution that the commercial banks witnessed and how far it has benefited banks to build better customer relationship management (CRM) services of public sector banks with private sector banks. Furthermore, a comparison would also be made to find out the expectations of the customers from the banking stream and on various technical and structural fronts.

Keywords - Customer, Management, Banking sector, CRM

INTRODUCTION

Customer relationship management is one of the strategies to manage customer as it focuses on understanding customers as individuals instead of as part of a group. CRM manages the relationships between a firm and its customers. CRM and knowledge management are directed towards improving and continuously delivering good services to customers. To understand more in customer relationship management, we first need to understand three components which are customer, relationship and their management. Managing customer relationships is important and valuable to the business. Today, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management and its potential to help them acquire new customers retain existing ones and maximize their lifetime value. Banking sector is a customer-oriented service where the customer is the KEY focus. Research is needed in such sector to understand customers' need and attitude 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.

Thus in this era of increased competition, in order to prosper, it will be imperative for the banks to develop long term relationships with the customers by offering quality services. Developing long term relations with the customer depends basically on three dimensions product quality, service quality and relationship quality for any kind of industry. This fact is also applicable for banking industry.

REVIEW OF LITERATURE

Little Piggy, (2012)¹ Customer relationship management (CRM) is a co-ordinate approach in business to maintain the relationship between the firm and its customers to satisfy and retain the firm's customer, in turn helps the firm to exist in business and to attract more customers by giving promotions and more comfort in doing business with the firm.

Kumar & Rajesh (2009)² 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

STATEMENT OF PROBLEM

Banking sector has always been the focus of society due to its essential role in the finance world and the wellbeing of world's economy. In the banking field a unique 'Relationship' exists between the customers and the bank. But because of various reasons and apprehensions like financial burdens, risk of failure, marketing inertia etc., many banks are still following the traditional ways of marketing and only few banks are making attempts to adapt CRM. It is with this background, the researcher has made a modest attempt towards the idea that CRM can be adapted uniformly in the banking industry for betterment of Banking Services. Particularly in banking sector, the role of CRM is very vital in leading the banks towards high level and volume of profits. So there is a need to study the role of CRM in development and promotion of banking sector through the sidelines of the practices, problems and impact of the CRM on banking sector all the time.

OBJECTIVES OF THE STUDY

- To study and understand the concept of CRM.
- To study the CRM Practices in Banking Sector in India.
- To examine the importance and Benefits of CRM in banking sector.

CRM IN BANKING SECTOR

CRM is a sound business strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, repricing, discretionary decision making, and customized service-all delivered through the various sales channels that the bank uses. The model developed here answers what the different customer segments

are, who more likely to respond to a given offer is, which customers are the bank likely to lose, who most likely to default on credit cards is, what the risk associated with this loan applicant is. A greater focus on CRM is the only way the banking industry can protect its market share and boost growth. With intensifying competition, declining market share, deregulations, smarter and more demanding customers, there is competition between the banks to attain a competitive advantage over one another or for sustaining the survival in competition.

Over the last few decades, technical evolution has highly affected the banking industry. 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. In recent years, banks have moved towards marketing orientation and the adoption of relationship banking principles. The bank would need a complete view of its customers across the various systems that contain their data. If the bank could track customer behaviour, executives can have a better understanding, a predictive future behaviour and customer preferences. Most sectors of the banking industry are trying to use CRM techniques to achieve a variety of outcomes. In the area of strategy, they are trying to:

1. Create a customer-focused organization and infrastructure.
2. Secure customer relationships
3. Maximize customer profitability;
4. Identify sales prospects and opportunities;
5. Support cross and up-selling initiatives;
6. Manage customer value by developing propositions aimed at different
7. customer segments;
8. Support channel management, pricing and migration.
9. Gaining accurate picture of customer categories.
10. Assess the lifetime value of customers.
11. Understand how to attract and keep the best customers.

