

A STUDY ON CUSTOMER RELATIONSHIP PRACTICES IN COMMERCIAL BANKS

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I. INTRODUCTION

“If customer relationships are the heart of business success, then the CRM is the valve the pumps a company's life blood”

Customer relationship management systems are being widely across various sectors and in companies widely varying in size. It has been viewed as a process aimed at collecting customer data, find profiles of customers and use the customer knowledge in specific marketing activities An Organization interacts with their customers in a number of ways including marketing, advertising, direct mail campaigns, websites, call centers, mobile sales service, brick and mortar stores. Customer Relationship Management (CRM) is an organizational strategy to develop mutually profitable long term relationships with the customer. In service industries, the goal is especially emphasized since a repeat customer is believed to cost merely a fraction of what needs to be spent in servicing a new customer in service transaction. Banks contribute to economic growth of a region, in their role as intermediaries. Banking is now basically a business of trust. Banks are able to lend a major portion of their deposits and play the role of an intermediary and also constitute the payment system because of the trust of the people that the banks will honor their commitments. It is observed that banks lose their best clients who are sometimes their High Net worth Individuals (HNI) to competitors due to a variety of reasons. The CRM strategic paradigm has gone through a three-phase generational shift over the last decade (1998-2008) with enterprises maturing from 1. Marketing to customers the best products at the best prices 2. Marketing customers with the best services 3. Marketing customers with the dynamic services and products that they want and desire as measured by customer intent. Experts opine that inefficient and improper service is one major reason. The remedy is the banks should adopt **CUSTOMER RELATIONSHIP BUILDING APPROACHES** to improve Customer Life Time value (CLV) and Customer Delight thereby resulting in a long term relationship. This research is an attempt to observe factors essential for effective CRM in banking sector.

1.1 What is CRM?

CRM is the core business strategy that integrates internal processes and functions, and external networks, TO CREATE AND DELIVER VALUE TO TARGETED CUSTOMERS AT A PROFIT.

II. REVIEW OF LITERATURE

[Beckett-Camarata et al. 1998] have noted that managing relationships with their customers (especially with employees, channel partners and strategic alliance partners) was critical to the firm's long-term success. It was



also emphasized that customer relationship management based on social exchange and equity significantly assists the firm in developing collaborative, cooperative and profitable long-term relationships.

[Yuan and Chang 2001] have presented a mixed-initiative synthesized learning approach for better understanding of customers and the provision of clues for improving customer relationships based on different sources of web customer data. They have also hierarchically segmented data sources into clusters, automatically labeled the features of the clusters, discovered the characteristics of normal, defected and possibly defected clusters of customers, and provided clues for gaining customer retention.

[Peppers 2000] has also presented a framework, which is based on incorporating e-business activities, channel management, relationship management and back-office/front-office integration within a customer centric strategy. He has developed four concepts, namely Enterprise, Channel management, Relationships and Management of the total enterprise, in the context of a CRM initiative.

[Ryals and Knox 2001] have identified the three main issues that can enable the development of Customer Relationship Management in the service sector; the organizational issues of culture and communication, management metrics and cross-functional integration especially between marketing and information technology Alokmittal, et al., [2003] presented an article on “An exploratory study of CRM orientation among Bank employees”. The paper aimed at exploring the aspects of the CRM orientation among banks employees of both the public and the private sector banks. The findings of the research highlighted that there is need for improvement on some of the components of the CRM such as customer communication, customer orientation, customer care and handling of complaints in both public and private sector banks. The aged employees in the public and private banking institutions need to improve their CRM skills in order to complete with their younger counterparts.

Tapan, [2003] in his article “creating customer lifetime-value through effective CRM in financial services industry”, has stressed the importance of the CRM in financial services industry. 166 Customer data management gives clues about the probability of customer demand and technology helps in tracking the characteristics and categorization of customers depending on their past behavior. He concluded that with increased competition and customers moving very fast from firm to firm another, it is essential to have an integrated CRM strategy across the whole organization for generating higher customer’s life-time value.

Chary & Ramesh, 2012: CRM is a sound business strategy to identify the bank’s most profitable customers and prospects, and devotes time and attention to expanding account relationship with those customers through individualized 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 they are: 1. Create a customer-focused organization 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. Maximize rate of return on marketing campaigns.

Rangarajan, 2010; Shibu, 2011: CRM is developing into a major element of corporate strategy for many organizations. 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

Panda[2003]: CRM is fundamental to building a customer centric organization. CRM is a key element that allows a bank to develop its customer base and sales capacity. The goal of CRM is to manage all aspects of customer interactions in a manner that enables the organization to maximize profitability from every customer. The author described customer expectations are difficult to manage but are often the cause of dissonance which results in loss of existing customer base. So understanding of customer expectations with regard to service delivery levels and product quality is essential for establishing a long term symbolic value relationship.

