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**CUSTOMER RELATIONSHIP MANAGEMENT IN BANKING SECTOR: A STUDY****<sup>1</sup>Dr. G. M. Dumbre, <sup>2</sup>Prof. Kaldante K. H.**<sup>1</sup>vice-Principal & Head, <sup>2</sup>Asst. Professor

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**Abstract**

*In India as well as world banking system is the core of all financial activities including lending and depositing money, providing loans to institutions and private players and institutions. Intoday's competitive scenario, companies pursuit for consumers to satisfy them in every respect and offer them the best services." Customer is everything "is the new realization of every profit – making company because they are the revenue and profits. This paper helps to understand the concept and meaning of CRM, current scenario in Indian Banking System and also enables the researcher to know the steps involved in implementation of CRM in Banking Sector. This Paper also tried to identify the factors influencing the Customer Relationship Management practices (CRM) in Bank in Pune District. Total 250 samples were taken and correlation and mean scores were calculated to analyze the data.*

**Keywords:** CRM, Customer Satisfaction, Customer Loyalty, customer retention etc.

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**Introduction**

CRM means different things to different people. Scholars and practitioners defined this concept of CRM in different senses and different perspectives. Hence, many attempts have been made to define CRM in domain of philosophy, process, technology and capability.

Customer relationship management is a relatively new and innovative practice in marketing which has replaced many traditional concepts of marketing by focusing and catering to individual needs and offering them tailor made products and services. Hence, now-a-days

CRM has overtaken the market and going to put a revolutionary change in the market that brings a hope of entirely different and new future for marketers (Brown 2000) Simply CRM can be defined as attracting maintaining and enhancing customers' relations (Berry, 1983).

**Concept of CRM:**

The following Table shows various definitions of CRM.

Morgan and Hunt (1994)	CRM is all about marketing activities directed towards establishing, developing and maintaining successful relationships
Hobby (1999)	a management approach that enables organizations to identify, attract, and increase retention of profitable customers by managing relationships with them
Kalakota and Robinson (1999)	‘CRM’ means to allow all o work for satisfying all of system which integrates sales, marketing and after-sale services.
Stanley and Brown (2000)	a business strategy to understand, anticipate and manage the needs of an organizations current and potential customers
Swift Ronald (2000)	CRM is a iterative process that turns customer information into positive customer relations
Bradshaw and Crash (2001)	Management approach that involves identifying, attracting, developing and maintaining successful customer relationships over time in order to increase retention of profitable customers

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. 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. More often, managers always make mistakes by seeing customers’ satisfaction from their eye not from customers’ eye (Peppers and Rogers, 2004). Banking sector is a customer-oriented service where the customer is the KEY focus. Customer Relationship Management includes all the marketing activities, which are designed

to establish, develop, maintain, and sustain a successful relationship with the target customers.

### **Significance of the Study:**

Thus, CRM is a managerial philosophy that seeks to build long term relationships with customers. CRM can be defined as the development and maintenance of mutually beneficial long-term relationships with strategically significant customers (Buttle, 2002). It is the establishment, development, maintenance and optimisation of long term mutually valuable relationships between consumers and the organisations. Successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes.

### **Objectives of the Study**

The present study is conducted to satisfy the following basic objectives:

1. To gain an insight into the concept and meaning of CRM.
2. To overview the CRM Practices applied in Banks.
3. To study the measures undertaken by the banks to maintain CRM.
4. To review the important and relevant literature on concept and application of CRM in Banks.
5. To know the demographic profile of Bank Customers.
6. To examine the factors of CRM practices in Bank.

### **Hypothesis of the Study:**

1. It is believed that there is scope for CRM Practices application in the Banking sector in India.
2. CRM helps the Banks to understand the needs and requirements of Customer.
3. CRM Practices enables the Banks to improve their customer satisfaction and customer loyalty.

### **Scope and Limitations of the study:**

This study is limited to customers of the banks in Pune District only, which may not be able to give real picture and generalized result. The present study tries to understand the CRM application only in the Banking Sector and not in any other sector. Hence, the results of this study will applicable only to Banking sector. This this study is entirely based on the small sample of 250 customers which are randomly selected from total population. Sometimes respondents does not give their true information and therefore conclusions drawn on the basic of this information are misleading.

