

A Strategic Framework for Customer Relationship Management: A Review on Banking Services in India

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ABSTRACT

In the present scenario of globalization and liberalization, marketing has under gone a metamorphic change to cope with increased competitiveness, changing needs of customers, continuous product up-gradation due to change in technology, changing marketing trends and many more. It is a business process, which seeks to match the organizations human, financial and physical resources with the wants and need so fits customers within the context of its overall competitive strategy. A customer is the “king” of the market. A customer is the most important person in the market. A customer is not dependent on us—we are dependent on him. Customer relationship management has become inevitable for growth and profitability of banks in present scenario marked by rising competition, technological advancement and empowered customers. In Indian banking Customer Relationship Management is still at a nascent stage. A very small proportion of its potential has been utilized. The concept has been implemented on a limited scale. This paper throws an insight into the customer relationship management and investigates the impediments to successful implementation of CRM and also study the Relationship Marketing and its impact of banking services in India.

Keywords

Customer Relationship Management, Relationship Marketing, Banking Services

Paper Type: Review and Viewpoint

Research Methodology

The paper is based on secondary data. The paper is based on extant literature and internet sources have been used. The study focuses on extensive study of secondary data collected from various websites, various national and international journals and articles, publications, conference papers, books related to customers relationship management, newspapers, magazines which focused on various aspects of customer relationships.

INTRODUCTION

Customers rarely wants imply to be sold to; they want to be valued. They want the in circumstances to be acknowledged and their needs to be satisfied. A customer is a person who brings us his wants. It is our job to handle them profitably. This demand for a matching of the suppliers offers to the customer needs is something greater than the resultant transactions; it is responsible for some kind of higher order business relationship.

Marketing today has led to a new emphasis in marketing, with a focus on relationship and the developments of the notion of relationship marketing and marketing is recast as a matter of relationship management. It does not a band on the fundamental principles of marketing, but builds them in to something more powerful and more relevant for today's competitive marketplace.

Relationship Marketing: Relationship marketing is a strategy used to learn more about customer needs and behavior in order to develop stronger relationship with them. Relationship marketing has emerged as one of the major marketing issues in the 1980's and 1990's.

Many marketers have considered relationship marketing as a necessary and effective way of achieving competitive advantage - through the creation of relationships, networks and interactions that are long-term. Despite the fact that the term 'Relationship Marketing' was introduced by Berry (1983) more than twenty years ago, there is still a lot of debate about what is meant by relationship marketing. Berry has defined Relationship marketing as "attracting, maintaining and enhancing customer relationships so that indifferent customers are transformed into loyal ones. In the relationship marketing perspectives, servicing and selling to the existing customer, are viewed to be as important to long - term marketing success as acquiring new customers. Good service is necessary to maintain their relationship, while good selling is necessary to enhance it. Besides above in the 1990's relationship marketing has become a topic of central importance in companies. Gronroos in 1990 formulate the relationship-focused definition of marketing, emphasizing the need to establish, maintain, enhance and commercialize customer relationship, through the mutual exchange and fulfillment of promises. In the service sector it has received the greatest attention. Relationship marketing is increasingly important source of competitive advantage in companies by which they serve their customers. More and more companies are moving towards using service and relationship building and service as a powerful means of achieving competitive differentiation. There is a not the major trend in relationship marketing i.e. the emergence of one-to-one marketing (McCarthy 1998). While the earlier perspective aimed at meeting the needs of segments of consumers, the new perspective treats every customer as unique. The quality of relationship with individual customer is emerging as a proper measure of success. Now it is possible to maintain data on individual

customers and address their needs on one-to-one basis. There is more attention given to customers and relationship marketing in terms of improved service quality, personalized care, reduction of customer stress etc. also benefits them. A high degree of customer contact, commitment and service are maintained.

