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EFFECTIVENESS OF E-CRM IN BANKING SECTOR

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ABSTRACT

The advancement in the information and communication technology has made new millennium “e-millennium. Now, service organization’s (Banking Sector) activities are confined to one single activity, but they provide a plethora of services, keeping in mind the requirement and convenience of customer. Information technology has embraced banking services like any other industry. New generation service usage include use of ATMs, Internet Banking, Mobile Banking, Anywhere banking, customer Call center use and other internet bases customer service like e-banking etc. Through information technology uses we find there is an attempt to exceed customer expectation on service quality dimension. The most of the private and nationalized Indian banks have entered in the technology age and providing various types of electronic products and services to their customers. This paper explained the theoretical aspects of CRM and adoption of e-banking as CRM tools by leading Indian banks. The paper seeks to study the effectiveness of the E-CRM as followed by Indian banks.

Keywords: E-banking, Customer relationship management, Banks and Customers, Service organization

INTRODUCTION

Customer relationship management (CRM) is the process of carefully managing detailed information about individual customer and all customer “touch point” to maximize loyalty. A customer touch point is any occasion on which a customer encounters the brand and product from actual experience to personal or mass communication to casual observation. For a Banking Sector the touch point of their customers includes interest rates and banking facilities such as saving interest rate, fix deposit interest rate, recurring deposit interest rate, loan’s interest rate and locker facility etc. Massey et al., 2000 believes that CRM is about attracting, developing maintaining and retaining profitable customers over a period of time.

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In this increased heightened global competition arena, the new ways of working are firmly shifting into the hands of paying customers and organization adopting Electronic Customer Relationship Management (e-CRM). The purpose of e-CRM is to serve the customer in better way, retain valuable customers and enhance analytical capabilities in an organization. It is supported by Hashan that by implementing e-CRM at the company all manual processes are removed. Dyche, (2001) describes that e-CRM is combination of software, hardware, application and management commitment. e-CRM can be different types like operational, analytical.

Operational e-CRM is given importance to customer touch up points, which can have contacts with customers through telephone or letters or emails. Thus, customer touch up points is something web based email, telephone, direct sales, fax etc. Analytical e-CRM is a collection data and is viewed as a continuous process. It requires technology to process customer's data. The main intention here would be to identify and understand customers demographics pattern of purchasing etc., in order to create new business opportunities and at the same time, giving importance to customers.

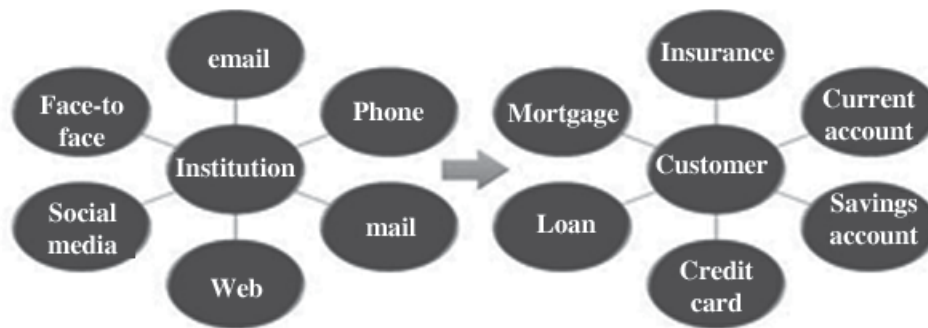


Figure 1: The Move to Customer Centricity

In today's hyper competitive scenario, more than three quarters of the money and time spent by companies go towards acquiring and retaining customers. Customer-centricity has become the buzzword and the ones with clear and relentless focus on customers, enjoy a better competitive position. Therefore, banks have started emphasizing on the attribute of customer service in their advertisements: Global Trust bank's catch line "I may not be their biggest customer, But they make me feel like one"; Andhra bank's catch line "We are best in service". Syndicate Bank is more candid in realising customer's importance for the business and, hence, made its punch line "Where delight is the corporate mission". The bank also says in its advertisements, "We have changed our products, process and technology to serve better". State bank of Hyderabad calls itself a friend and uses the punch line "Your friend for life". ICICI Bank has been attempting itself as a friend and designed its corporate communication as "Hum Hain Na".