### **Research Methodology:**

The data required for this research is collected by using various types of sources which are as follows:

- a. **Primary Data:** Primary data required is collected by administering questionnaire to customers.
- b. **Secondary Data:** Secondary data is obtained from various research papers, journals, newspapers, thesis, dissertations, articles and different reference books. Some of the information is obtained by surfing different websites.

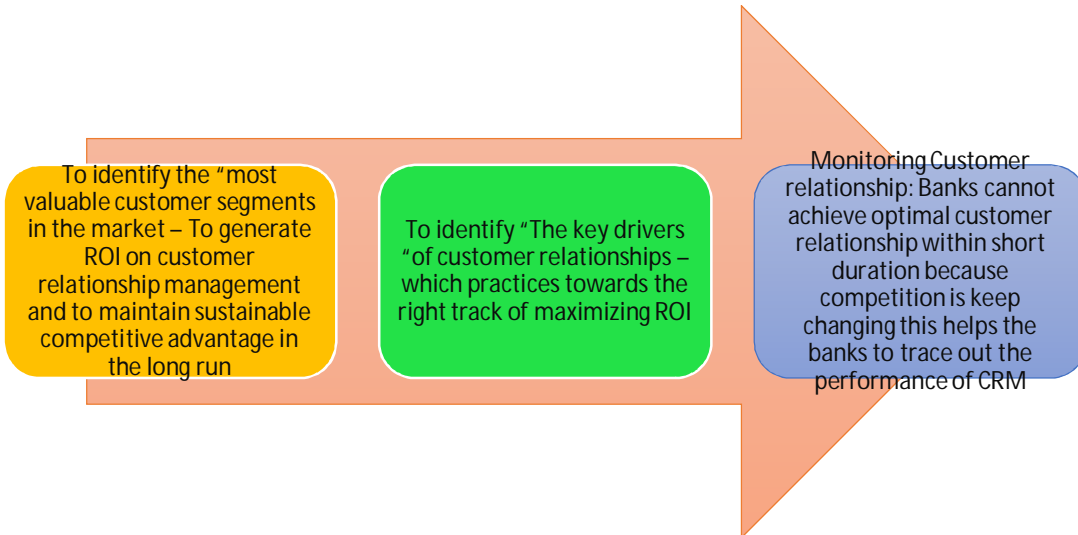
### **An Overview of CRM Practices in Banks:**

Innovative strategies for distributing and delivering services ensure a better competitive advantage. Some of the noteworthy ones, banks until a decade ago, was brisk and mortar institutions that usually allow the customer to conduct their banking needs between 10 am and 2 p.m. but now philanthropy of initiative have transformed the distribution and delivery of banking services. Banks like ICICI extended their banking transactions from 8 am to 8 p.m. the mode of transaction are i) Internet ii) Telephone iii) ATM iv) Call bank's representative home. The noteworthy is that by enabling customers more convenience the banks has not only won the heart of customers ,but also technology enabled automated systems (like ATM's Internet) have resulted in lesser Transaction cost of Banks. Some Indian banks and PSBs (public sector banks) were driven for a long period by the fulfillment of services objectives. This paper highlights how Banks are implementing various processes for the benefit of customers. It also focuses on how banks render their service to attract and retain their customers. The current practices of Indian banking industries vary in terms of purchasing power and income. Due to this some banks and financial institutions undertake a thorough research and apply their results beneficially how CRM is accepted as the current marketing strategy and put into practice properly. The life time values of customers are turning towards implementing the CRM in their Banks.