The relationship marketing approach has gradually taken the shape of customer relationship management. Relationship marketing has a narrow focus on the customers and only focuses on the marketing functions of the organization concerned. On the other hand, customer relationship management focuses more widely on customers and on the entire functions connected with value creation and delivery chain of the organization concerned. Organization have preferred the usage of the term Customer Relationship Management (CRM) rather than relationship marketing because they face the harsh reality that brings an old adage to life- "You can please some of the people most of the time and most of the people some of the time, but you can't please all of the people all of the time". Today, Customer Relationship Management (CRM) is the key that fulfills the promise of helping sellers -please all of the people (customers) most of the times. To step over the threshold of the new millennium - the age of "never satisfied" customer, leading enterprises are identifying the need to change from a product-centric business to a customer -centric one. Organizations are slowly waking up to the benefits as well as the challenge of changing processes that are necessary in this age of never satisfied customer.

Objectives of the Study

The research intends to focus on understanding concept of customer relationship management and its impact on Indian Banking System. Accordingly the objectives of this study are:

- To cognize the concept Customer Relationship Management.
- To cognize the concept of Relationship Marketing.
- To highlight the needs of customer relationship management in banking services in India.
- To study the impact of customer relationship management in banking services in India.

Regarding Availability of Infrastructure

In this regard, it is found that the basic infrastructure for CRM i.e. computerization, phones, fax, ATMs facility, Internet banking etc. are available in bank. Banks are contacting with their customers through phones, fax, Internet, mobile banking, website but it was not sufficient as the infrastructure was not adequate enough to handle their big cliental. It was a difficult task to deal the customers with less equipment. The study depicts that both some public and private banks branches had failed to provide the certain services like mobile banking, tele - banking, Internet banking, and electronic fund transfer system.

Suggestions

Whenever an innovative product is launched in the market, the marketer needs to create its awareness amongst the existing and prospective

customers. According to AIDA model of communication the first step in any marketing communication is the creation of awareness in the market followed by interest, desire and action. In order to increase the awareness level of customer's the following suggestions are likely to ensure better utilization of wide spectrum of bank services.

1. Computerization:

Introduction of computers for front office banking are proved to be very useful. Improvement in customer service is visible, customers are getting their accounts in time, interest calculations are done accurately, books of accounts are being balanced promptly and branches now, are in position to submit various returns and statements to their controlling offices used in time. But some employees faced difficulty. Therefore bank should provide them time to time training so that they would not face any difficulties.

2. Phones:

The phone facility is available only in branch manager room. Therefore it is suggested that a phone facility should be provided to each bank employee so he/she tackles the customers' problems by sitting on their seat.

3. Faxes:

Banks used fax machines to send messages or other details etc. and at present the branch has only 1 or 2 fax machines. Therefore to handle some unforeseen condition there should be more than two or three fax machines in the branch.

4. ATMs:

ATM is abbreviation of Automated Teller Machines. ATM is user - friendly system and customer does not require any training to use it. But the study found that availability of ATMs counters is not sufficient. Therefore it is suggested that more ATM facility should be given to the customers and it should be opened near at bus-stand, railway station, near hotel and park etc. location of ATM should be convenient for the customer benefits and facility.

5. Internet Banking:

Internet banking allows the customers to use the Internet for the basic functions like making enquiries about balances, electronic communications with the bank through internet. It is suggested to the bank employees to make the people more aware about this service and its benefit.

6. Tele banking and Phone banking:

Technology development has totally changed the face of banking industry. Conventional banking where banking services were provided manually across the counter has come to the stage where customer is not required to visit the bank personally. But the 29 branches of public banks (PNB and SBI both) in some rural areas have not yet started the phone banking. Customers who wanted to do the transactions, they usually do by contacting the branch managers. Therefore, it is advisable for the branch to provide the facility as early to its customers.

7. Mobile banking

Mobile banking has also not yet started in 47 branches of public banks. In this, some branches are Internet driven. So, it is suggested to start it as early as possible, as in this era, Mobile banking is the most demanding

services, because it helps to show their transactions and account status through sms, which save the time of customer and prove convenient to the customers.

8. Electronic fund transfer system

With this facility bank can transfer the money within 10 or 15 minutes anywhere from one branch to another. Private Banks employees use this services more frequently rather the public banks. Therefore, the employees are advisable to make aware the customers more to use these type of services.