IMPORTANCE OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

The concept of customer relationship management is dynamic in nature and therefore required for its effectively and efficiently implementation in the in organisation of Indian banking sectors. Customer relationship management is not only pure business but also ideate strong personal bonding within people. Development of this type of bonding drives the business to new levels of success. Once this personal and emotional linkage is built, it is very easy for any organization to identify the actual needs of customer and help them to serve them in a better way. Although It is a belief that more the sophisticated strategies involved in implementing the customer relationship management, the more strong and fruitful is the business, but it may or may not be correct from actual situation is concerned.

Most of the organizations have dedicated world class tools for maintaining CRM systems into their workplace. Some of the efficient tools used in most of the renowned organization are BatchBook, Salesforce, Buzzstream, Sugar CRM etc.

1. A CRM system consists of a historical view and analysis of all the acquired or to be acquired customers. This helps in reduced searching and correlating customers and to foresee customer needs effectively and increase business.
2. CRM contains each and every bit of details of a customer, hence it is very easy for

track a customer accordingly and can be used to determine which customer can be profitable and which not.

3. In CRM system, customers are grouped according to different aspects according to the type of business they do or according to physical location and are allocated to different customer managers often called as account managers. This helps in focusing and concentrating on each and every customer separately.

BENEFITS OF USING CRM IN BANKING INDUSTRY

Certainly a benefit for each company is to achieve better economic results thanks to achieving higher value from every interaction with a customer. Competition is very sharp in current market. Companies must take care of a customer in every area of their specialization by using various communication channels. Customer expects perfect services whether he calls a help line, asks a dealer, browses a web site or personally visits a store. It is necessary to assure him in a feeling that he communicates with the same company whatever form of communication, time or place he chooses. According to Matusinska (2009, p. 191) the basic advantages and benefits of CRM are these:

- Satisfied customer does not consider leaving
- Product development can be defined according to current customer needs
- The ability to sell more products
- Optimization of communication costs
- Proper selection of marketing tools (communication)
- Trouble-free run of business processes
- Greater number of individual contacts with customers
- More time for customer
- Differentiation from competition
- Real time access to information
- Fast and reliable predictions
- Communication between marketing, sales and services
- Increase in effectiveness of teamwork
- Increase in staff motivation

IMPLEMENTING CRM

To ensure the well functioning of the concept of customer relationship management for successfully implementation in banking sector prospects, and devotes time and attention to expanding account relationship with those customers through individualised marketing, reprising, discretionary decision making, and customized service through the various sales channels that the bank uses. Any financial institution seeking to adopt a customer relationship model should consider six key business requirements (Chary & Ramesh, 2012), these are:

1. Create a customer-focused organisation and infrastructure.
2. Gaining accurate picture of customer categories.
3. Assess the lifetime value of customers.
4. Maximize the profitability of each customer relationship.
5. Understand how to attract and keep the best customers.
6. Maximise rate of return on marketing campaigns

CHALLENGES FACED BY BANKS IN SUCCESSFUL IMPLEMENTATION OF CRM

- The difficulty of obtaining a complete view of customers.
- The need to move away from disjointed, standalone, and inconsistent channels to

provide a cohesive, multichannel offering.

- The burden of disconnected legacy systems and disparate databases that store client financial data.
- The cost and complexity of meeting stringent government regulatory and client security and privacy requirements.
- The pressure on margins and growth prospects from increased competition.
- The costs associated with retaining customers and developing customer loyalty.

Although CRM can help banking institutions efficiently manage their customers, many banks fail to meld the concept into the prevailing work culture. But the high incidence of CRM failure has very little to do with the CRM concept itself. Usually it's a case of the banks failing to pay attention to customer data they already have.

CONCLUSION

The general discussion can be said that the bank is yet to develop an integrative approach which focuses on the customer needs and to deliver to it. As shown by the study, the bank is far from developing a customer centric approach both for the customer as well as for the employees. Thus, for customer relationship management to deliver to its expectations, it should play an integrative role within the bank and ensure that all processes are integrated in the bank global strategy, which is far from reality in the study above. In view of this, to implement a CRM integration strategy. But we have to understand the reason behind such practices between public sector banks and private sector banks. Therefore, the concept of customer relationship management is not sufficient in itself but the most important thing is that how we are implementing it in an organisation to keep our customer happy so that they can retain their customer and make them loyal.

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