Customer information is used to identify and select target markets and to position the product or service suitably. There are 4 components that determine the perceived value of the customers such as benefits of the products and services is compared with competitions. Performance benefits as perceived by the customer and relative importance of each of these benefits to the customer are measured under some circumstances. Some of the **approaches adopted** by the banks to evaluate the perceived value of the customers are:

- 1) **Value - in use:** The value of the customers can be evaluated based on the current product and service. This estimates the economic impact of the customers.
- 2) **Direct customer response:** Banks estimates how the customers react when their expectations are not fulfilled.
- 3) **Indirect customer response:** Here many banks are doing marketing research to estimate perceived value for their products or services.
- 4) **Subjective estimation:** If statistical techniques are not feasible the approach which can be adopted is the subjective approach.

**Banks follows three important steps in improving customer relationships are of:**



**Measures undertaken by the banks to maintain CRM:**

Customers are the real employer
4 C's of customer focused solutions
Offer contractual Safeguards
Build customer Confidence
Emphasize Competence
Communication
Commitment to the customer
Perceived Conflicts
CRM Strategy
Reshaping the delivery Mechanism
Effectiveness of CRM

The satisfied customers are central to optimal performance and financial returns customers are in groups whose satisfaction must be incorporated in strategic planning efforts. Banks can determine the actions to meet the customer needs and they follow CRM measurement to promote and stimulate improvements in the working environment. In such situation the bankers has to work hard to capitalize on the emotional aspect of their customers to feel comfortable and at ease and not intimidated. To influence the customer emotionally; the bankers has to focus on the following basics.

- 1) **Customers are the real employer:** Real customers may become pigments of the collective imagination it means the undifferentiated mass in selling to a lowest common denominator at the lowest possible price. It means the banks tie-up their serving with internal customers.
- 2) **4 C's of customer focused solutions:** Many successful banks looking to grow in commoditized market place to offer a better customer solutions and it may also bring significant changes in all the area to deliver the real solutions to develop CRM. The 4 C's are Co-ordination, co-operation, capability and Connection.
  - a. **Co-ordination:** Is to deliver customer focused solution banks need to adopt a mechanism of customer – related information sharing, attending queries and involving them in decision – making.
  - b. **Co-operation:** Here the banks develop Metrics to measure the customer satisfaction and incentives that reward the cost focused on behaviors should get the authority to act on their behalf.
  - c. **Capability:** When the banks delivering cost focused solutions it required at least some customers to have 2 kinds of generalist skill. They are **multi domain skill** and **boundary spanning skill** i.e. the experience with service along with deep knowledge of customers need is called Multi domain skill.
  - d. Ability to transverse internal boundaries i.e. they should have the knowledge of investment and should set clear path it is known as boundary spanning skill. This should be developed to eradicate conflicts in the minds of the customers.
  - e. **Connection:** Many banks work together based on mergers and acquisitions in order to connect and resolve the perceived conflicts arise to customers and to look after the core activities.
- 3) **Offer contractual Safeguards:** The safeguards such as guarantees, warranties and other explicit promises need to trust the behavior of the customers to maintain their relationships, for example, the value of an investment in X Years' time are not common as such outcomes are determined by the factors such as service, distribution etc., whenever the inconsistency arises customers should feel that they would be compensated or will be made aware of coercive action.
- 4) **Build customer Confidence:** An act of trust occurs when the customers has confidence that the banks will honor its promises. Confidence can be derived from various sources like previous satisfying experience will reduces the risk and increases trust. Recommendation based experiences 'word of mouth, good publicity, and advertising from credible sources can increase the relationship between banks and customers.
- 5) **Emphasize Competence:** Competence is ability to provide quality products and services and to offer technical knowledge from its bank staffs. Not only that understanding the customer's requirements and able to meet out accordingly. The banks should check the records of customers are accurate; databases are updated on various transactions. Thus the customers evaluate the banks standards and competency.



