



CUSTOMER RELATIONSHIP MANAGEMENT IN INDIAN BANKING SECTOR

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ABSTRACT :

Marketing in the new millennium, lays thrust on the customer needs so much so that 'customer-driven marketing' has become synonymous with marketing. The emphasis, today, is on understanding and fulfilling consumer needs to an extent as it strikes a balance between customer value-delivered and company profitability. Satisfaction of customer's needs provides the rationale for an enterprise's existence. Markets, worldwide, have become highly competitive and companies are desperately looking for ways and means to differentiate their offerings from their competitors. Therefore, worldwide, service firms have been the pioneers in adopting the practice of CRM practices and developing customer retention strategies. In India too, the service firms took some of the early initiatives in CRM, especially in the financial services. CRM is emerging as the core marketing activity for service firms operating in fiercely competitive environment. This paper discusses about CRM in Indian banking sector.



KEYWORDS : Customer Experience Management, CRM, Customer Retention, Indian Banking.

INTRODUCTION :

Banks today are strategizing to gain more market share by attaining and retaining customers through relationship-oriented marketing. An important strategic initiative in this respect is Customer Relationship Management (CRM), which is a combination of technology, processes and people to develop and maintain profitable relationships with prospective and present customers in a proactive manner. Philip Kotler and Kevin Keller consider CRM as the process of carefully managing detailed information about individual customers and all customer 'touch points' to maximize customer loyalty. A customer touch point is any occasion on which the customer encounters the Brand and Product from actual experience to personal or mass communications to casual observation. Jagdish Sheth and Atul Parvatiyar describe CRM as "Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers.

CRM encompasses a myriad of activities across the organisation aimed at ensuring customer profitability. As boundary spanners, salespeople naturally play an important role in that process. The concept also seeks to integrate customer management activities across the firm such as customers billing, distribution and shipping customer service provision, and web site utilization. Traditionally, the sales force is the firm's main means of customer contact, and thus the integration of selling with other CRM activities becomes critical. Salespeople managers to bolster company profits through selling, but also act as customer

feedback conduits to enrich other important activities of the firm—such as product design, customer service, production, and research and development. Such relationship management activities have been touted as central to a firm's success. Indeed, they have spawned a number of related technologies that have changed the way salespeople build and maintain customer relationships.

In regard to sales, CRM is an especially important research domain. As a strategy, organizations pursue CRM for a variety of reasons, including information sharing between departments to improve customer service or simply to keep abreast of the competition. Hence, the sales force benefits from an increased speed of response, greater internal synergy in serving the customer, better value-adding service, and cost savings⁷. Indeed, the greatest benefit of a CRM strategy may be the availability of information for improving the coordination of various customer service functions. A secondary benefit of an organisation wide CRM strategy is the opportunity it provides for salespeople to sell more efficiently by increasing quality selling time, and more effectively, by having better and more timely customer information.

The available researches show that successful and continuing relationships are characterized by trust, commitment and satisfaction. Driven by the challenges of competition, rising customer expectations and shrinking margins, banks have been using technology to reduce cost and enhance efficiency, productivity and customer convergence.

CUSTOMER EXPERIENCE MANAGEMENT IN BANKS

With deepening competitive pressures, traditional demands of product function, reasonable price and quality have lost their relevance. Even concept of customer relationship management with focus on strengthening long-term relationship has not been found significantly helpful in retaining customers. Everyone is now realizing that no matter what the firm's product offering is, there will always be competitors willing to do it cheaper or better. One can always find a cheaper car, a better-looking designer shirt, a mobile service offering more freebies, an airline with better seats, a bank with more ATMs. As such, if one wants to retain one's premium positioning and higher margins, one is left with only one option: deliver a really powerful and pleasant customer experience, and reinforce it in as many ways as possible, so that customer no longer cares if the rival product is cheaper or has more frills.