Bose, [2002] described the customer relationship management (CRM), essential and vital function of customer oriented marketing is to gather and accumulate related information about customers in order to provide effective services. CRM involves attainment analysis and use of customer's knowledge in order to sell goods and services. Reasons for CRM coming to existence are the changes and developments in marketing environment and technology.

According to the words of [Parvatiyar and Sheth 2001] In the current competitive world the aim of banking marketing strategy is not only to find the best customers, but also to build the long-term collaboration with them and to optimize customer satisfaction. The use of CRM in banking marketing as a tool of coordination and development emphasizes the relationships with the customer. This tool can be compounded of many applications in order to achieve a double growth: the market share and financial profit. In fact, CRM is a complex process that depends on the characteristics of the form of the organization and its culture .The models that banks have used to implement CRM are multiple and diversified by active interactions supported by networks. Furthermore, banking marketing has developed a Multi-Channel-Distribution strategy. Consequently, CRM is supported by new technology as well as internet and other communication instruments. In fact, the basis of CRM implementation on the banking sector is segmentation, information network, algorithm, IT system and sales and customer support.

[Shahzeb Ali Malik based on Dyché', 2002,] the use of CRM in the banking marketing is needed to orientate the bank on financial performance (the high profit and quality/price ratio) in a determinant environment. For this, Manol Simo, Magdalena Bregasi – Customer Relationship Management and Challenging Aspects in the Banking Sector: Case of Albania Performance in the Context of Gender among Albanian Students(European academic research, vol. i, issue 4/ july 2013 485) crm components are related with good information about banks' customers, their habits, their profiles and the types of services they use. The cultural component of services is another component that orientates continuously the knowledge of customers' needs. All components can contribute on the opportunities and the filling of gaps for a durable and profitable life-long relationship. The opportunities and problems of CRM implementation are also related to the asymmetry information and the level of technology used.

[Lindgreen and Antioco 2005]. This approach appears to be different from the traditional marketing based on transactions affecting the four P-s (Product, Price, Promotion and Place). However, some businesses use both models in their marketing practices, carrying out transactions based on 4 Ps, combined with relationships, networks and interactions marketing

[Lindgreen et al. 2000] The concept of CRM derived from different theories of the firm that have argued diverse approaches which can evaluate the evolution and performance of organizational structures of companies. As part of banking marketing, the policy of CRM integrates the marketing process with the dynamic of banking services



and customer care service in order to create efficiency. On the other hand CRM is considered a pillar of banking marketing. There are now more evident facts about utilities of CRM in general.

III. NEED FOR THE STUDY

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. 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.

IV. PROBLEM STATEMENT

Against the brief background provided on the importance of CRM, the banking industry and employees, the problem statement of this research is as follows: **To investigate** the variables that may have an impact on customer relationship management in banks and the influence of employees on the customer relationship management of banks. More formally, the purpose of this research is to identify the independent variables that influence the degree of CRM in banks (the dependent variable) and to identify the influence of bank employees on the CRM in banks. In this research, CRM refers to the magnitude and manner of purposeful relationships formed between a bank and its clients. These relationships are important, as they can influence the loyalty and support of banking clients. The independent variables constitute two selected variables, as identified in the literature on CRM. These variables are attitude and knowledgeability. For the purpose of this research, attitude is the reaction, response or behavior displayed by bank employees towards various aspects of their jobs. In a bank, an employee's knowledgeability will depend on his/her insight into, ability to remember and ability to implement banking procedures, policies, products and services. Superior CRM can lead to many benefits for service organizations, as clients focus on the service aspect, interaction and relationship with the service provider when evaluating a service organization, as no physical product can be evaluated. CRM positively influences the level of service quality of a bank has to be investigate in Banks of Kakinada. Therefore, if a bank can improve its relationships with clients (increase its CRM); it will increase its service quality level. It is clear that banking institutions need to be aware of the variables that influence their level of CRM. This would assist banks in adapting the identified variables to ensure sufficient and beneficial CRM.

V. OBJECTIVES OF THE STUDY

1. To study the CRM functioning and effectiveness of the most prominent private and public sector Banks
2. To study the advantages of CRM schemes introduced by Private and public sector Banks to its customers.
3. To know how customers are perceiving the quality services offered by Private and public sector banks.
4. To study the various customer's oriented schemes introduced by Private and public sector Banks in the interest of its customers



VI. HYPOTHESIS

1. Majority of customers are satisfied with the services provided by selected private and public sector banks.
2. Private and public sector banks are always taking initiatives for providing maximum satisfaction to its customers.