- 6) **Communication:** It is an exchange of information which builds strong trust and relation. Communication means developing a shared understanding of relationship and is achieved by keeping an open dialogue with customers, hearing complaints and acting on them, keeping customers informed of changes will retain the relationship forever.
- 7) **Commitment to the customer:** It can be exhibited in number of ways like adjusting products to meet the requirements of the customers or by investing in the relationship. Commitment clearly shows customers that they are being put first and is a key manifestation of a product-orientation.
- 8) **Perceived Conflicts:** The conflict is inherent in banks services –customer relationship. The issue, however, is how the institutions deal with conflicts as they arise. Some anticipated conflicts may be protected by safeguards. Many banks encourage their customers to make use of their contacts to develop their relations. Perceived conflicts can be reduced by improving both quantity and quality of information. It can results in customers who are aware and better educated by way of advice to handle the situation ease.
- 9) **CRM Strategy:** Many banks and financial companies build customer care culture in their internal customers, so this customer care becomes part of their integral functional process. Today customers are demanding and knowledgeable. So instead of trying to maximize profit from each transaction the banks can focus to maximize the lifetime value of the customers. Some banks like ICICI, HDFC, UTI, HSBC etc. adopted CRM strategy to build long term relationship. Here are six steps followed by banks:
  - a. Keep updating the customer profile.
  - b. Approach them with a mix of innovative products/service, customer care and growth opportunities.
  - c. Cover them by educating IT architecture to feed their aspirations.
  - d. Boldly choose the target customers for the first wave of CRM.
  - e. Rank or cluster them in accordance of costs, revenue, profit potential and relationship intention.
  - f. Calculate the lifecycle value of your customers.
- 10) **Reshaping the delivery Mechanism:** With dramatic transformation of the banking sector; banks will have to be more careful while they reshape their product profile to attract more customers. New products will have to be more customers – oriented –many of them are demanding complex banking solutions to their problems of investments and fund transfers under the same roof. Banks have an opportunity to develop products with the help of modern technology and offering technology based services. Indian banking system is also gearing up to serve better for rural peoples the Self-help groups (SHG's) in the big way in the coming years. CRM can be improved by structuring the rural credit delivery system for social purposes will have to be redesigned to cater the multiple needs of self-help groups both in rural and urban areas.
- 11) **Effectiveness of CRM:** The essence of CRM in banking is to offer the right product at the right time through a proper delivery channel. The major challenges of banks are what drive the growth of CRM at Banks? According to experts the first and dominant reason is to increase consumerism.

- Firstly, people have forgotten into the habit of spending a bid to better life style.
- Secondly, the reason for the phenomenal growth was using of debit cards and credit cards in past 3 years is the intensifying competition.
- Banks are installing increasing numbers of point of sale (POS) terminals (electronic data capture swipe machine for accepting debit and credit Payments) which makes customer easier.
- Banks are managing customer relationships by improving compliant management initiatives i.e.; by giving Toll free customer care numbers makes them to clarify their queries.

Banks retain their customers by offering personalized services through single window system approach. They have to open more opportunities to offer cross selling of facilities. Many banks are already working on it, but still they have to go a long way. Banks are also categorizing their customers in various segments like personal finance, business finance and corporate partly in order to implement more pragmatic CRM system. Some banks are also developing universal banking systems and converting themselves into financial supermarkets capable of dispensing various services including insurance. Banks like SBI, HDFC, ICICI, and CANARA bank. All this banks transformed themselves into this system with greater focus on the delivery of products and services. Even UTI planned to concentrate on its rural expansion, delivery system to customers along the supply chain and diversify into wider financial arena. In order to increase the customer satisfaction and customer relationship they have plans to foray into insurance and may launch a brokerage arm and positive custodial service.

### **Review of literature**

Balakrishnan and Krishnaveni (2014) examined in their study to examine the level of satisfaction on customer relationship management practices in selected private sector banks. The study showed that the proper CRM practices will increases the customer satisfaction and develop relationship with existing and prospective customers by managing information and improves performance of delivering products and services at a great speed that facilitates customer creation and retention.

Wang et al. (2004) developed an integrative framework for customer value and CRM performance based on the identification of the key dimensions of customer value viz. functional value, social value, emotional value and perceived sacrifices. Sin et al. (2005) identified four dimensions of CRM in their study viz. key customer focus, CRM organisation, technology-based CRM and knowledge management (Parvatiyar and Sheth, 2001). Rootman et al. (2008) investigated the variables that influence the effectiveness of CRM strategies in banks viz. attitude, knowledge ability and two-way communication related to bank employees.