The e-CRM applications are generic of application systems which handle customer interactions over these new electronic channels of communication. In simple terms, e-CRM provides to companies a means to conduct interactive, personalized and relevant communication

with customers across both electronic and traditional channels. It utilizes a complete view of the customer to make decisions about messaging, offers and channel delivery. Therefore, the main aim of e-CRM system is to improve and provide better customer service which develops a relationship and preserve valuable customer. e-CRM generally less costly for service organizations to maintain and develop an existing client relationship than to acquire a new one. The customer can also make transaction cost saving by developing, a long long-term relationship with service organizations. The main goals and objectives are given in the following table:

Table 1: Goals and Objectives of e-CRM

GOALS	OBJECTIVES
· Reduce cost of marketing	· To provide good customer service.
· Improve accuracy and relevancy of recommendations.	· To discover new customers.
· Improve customer satisfaction.	· To enhance customer loyalty.
· Increase customer retention and frequency.	· To help sales staff close deal faster.
· Increase competitiveness through differentiation.	· To simplify marketing and sales procedure.
· Increase profitability.	· To reduce the cost. (like administration)

So we can say technology, people and customer are the three elements on which the success of service companies (banking companies) hinges in the e-millennium. Technology has been an enabler in managing the pace and quantum of changes. Skilled human resource management has brought about success in technology, which is fundamental in generating these capabilities. However, ultimately the service company's performance depends upon the satisfaction of its customers.

LITERATURE REVIEW

Customer Relationship Management (CRM) can be traced back to the 1980's, the actual term did not come about until the 1990's. Since then there have been many attempts to define the domain of CRM. As the relatively immature business or organizational practice, a consensus has not yet emerged about what counts as CRM. Even the meaning of the three-letter acronym CRM is contested. For example, although most people would understand that CRM means customer relationship management, others have used the acronym to mean customer relationship marketing.

Information technology (IT) companies have tended to use the term CRM to describe the software applications that automate the marketing, selling and service function of businesses. This equates CRM with technology. Although the market for CRM software is now populated with many players, it started in 1993 when Tom Siebel founded Siebel System Inc. Use of the term CRM can be traced back to that period. Forrester, the technology research organization, estimates that worldwide spending on CRM technologies will reach US\$11 billion per annum by 2010. Others with a managerial rather than technologies, emphasis claim that CRM is a disciplined approach to developing and maintaining profitable customer relationships, and that technology

may or may not have role. CRM is practiced in a wide variety of commercial contexts, which present a range of different customer relationship management problems. Here we consider one context that is banks or banking sector.

Banks deals with a large number of individual retail customers. Banks want CRM for its analytical capability to help them manage customer defection (churn) rates and to enhance cross-sell performance. Data mining techniques can be used to identify which customers are likely to defect, what can be done to win them back, which customer are hot prospects for cross-sell offer, and how best to communicate those offers. Banks want to win a greater share of customer spend (share of wallet) on financial services. In terms of operational CRM, many banks have been transferring service into contact centres and online in an effort to reduce costs, in the face of considerable resistance from some customer segments. Therefore, most of private banks operate from 8 am to 8 pm. Even public sector banks have increased their working hours. Allahabad Bank which earlier operated from 10 am to 2 pm has opened regular banking activity till 4.00 pm. These physical changes have been, in addition to providing technology-based support of anywhere anytime banking i.e. introduction of the facility of ATMs, net banking, phone banking etc.

Therefore, the concept of CRM, when seen in the context of e-business or transaction over an electronic medium, is translated into e-CRM which essentially deals with managing customer interactions over the web. After adoption of the internet and availability of electronic channel of communication, it is becoming possible to capture customer- related information intelligently at the interaction stage itself. The e-CRM applications are generic of application systems which handle customer interactions over these new electronic channels of communication. There has been an increasing impact of technology on CRM for the following reasons:

- Customers are more demanding and desire for the products and services round the clock.
- They also wish to have these services with lots of dignity and special treatment.
- With increased competition at the marketplace, customer loyalty is fickle; hence it requires a bundle of services to satisfy.
- Faster response and understanding every customer have become a key issue.

In one sentence, CRM is an enterprise business strategy and e-CRM is powerful tool kit that helps implement the strategy. We can differentiate both terms by the following figure 2 (Communication of the ACM, Pan & Lee).

e-CRM is still in its initial stage of growth, there is no much literature is available or much work done in this field, there is more research gap, but in this research paper we try to fill this gap by knowing the effectiveness of e-CRM in banking sector of India with respect to use, implementation and application prospects.