Research shows that customer satisfaction is not enough to guarantee sustained superior performance in the market place; for that a company needs enthusiastic customers. Emerging competitive pressures centre around the customer's experience and the crucial issue is how to provide customers with compelling experiences that create enduring memories and lasting relationships. The only differentiator that brand can rely on for lasting advantage is the experience that a customer carries within her heard. If a customer starts believing in a brand and starts taking some degree of ownership of it, the brand will have become a part of her. From then on as long as the brand delivers overall customer value and keeps on innovating, it will be tougher for competitors to dislodge.

The question, thus, arises is what is customer experience and how it is created. Customer experience is an intangible quality which is different from one person to the other. Experiences are built around feelings, emotions smells, colours, spaces, sounds, human contact, branding and a thousand other factors and time. A great experience is created because it does not happen by accident and it is not only the result of better product features and functions or better services but because of how it makes people feel.

The objective of any market programme of a bank is to create a platform on which customers can experience something of value. New focal points of a bank should include such things such as feelings, emotions, ideas, actions and connections, able to fulfill people's demands from the heart, whilst also helping enterprises identify new niches in which to operate. The concept of 'experience' is closely related to the process of behaviour, which is not restricted to enabling to buy whatever they want. It involves all activities and events experienced as part of the purchasing process. Experience is created when the individual interacts with the enterprise and it is, therefore, important to ensure that these interactions are as perfect as possible as seen from the customer's perspective.

CUSTOMER RETENSION

Customer retention is considered to be a much more efficient and cost-effective mechanism for revenue and profitability growth vis-a vis new customer acquisition. However we find a majority of the banks assigning due weightage to acquisition but under rating retention. In a true sense. If customer retention is combined with leveraging knowledge about existing customers to increase wallet-share, the professionals may find unlimited possibilities to capitalize on. Thus, the marketing professionals in need to look after the current customers well, while at the same time they also need to broaden and deepen new banking relationships. We find it a sure-shot way for stronger top-line and healthier bottom-line growth. The professionals need to make use of the database for existing customers. An in-depth study of data may help professionals in having an insight into the spending habits and identifying the requirements of potential customers. The transaction-based data need due attention of marketing professionals.

The professionals, of late, are in a position to leverage the new CRM technologies and platforms at highly cost-effective rates. The customer service workforce may be used for this purpose. The banks need to make use of the services of CRM analytics. Not only for cross-selling and up-selling to the existing customers but this approach can also be leveraged in new customer acquisition situations. When a customer takes home loan from a bank, there is a high likelihood of taking fire insurance also, besides they can also take personal loan for household items. The customers, thus, can get a number of benefits which may be beneficial even for the banks. The increased revenue per sale for the bank through the bundled product, ease of transaction for the customer who is not interested in running around different companies, reduced paperwork and processing costs for the bank and overall increased profitability for the bank through higher sales without bearing extra customer acquisition costs.

Of course, we find the benefits of CRM for customer acquisition and sales but the outstanding benefits that we find are improving the customer experience and developing stronger customer relationships. The root cause of customer problems can be identified with the help of CRM analytic tools. Besides, the professionals may also be in a position to know the behavioural profile and levels and levels of expectation of customers.

The Indian banking organisation face a number of problems due to blatant and aggressive telemarketing and e-mail or SMS marketing because we find them irritating the customers. The banks not managing the channel properly, often, face embarrassing situations and this makes a strong advocacy in favor of an integrated CRM. Today, we find a number of robust CRM platforms integrating voice, e-mail, chat, fax, snail-mail and text-mail contacts to help customer service agent or telemarketer in viewing the contact history and refrain from aggressive pitching. The IVR technology enables customer recognition based on phone numbers. Real-time customer segmentation is a key benefit provided by CRM.

Explaining the reasons of management of customer experiences becoming a key differential factor for many brands, Joseph Pine II and James Gilmore observed that technology, that powers so many experiences, and increases competitive intensity are the main there is a natural progression of a commodity to goods, product, service and experience.