Love Kumar Patwa and Kush Kr. Patwa (2014) in their study regarding Customer Relationship Management (CRM) performance of private sector and public sector bank showed the overlapping on customer retention between the Private and Public sector banks of Uttar Pradesh. Results showed that the Private Banks have been able to implement the CRM practices more effectively rather than public sector.



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.

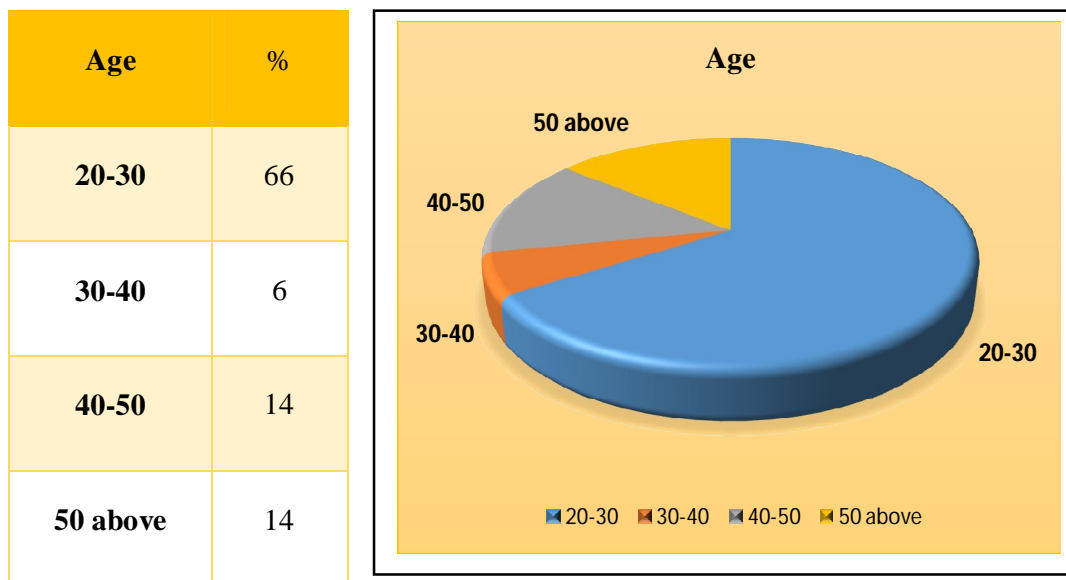
Kumar & Rajesh (2009) reveals that any bank that wishes to either grow in size of its banking operation or improve its profitability must consider the challenges affecting its customer relationship. The challenge before the banks is not only to obtain updated information for each customer, but also to use the information to determine the best time to offer the most relevant products (Lau et al., 2003). It is also important to understand that if customers bring in profits for the bank, it becomes imperative for the bank to provide excellent services to those customers, otherwise they switch to other banks (Ray, 2007). Service quality in banking implies consistently anticipating and satisfying the needs and expectations of customers.

Many researchers have been done in various industries especially in the banking sector that focusing on customer oriented services (Ndubisi et al., 2007; Rootman et al., 2008; and Dutta and Dutta, 2009). Lu and Shang (2007) explored the CRM perceptions in freight forwarder services from managerial perspectives. They had come out with six dimensions of CRM namely customer acquisition, customer response, customer knowledge, customer information system, customer value evaluation, and customer information process.

**Analysis and Interpretation of Data:**

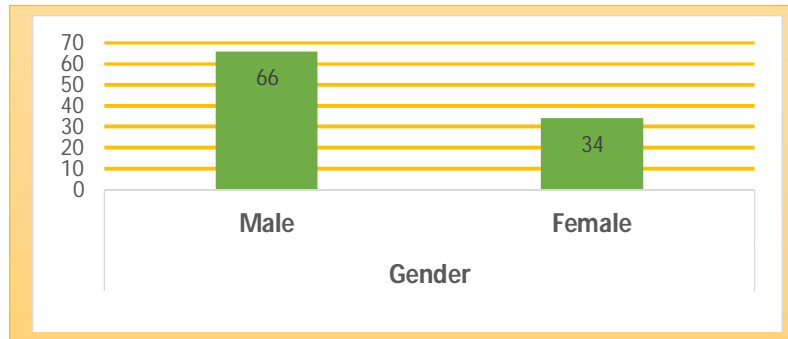
**Demographic profile of the respondents:**