Internet has facilitated banking at the single click of the mouse. At present there are five functional categories for online banking sites—online Brochure Centre, interactive bank, emails, calculations and cyber banks, which offer customers access to account information, inter-branch funds transfer and utility bill payments. Banks have tied up with various service provides in telecom and power sectors like MTNL, BSES and cellular service providers for allowing their customers to make fast and convenient bill payments online. In India, new private sector banks

like ICICI Bank, HDFC Bank, Global Trust Bank, UTI Bank, have taken the lead in e-banking. ICICI Bank is the first to offer e-lobby, self-service banking centre in Pune. The e-lobby showcases the most innovative and user friendly gadgets providing self-service banking in the area of bill payments, cash withdrawals, video conferencing with a customer representative, online banking, and any other such transaction without any assistance. It has got the first ATM for visually impaired persons in India.

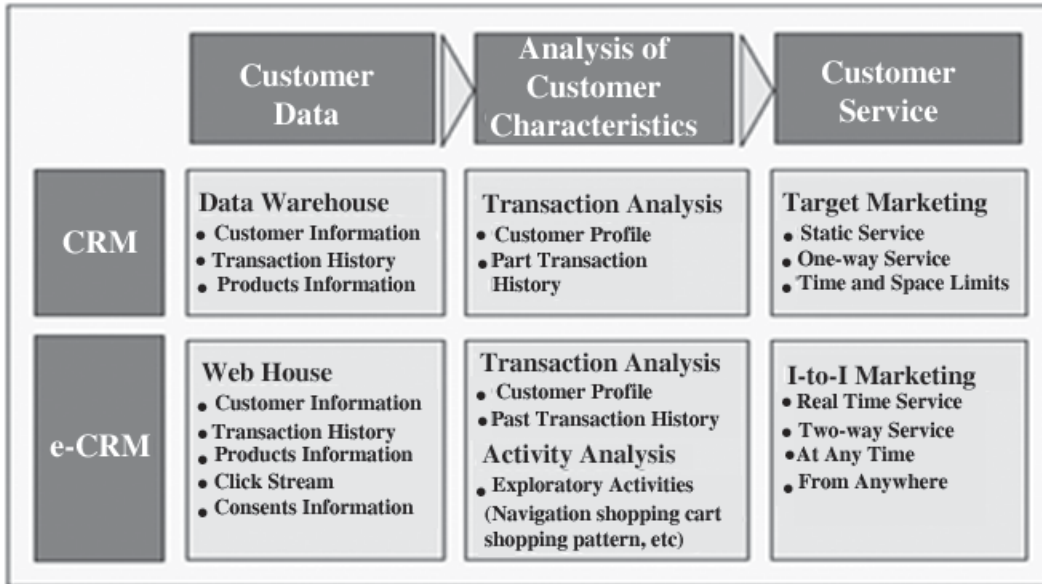


Figure. 2: Difference between CRM & e-CRM

CURRENT STATUS OF E-CRM IN INDIAN BANKING SECTOR

The State Bank of India (SBI), over the years, has richly merited its status as the flagship of Indian banking and continues with its endeavour to achieve its mission objective. It has been in the forefront in all areas of banking – traditional, developmental, and diversified. In several fields, the bank has pioneered innovative measures and contributed significantly to the growth of the Indian economy, improving its own profitability over the years operating efficiently. It has been taking new initiatives with the changing economy environment and is poised to be the premier Indian financial services group with global perspective and world-class efficiency standard. The bank is pumping in Rs. 500 crore over three years to integrate its delivery points (ATMs, call centres, tele centres, and branches) with the product channels (deposits, mutual funds, and insurance products) which will involve networking roughly a third of its branches that account for 80% of the bank's business. Back offices will be centralized, the branches that matter will no longer function as islands and there will be free flow of information which will place the bank in a better position to decide on allocation of revenues. TATA Consultancy Services is implementing a Rs. 150 crore centralized core banking system for SBI.

Realising the importance of customer service in the growth of banking industry, even public sector banks have started designing their offers with a new watch word—customer

delight. Quite a few sector banks have carved out a separate branch to cater to retail customers. Personal Banking Branches of SBI, Signature Bank of Punjab National Bank, Retail Loan Factory of Bank of Baroda and Retail Boutique of Allahabad Bank are few such branches. These branches are clearly no workplace ghettos. These are a top class ambience to boot, centrally air-conditioned lounges, and amenities such as free photocopier, fax and phone, tea/coffee and water dispensers and fridge stocked with goodies also being proposed. e-CRM supports the multi-channel touch point and there should be consistency in customer experience. e-CRM create multiple channel strategy for successful CRM strategy in organization with advancement of technology it provides opportunity to companies to have customer feedback. The technology makes it possible for agents, managers, partners and other user to maintain a single view of the customer and gain organization information immediately.