CRM OPERATIONS BY COMMERCIAL BANKS IN INDIA

During the past decade Commercial bank in India have been working hard to improve customer relation management operations and spending enormous funds annually on CRM initiatives as the banks are facing challenge of catering to a more demanding customers someone who is less tolerant of errors or omissions. With the cost to acquire new customers rising ever markedly against the cost to retain customers, they want to hang on for along time. In addition to building new relationship, bankers are looking at deepening relationships. The bankers are gradually realizing that the cornerstone of the business rests on providing superior products and services designed to add value for customers. There is a huge demand for innovation,

Value added products and services that enhance the overall customer experience. The bankers' move to provide creative solutions for customers spending needs is in that direction.

Commercial banks in India have, of late, taken several steps to improve services to their customers. The most important ones are outlined below:

- **Introducing Multiple Delivery Channels**

In their endeavour to ease customer dealings with the banks, most of them have gradually introduced multiple delivery channels, like ATM, Phone Banking, Net Banking to shift the customers away from the traditional brick and mortar banking.

- **Extended Banking Hours Facility**

Since in Indian situation branch banking cannot be totally relegated to the backseat because of continuing customer preference for such system, some of the banks like SBI, ICICI Bank, Punjab National Bank and Bank of Baroda have resorted to extended banking hours from 8 a.m. in select branches.

- **Management of Customer Complaints**

Banks have begun taking serious note of customer complaints. Reply within 24 hours is ensured informing the status of complaint. Even the highest authority personally monitors the progress regarding customers' complaint in certain banks.

- **Customer Retention**

Banks are now keeping regular track of number of accounts closed and the accounts wherefrom heavy withdrawal is taking place. Reasons for closure of accounts are ascertained to arrest customer attrition.

- **Designing Products and Services to suit Customers**

Most of the banks concentrating on their retail portfolio are in the process of aligning their products to suit specific customer needs. Product innovation and modification of existing products are undertaken on an ongoing basis to match the changing needs of the customer.

- **Relationship Pricing**

Sensing the fact that relationship pricing strategies encourage customers to have multiple facilities and services with the bank, many banks have introduced various schemes with freebies to attract new customs on the one hand and to establish a long standing relationship through a spectrum of products, on the other.

- **Customizing the Relationship**

Most banks have redesigned their account opening forms with plethora of information primarily with a view to establishing an abiding relationship with the customer and also cross selling bank's various products.

- **Focus on Quality Customers**

According to CRM, the level of customer should be aligned with the status of the customer. A high net worth customer deserves greater focus because 20% of such customers contribute to 90% of the bank's profit. According to a survey in a nationalized bank, 67% of the bank's savings deposits customer maintain an average balance of less than Rs. 1000/- in their accounts, 25% maintain an average "balance between Rs. 1000/- and Rs. 10,000/- and the remaining 8% maintain balance over Rs. 10,000. The customers belonging to the last category are "profit" and "quality" customers. The bank should, therefore, concentrate on this category of customers while at the same time it should make efforts to convert most of the loss customers into profit customers.

Unfortunately, Indian banks have yet not been able to create enthusiastic customers because of the absence of pleasant ambience and human touch and warmth in dealings by the branch level staff. The

customers do not feel being cared by the bank functionaries. It must be noted that no amount of product offerings and technological sophistication are going to attract new customers and retain the existing ones if the bank functionaries do not create pleasant and powerful customers experience and their emotions and feelings are not deeply respected every time.

Nevertheless liberalization of financial services and competition have improved customer services, experience shows that customers' interests are not always accorded priority. More importantly, concerns have been raised with regard to banking practices that tend to exclude vast segments of the population. This is why, the RBI has announced its intention to implement policies to incentives banks to provide extensive service responsive to the needs of the underprivileged.

CONCLUSION

CRM is a new-age marketing/ business strategy' aimed at winning customers forever, where companies greet the customers, create products to suit their needs, work hard to develop life-time customers through the principles of customer delight, customer approval, customer enthusiasm, customization, customer service, customer satisfaction, customer loyalty, customer retention, etc. Therefore, it is clearly evident that CRM is going to be developed as a new age marketing tool to determine banks' competitive edge.

From the study of bankers' perception, it can be concluded that CRM is a strategy that is being implemented by the banks in India for effective service delivery to their customers to achieve higher levels of customer satisfaction and strive for customer delight.

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