**Table and Graph No. 1 Age of Respondents:**



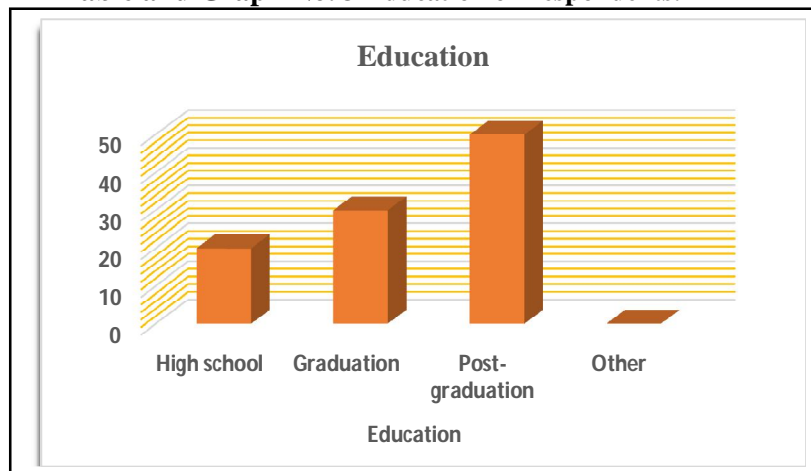
**Table and Graph No. 2 Gender of Respondents:**

Gender	%
Male	66
Female	34



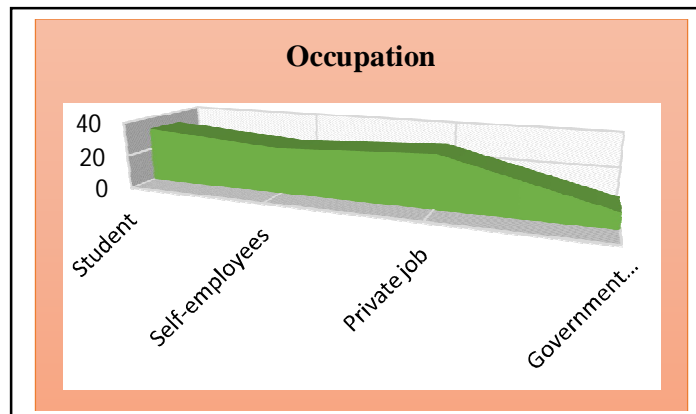
**Table and Graph No. 3 Education of Respondents:**

Education	%
High school	20
Graduation	30
Post-graduation	50
Other	0



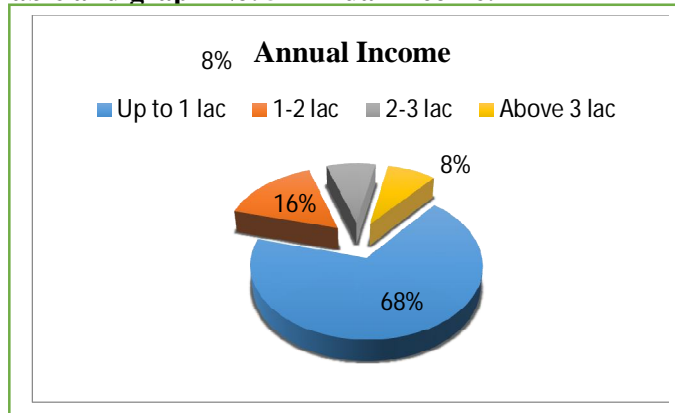
**Table and Graph No. 4 Occupation of Respondents:**