STEPS TO E-CRM SUCCESS

Today most CRM programs, applications, and services depend more heavily on IT than in past. These program, software applications and services constitute part of what is known as e-CRM (electronic CRM). e-CRM is the electronically delivered or managed subset of CRM. It concerns all forms of managing relationship with customers when information technologies are deployed. It arises from the consolidation of traditional CRM with the e-business application marketplace and covers the broad range of information technologies used to support a company's CRM strategy. The overall goal can be seen as effectively managing differentiated relationships with all customers and communicating with them on an individual basis. Since practically all CRM packages use some IT, the term CRM and e-CRM are used interchangeably by many. As the internet is becoming more and more important in business life, many companies consider it as an opportunity to reduce customer-service cost, tighten customer relationships and most important, further personalize marketing messages and enable mass customization. e-CRM is being adopted by companies because it increases customer loyalty and customer retention by improving customer satisfaction, one of the principal objectives e-CRM. e-loyalty results in long term profits for online retailers, because they incur less cost of recurring new customers, plus they have an increase in customer retention. Together with the creation of sales force automation (SFA), where electronic methods were used to gather data and analyze customer information, the trend of the upcoming internet can be seen as the foundation of what we know as e-CRM today. (Nenad jukic et al, 2003). As we implement e-CRM process, there are three steps of life cycle:

- I. **Data Collection:** About customer preference information for actively (answer knowledge) and passively (surfing record) ways via websites, emails, questionnaire.
- II. **Data Aggregation:** Filter and analysis for firm's specific needs to fulfill their customers.
- III. **Customer Interaction:** According to customer's need, company provide proper feedback to them.

So we can say many factors play a part in ensuring that any level of e-CRM is successful. One obvious way it could be measured it by the ability for the system to add to the existing business. There are five suggested implementation steps that affect the viability of a project like this:

- **Knowledge Management:** What actions to take, as a result of this knowledge.
- **Database Consolidation:** Re-engineering the business process around the business. All interactions with customers recorded in one place.
- **Integration of Channels And System:** Respond to customers through their channel of choice E-mail, phone, chat line etc.
- **Technology and Infrastructure:** Organization and scalability of technology must be able to handle increased volume of customers.
- **Change Management:** More than a change in technology is required. Change in attitude and philosophy is key product centric focus vs. customer centric focus.

TECHNIQUES OF E-CRM USED BY THE BANKS

Banks modern technology can develop innovative customer solution to attain growth and profitability within the framework of sound risk-management practices. Techno savvy banks are tapping into online services to initiate a new era in relationship management to create one to one relationships as well as one to many relationships to enhance their competitive advantage.

Recent development in critical areas of IT, have changed the way banks are managing their customer relationships. The followings are some of the latest e-CRM techniques used by the banks in offering new products and services to its customers:

- **ATMs:** An electronic banking outlet, which allows customers to complete basic transactions without the aid of a branch representative or teller. There are two primary types of automated teller machines, or ATMs. The basic units allow the customer to only withdraw cash and receive a report of the account's balance. The more complex machines will accept deposits, facilitate credit card payments and report account information. To access the advanced features of the complex units, you will usually need to be a member of the bank that operates the machine.
- **Telex:** A system of communication in which messages are sent over long distances by using a telephone system and are printed by using a special machine (called a teletypewriter). Telex is an old way of sending text electronically. Telexes are still used by investment banks to confirm important trades, although this practice has dropped off a lot. Just a WAG, but still used because there is a clear legal precedent regarding transmission and receipt of message. I don't believe that email, Bloomberg messages, faxes, which are all very common forms of confirming stock market trades, have the same legal weight.
- **Fax:** A fax (short for facsimile and sometimes called telecopying) is the telephonic transmission of scanned-in printed material (text or images), usually to a telephone number associated with a printer or other output device. The original document is scanned with a fax machine, which treats the contents (text or images) as a single fixed graphic image, converting it into a bitmap. In this digital form, the information is transmitted as electrical signals through the telephone system. The receiving fax machine reconverts the coded image and prints a paper copy of the document.
- **Internet Banking:** The performance of banking activities via the Internet. Internet banking is also known as "Online banking" or "Web banking." A good online bank will offer

customers just about every service traditionally available through a local branch, including accepting deposits (which is done online or through the mail), paying interest on savings and providing an online bill payment system.