Thus, in spite of the fact that the technological up gradation has become essential requirement of each economic activity, the banking sector is still in beginning stage in using electronic machines. Though to bring mechanization in the bank is a costly affair, but in order to provide speedy services to customers it is essential to use moderate electronic devices and services.

Impact of CRM

In this regard the study concluded that dealing with the customers through phones, Internet and face to face contact has proven greatly beneficial to bank business. This lead to the reducing cost and increase customer loyalty by 91.1% and also by providing new services loyalty is increased by 100% in private banks. Banks profitability has increased about 25 to 50% (53.3% in total). As most of the transactions are done on computers and overall efficiency of the bank has increased with computerization of the banking environment and it leads to the conclusion that future of electronic devices in banks are very bright.

What are the benefits of CRM in banking?

1. Boosted Sales
2. Increased Lead Conversion
3. Personalized Customer Journeys
4. Increased Productivity
5. More Efficient Communication
6. Inter-Department Data Tracking
7. Better Service
8. Improved Customer Experience
9. Increased Customer Loyalty

Regarding Awareness and Attitude of Bank Employees

In a service organization like banks, its most valuable assets are their employees. The success or failure of their products depends to a large extent on the attitude and willingness of their employees. These organizations are therefore advised to not only do external marketing but also at the same time and rather more important is the internal marketing. Banks must make an internal survey of its own employees to know their attitude and to read their minds towards the customer relationship management. The different aspects of banker's attitude are concluded here in the following paragraphs.

There was a problem faced by employees for handling the various electronic tools. The employees of public bank faced more problems comparison to private bank employees.

Further in regard to problems faced by employees in handling tools it was found that banks give time to time training to their employees, so that

employees feels comfortable while using various electronic tools and it help to save their time as well.

As far as the type of media a bank should adopt for the awareness of its customers a significant differences were found in replies of the staff of both banks. Public banks prefer the newspaper, television, radio, magazines to aware the customers whereas in private banks phones, newspaper, TV, magazines are preferably used.

In regard to selection of channel Internet, the private banks preferably use websites and on the other side public bank used personal selling in comparison to internet.

Suggestions

- Efficient and competent persons should be posted on the jobs.
- Employees need to be trained in developing a habit of usage of electronic tool.
- Maximum advertising media should be adopted by bank to get aware their customers of their services.

Reaction of Customers

In this regard the study concludes that customers are also giving positive response. Most of the customers in the sample of the study were of 25-40 years age group; postgraduate, and Rs. 10,000 to 25,000 family income groups. All of them were aware about the different service provided by their banks.

Banking is essentially an industry which carries on its operations mainly based on the confidence and faith of its customers. It has undoubtedly to grow on the quality of service rendered by it, since service is the end

product of a bank; the efficiency of a bank depends more on how best it can deliver goods to its customers rather than simply the volume of business carried on by it.

Furthermore, the customer's requirements are getting more and more sophisticated. Today's customers want personalized care and attention. Besides, there still remain large rural area customers untouched by the banking services and the government is visualizing a more dynamic and purposeful role for the public sector banks in attaining the socio-economic objectives.

There is a need to response and enlarge the package of rural banking and urban banking offered in tune with the changing customers preferences. The standardized sets of products and services offered by the banks are, therefore, no longer sufficient to meet the diverse needs of the customers. Thus, banks faced with a situation where continuous innovations in products and services have been called for. In order to make these products more oriented towards customer's needs, attitudes and their perceptions and preferences need to be continuously monitored and incorporated into the product/service features.

Besides the above written suggestions the various other suggestions for bank management are given below:

Helpful Attitude at the Time of Opening of Account

Bank staff should be motivated to help the customers at the time of opening of new account or filling up the forms and finalizing various procedural formalities. Enquiry counter is a necessary facility for the convenience of the customers. Banks should provide a separate counter in each branch and the

person at the enquiry counter should be especially motivated and trained to be polite and helpful to the customers. The staff at this counter should in particular be asked to provide all the necessary assistance particularly to new account holders. 'MAY I HELP YOU' counter should to give guidance and assistance to the customers.