VII. METHODOLOGY

1. Primary study has been undertaken on micro level basis on focusing only a few individual customers at Kakinada. The Secondary data has been obtained from Bank websites.
2. **Sampling population:** - The population for the present study is mainly customers from public and private sector Banks.
3. **Sample Size:** Customers 250 in selected areas of Kakinada.
4. **Sampling Technique used** –simple random sampling.

VIII. SCOPE AND UTILITY

This study has concentrated all the services in general. One can also do comparative study of various banks and their approach towards the customers. In the present competitive business world it becomes necessary to align organization towards customers, Integrate customers' touch points, knowing and understanding customers and potential customers, Establishing and managing relationships with customers. Thus CRM is need of this hour.

IX. LIMITATIONS

The study is limited to respondents from Kakinada. This project concentrates on the services given to customer in general. Therefore it is difficult to study the view of the customers towards one particular service. It was difficult to study what happens to customer satisfaction when we initially perceive a service provider as being less than general then over time. Finally, this study did not examine whether courteous expressions on personal connections play a role in other customer outcomes such as loyalty and word-of-mouth referrals.

ANNEXURE: CRM PRACTICES IN COMMERCIAL BANKS

S. No	CRM Construct	Public Sector Banks		Private Sector Banks	
		AM	SD	AM	SD
1	My relationship with my bank depends on whether the bank sends account statements to me, e.g. through the mail or internet.	3.14	2.16	3.21	2.84
2	My relationship with my bank depends on the efficiency of its banking services	3.35	2.4	2.62	3.4
3	The attitude of the employees of my bank towards clients influences my relationship with my bank.	2.18	3.6	3.73	2.9
4	My bank delivers a better service to clients, if it has extensive relationships with its clients	3.41	3.2	3.14	2.7
5	5 My relationship with my bank depends on whether employees of my bank can fully inform me on banking products and services.	3.37	1.85	3.25	2.6
6	My relationship with my bank depends on whether employees of my bank can fully inform me on banking products and services	2.74	1.75	2.7	1.89
7	My relationship with my bank depends on whether senior managers are always available for appointments	1.89	2.02	2.75	1.64
8	My relationship with my bank depends on whether it provides value for money	3.6	2.14	2.49	2.5
9	Generally, my bank performs its services by the promised times.	3.2	2.75	2.75	3.0
10	My bank's service quality increases, as its interaction with clients increases.	3.4	2.95	3.5	2.9
11	My relationship with my bank depends on whether my bank's employees communicate effectively	3.7	2.16	3.7	2.8
12	My bank has a reputation for using highly skilled employees.	2.9	2.63	3.2	3.4
13	If the employees of my bank appear satisfied with their jobs, I feel more positive towards my bank	3.1	2.42	3.4	2.9
14	My bank's level of service quality depends on my relationship with the bank	2.5	2.1	2.4	2.2
15	My relationship with my bank depends on whether the employees of my bank seem like a coherent family, caring about each other and the institution.	2.5	2.2	2.6	2.1
16	I have a high concern for the success of my bank	2.4	2.2	2.3	2.1
17	My relationship with my bank depends on whether the employees of my bank seem like a Coherent family, caring	2.5	2.4	2.4	2.0



	about each other and the institution.				
18	If the employees of my bank have extensive knowledge regarding the banking products and services, I will have a better relationship with my bank	3.0	2.83	3.1	2.4
19	My relationship with my bank depends on whether employees of my bank can fully inform me on banking products and services.	3.1	2.6	3.1	2.5
20	My relationship with my bank depends on whether senior managers are always available for appointments	3.2	1.5	3.3	2.6
21	If the employees of my bank proclaim it is satisfactory to work for the institution, I have a better relationship with my bank	3.1	2.4	3.1	2.5
22	If my bank regularly informs me of new or important banking information through various media, e.g. on the television or radio, I will have a better relationship with my bank	2.97	2.83	2.94	2.53
23	My relationship with my bank depends on whether it implements strict measurements to ensure the security of my funds	2.7	2.8	2.3	1.9
24	My relationship with my bank depends on the commitment displayed by the employees of my bank to the banking institution.	2.78	2.3	2.4	2.0
25	My relationship with my bank depends on whether the employees of my bank can inform me of banking policies and procedures.	2.6	2.4	2.7	2.5
26	If an employee of my bank informs me that he/she is also a client of the bank, I will have a better relationship with my bank	2.91	2.83	2.90	2.54
27	The more extensively I communicate with my bank, the better relationship I develop with my bank.	2.67	2.37	2.43	2.23
28	I am indifferent to the bank fees charged for transactions, e.g. bank charges for transfers.	2.74	2.35	2.36	2.14
29	My relationship with my bank depends on whether the employees of my bank display a positive attitude towards their work	2.74	2.36	2.14	2.01
30	If my bank provides technologically advanced services, e.g. internet banking, I will have a better relationship with my bank	2.34	2.32	2.15	2.24
31	I feel that I have a strong bond with my bank.	2.15	2.67	2.37	2.14
32	I receive many benefits due to my relationship with my bank	2.8	2.7	2.37	2.15
33	The employees of my bank know how to cope with all types of clients	2.63	2.51	2.14	2.01
34	My relationship with my bank depends on whether the employees of my bank appear really happy and without stress.	2.44	2.14	2.31	2.3