Occupation	%
Student	33
Self-employees	27
Private job	31
Government service	9



**Table and graph No. 5 Annual Income:**

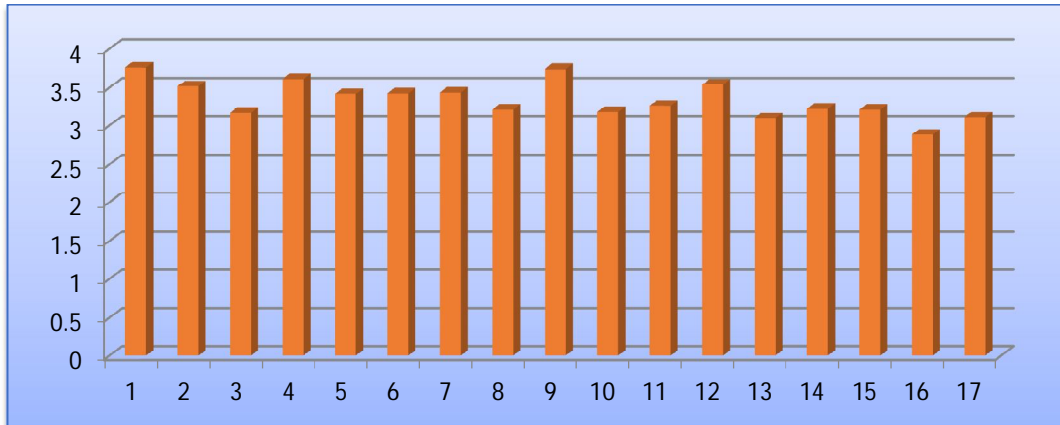
Annual Income	%
Up to 1 lac	68
1-2 lac	16
2-3 lac	8
Above 3 lac	8



**Table No. 6 Mean Scores of factors of CRM practices in Bank**

Item No.	Customer Relationship Management Practices (items)	Mean Scores
1	Sincerity and helpfulness of personnel	3.76
2	Quick understanding and fulfillment of demand by personnel	3.52
3	Easy language of personnel	3.17
4	Knowledge and experience of staff	3.61
5	Updating of firm regarding customer information	3.42
6	Maintaining Good relationship with customers	3.43
7	Update the customers regarding new products	3.44
8	Reliability	3.21
9	Handling of critical condition	3.74
10	Prompt services	3.18
11	Variety of service	3.26
12	ATM related services and other facilities	3.54
13	24x7 Telephonic services	3.10
14	Recommendation of the firm to others	3.22
15	Feeling of loyalty	3.21
16	Do not change the firm easily	2.88
17	Service of the firm meets customers need	3.11

**Graph No. 6 Mean Scores of factors of CRM practices in Bank**



### **Conclusion and suggestions of the study**

In a competitive environment, the Banks should adopt suitable marketing skills rather than depending on the trading skills. Hence, new services should be constantly introduced to ensure the growth of the Banks and to be competitive in the market and to keep up the enthusiasm of the employees and customers etc. The ultimate aim of the CRM practices is to make the customer retention and customer loyal. This study shows that if customers are satisfied and personnel are experienced and knowledgeable then also it would not be able to make its customers loyal. To make the customers loyal bank should do the following practices:

- a. Anticipate and understand the needs and requirement of the customers and then offer them products and services.
- b. Provide them personal attention and care while serving them.
- c. Effective grievance handling system and empathetic vision towards the customers.
- d. Better service quality than competitors.
- e. Attention to the customers etc.
- f. Positive behavior of the staff and friendly cooperation in enquiry counter.
- g. Timely interaction and communication with the customers etc.
- h. Developing innovative products and services for the customers to offer them differentiate services than competitors.
- i. Implement a Customer Centric Process in Banks.
- j. Employee Relationship Management first before Customer Relationship Management.
- k. Increase customer experience through the web site.
- l. Proper training should be given to the bank personnel regarding the behavioral patterns by the Banks before they come and work in the field.
- m. More importance should be given to handling online transaction and using m - commerce and mobile banking services.
- n. It should be realized that customer relation cannot be built overnight. CRM should be considered as Continuous Relationship Management.
- o. Data gathered from the customers should be given proper value and it should be properly

utilized. Decision making authority should be extended to field force and some resources should be given for faster implementation.

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