Better Promotion of Bank Service

The awareness level of customers (rural and urban) was not found sufficient particularly in the age group of above 60 years. Majority of customers as revealed by the study were unaware of the banking services and particularly rural customers are not enjoying any business promotional services. Banks should make the present and prospective customers to be aware of the service package they offered by distributing information booklets, pamphlets on various schemes. Banks should always try to get in touch with the customers and make them aware of the various new schemes and services.

Prompted Method

Service delayed is service denied. The bankers must not forget this fact. In selection of a bank different factors are considered by the customers i.e. tangibility, reliability, responsiveness, assurance and empathy, and competitive strength. In regard to tangibility customers are found moderately prompted. Thus it is suggested for tangibility banks should also go in for computerization because with the growing volume of business and number of clientele and changes in quality of work, banks can't continue to depend upon the old manual techniques. Introduction of computers for front office banking at some of the large banking centers will result in immediate and visible involvement in the customer service. Time required for cashing of cheques and other instruments will be reduced and its result less queues.

Customer Care Policies

Generally complaints highlight the areas of weakness in bank service, which needs improvement. There should be positive approach to complaints in banks. The bank employees should not behave in adverse manner with the complainants. A satisfied customer of the bank is an unpaid publicity agent for the bank is equally important, in the fact that the highly dissatisfied customer is an unpaid agent for carrying on a campaign against the bank. The choice is that of bank. So that banks provide different policies to customers for their care which helps in maintaining the CRM.

Motivating Bank Staff to be more Customer-Oriented

From the study it concludes that bank customers are not fully satisfied with the bank staff. It is suggested that bank employees those who are in direct contact with the customers should be motivated to be polite and helpful to the customers. Employees should try their best to provide maximum help to the customers who come to them. Customers must be welcomed with all courtesy. Courtesy should be repeated every time the customer comes. Customers come to the branch for prompt attention, courtesy and good words which do not cost anything to the bankers. Moreover, bank employees should treat all the customers at par so that customers don't feel the necessity of developing some personal contacts with the branch staff to cut short their waiting time.

Bank Charges

Private Banks charges higher for their services rendered by them as compare to the public banks for the same services. It is suggested that the banks should reduce the service charges so that customer gets attracted towards their different policies and schemes.

Better Maintenance and Upkeep of the Branch Premises

Surroundings in which customers have to make their transactions leaves strong impressions, taking place them, quality of their services. Since this aspect is directly linked with bank's concern with the welfare of its customers, it becomes very important for banks that premises are properly maintained and kept clean and all amenities like seating arrangements for them in banking and the tables of appropriate height for filling up various forms / slips, counters should have sign board of the transactions being handled at those counters for the convenience of the customers, special attention should be paid to see that drinking water is available to the customers. The booklets comprising the elucidation of services should be distributed to present and prospective customers so that a big chunk of customers and non-customers may come to know the latest services being rendered by the bank and attractive advertisement highlighting the gains from banking should also be released.

Surely these suggestions imply an increase in the workload of staff. Yet this will ultimately benefit them by increased banking business and helps them to maintain the good relationship with customers. So, that their purpose of customer relationship is fulfilled.

CONCLUSION

In this regard the study found that banks have made a lot of efforts for maintaining relationship with the customers. Banks provide the new-new services to their customers. The bank has opened the customers care department as its head office, websites to satisfy the customers, appointment of person in banks. The bank has facilitated the grievance - redressal machinery to handle the customer problems. Bank has used the different

marketing channels and advertising media to make aware the customers regarding its new and moderate schemes. Public and private banks have made about 25-50% of total expenditure whereas public banks spend 50-75% of their total expenditure for providing new-new services for betterment and acquiring the new customers and retaining the existing ones. Banks also have given various types of incentives to their employees for attracting the customers in addition to monetary the non-monetary benefit given by banks i.e. (48%) by appraisal their work. Therefore, it is suggested that bank should give monetary benefits with non-monetary benefits to their employees, for good services and whatever efforts they had made to strengthen their business and acquiring the customers.

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