35	If a bank regularly informs me when certain services will be available and/or unavailable, I will have a better relationship with my bank	2.75	2.61	2.74	1.89
36	My bank's physical facilities are visually appealing.	2.76	2.59	2.8	1.71
37	I selected my bank based on its fees for services	2.57	2.41	2.51	2.11
38	I am completely committed to my bank.	2.34	2.15	2.16	2.17
39	My relationship with my bank will be better if I know with certainty that the bank operates within the boundaries of the law	2.45	2.31	2.31	2.29
40	The employees of my bank never show that they are too busy to respond to my requests.	1.99	1.44	1.31	1.32
41	I am satisfied with the overall relationship that I have with my bank.	2.75	2.61	2.67	2.14
42	I am satisfied with the overall service quality of my bank.	2.45	2.07	2.34	2.12
F-Test Value		1.987 with d.o.f v1=84,v2=84 at 5% L.O.S			
Tabulated Value		1.7342			
Remarks		Rejected			

X. DATA INTERPRETATION AND ANALYSIS

1. Most of the respondents responded that that employee Communication factor playing vital role in making analysis with two banking sectors. The private bank sector employees are communicating with the customers and notifying the noticeable differences to them time to time when compared to public sector.
2. Due to the changes in the environmental conditions the banking sectors has to update themselves in accordance to the external environmental conditions. Most of the customers responded that they are not obtaining the information from them. In some of the banks they are not sticking up the interest rate boards, percentage of interest on gold loans and new schemes. In private banks they have recruited a separate person who is updating the knowledge of customer about the various products and services offered by them. As per my knowledge is concern service means not welcoming the customer with red carpet. Receiving them, knowing their problems, responding their problems and provide the immediate solutions. Service means –A solution provider.
3. Customers are the focal point in the development of successful marketing strategy. Marketing strategies both influence and are influenced by consumers' affect and cognition, behavior and environment. 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 private banks are making attempts to adapt CRM.

XI. SUGGESTIONS

1. The banks go through the Customer Portfolio Analysis. Because not all customers have equal value to the Bank. CPA asks the question: 'who are our SSCs (strategically-significant customers)?' CPA tells



us what our customers giving value to us. A customer portfolio comprises the mixture of groups that make up the customer base of a business.

2. Selecting customers to serve with your product is one thing and knowing about your customer is another thing. Most of the banks collect customer data. Some banks are overwhelmed with information – scanner data, loyalty card data, complaints files, market research, and geo demographic data. Now question is how you will use this data in order to serve best ways to your customers. Long term relationships require more knowledge about you customers. Knowing about what, who, why, when and how of customer behavior is most important for a company to manage long term relationships with loyal and strategically-insignificant customers.
3. It is important for a banks to create value for customer on every stage of selling process. It means bank must create a complete network for customers to serve profitably. CRM is not a quick fix; it requires owners and investors who will commit to the long-term investment in the people, processes and technology to implement CRM strategies. The Bank's network position i.e. its connectedness to other parties who co-operate in delivering value to the chosen customer, is a source of great competitive advantage.
4. Every member in a developed network works together as a whole to creating value for customers Now the network has to work together to create and deliver the chosen value(s) to the selected customers. Network develop by the banks will create value proposition.

In order to follow the CRM, the following supporting conditions are necessary for banks.

- 1) Culture and leadership
- 2) Procurement processes
- 3) Human resource management processes
- 4) IT/Data management processes
- 5) Organization design

These are some basic conditions that the banks must consider while managing the CRM. Bank's culture define that whether you will manage long term relationship or not because some time your culture doesn't allow you to do such activities.. Without IT and Data management process you cannot do CRM because customer's information and data related to customers saves on technology. Organization design helps to manage the relationships.

XII. CONCLUSION

Today, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management (CRM) and its potential to help them acquire new customers, retain existing ones and maximize their lifetime value. At this point, close relationship with customers will require a strong coordination between IT and marketing departments to provide a long-term retention of selected customers. 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. 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 private banks are making attempts to adapt CRM.. Customer Relationship Management is best suited to help businesses use people, processes, and technology to gain insight into the behavior and value of customers. Success of the business depends upon Sympathetic behavior.

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