- **Telephone Banking:** It is a service provided by a bank or other financial institution, that enables customers to perform financial transactions over the telephone, without the need to visit a bank branch or automated teller machine. Telephone banking times can be longer than branch opening times, and some financial institutions offer the service on a 24 hour basis. From the bank's point of view, telephone banking reduces the cost of handling transactions by reducing the need for customers to visit a bank branch for non-cash withdrawal and deposit transactions.
- **Electronic Clearance Service:** The ECS is online transmission system which permits the electronic transmission of payment information by the banks/branches to the Automated Clearing House (ACH) via a communication network. It can be used to pay bills and other charges such as telephone, electricity, water or for making equated monthly instalments payments on loans as well as SIP investments. ECS can be used for both credit and debit purposes.
- **Mobile Banking:** It refers to the use of a smartphone or other cellular device to perform online banking tasks while away from your home computer, such as monitoring account balances transferring funds between accounts, bill payment and locating an ATM. Mobile banking differs from mobile payments, which involve the use of a mobile device to pay for goods or services either at the point of sale or remotely, analogously to the use of a debit or credit card to effect an EFTPOS payment.
- **Smart Cards:** A smart card is a plastic card about the size of a credit card, with an embedded microchip that can be loaded with data, used for telephone calling, electronic cash payments, and other applications, and then periodically refreshed for additional use.

BENEFITS OF E-CRM

In e-CRM online banking offers many benefits to banks as well as to customers. However, in global terms the majority of private bankers are not using online banking channel. There are reasons for this. Customers need to have an access to the internet, in order to utilize the services. Furthermore, new online users need to learn how to use the services (Moles et. al, 1999). Second, nonusers often complain that online banking has no social dimension, i.e. you are not served in the way you are in a face to face situation at branch (Mottila et. al, 2003). Third, customers have been afraid of security issues (Sathye, 1990; Hamlet & Strube, 2000; Howcroft et. al, 2002). However, this situation is changing as the online banking channel has proven to be safe to use and the media in Finland has reported no misuse. Newell (2000) stated e-CRM systems use rich databanks of customer information to manage the relationship with customer at the design point. According to Sims, (2000) e-CRM system support all stages of the interaction with the customer for example: order, delivery and after sales services. e-CRM system cover online banking, email, knowledge bases that can be used to generate customer profiles and customer will get personalized services, the generation of automatic response to email and automatic help through customer v/s bank interaction.

In other words, customer care is a service that seeks to provide superior customer satisfaction to existing customer, to acquire new customers and build loyalty. It is reaching out to customers rather than waiting for them to reach the company. This nature of customer care may depend on the company's business: outbound/inbound or even blended. Therefore, Now a days e-CRM has become most popular concept, and it has some benefits to banks as well as to customers. These benefits are given below:

- **e-CRM benefits to banks:**
 - Relationship with customers.
 - Using E-mail for business communication.
 - Personalized services or one to one services.
 - Website to market products and services.
 - Transaction security.
- **e-CRM benefits to customers:**
 - Customer interaction and satisfaction.
 - Convenience.
 - Speed of processing the transaction through e-response.
 - Service quality.
 - Trust.

CONCLUSIONS

The most beneficial and appropriate strategy for banks is customer centric guidelines. e-CRM increases customer loyalty because information stored helps to look actual of winning and retaining the customers. e-CRM helps system helps to retain old customers and absorbed new customers. One of the most important expectations of people from bank is operating speed and decreasing waiting time. All banks ensure this and have taken enough measures to see that the latest and updated information is available through their websites. All the commercial banks private as well as public sectors, maintained good relationship with customer due to the usage of e-CRM by mainly providing product and services according to the need of customer. Banks using e-mails, sms etc. to communicate with customers. e-CRM strategy must cover all the market segments such as retail customer, corporate sector, trade and agriculture for their banking requirements.

After integration through an e-CRM system, the customer, irrespective of the location, gets the accurate response and consistent service. The information flow in e-CRM is online, real time and continues. The e-CRM database can also be integrated with the legacy systems. Needless to say an effective e-CRM results in competitive advantage. The success of e-CRM depends upon the development of robust and flexible infrastructure.

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