

Customer Relationship Management in Banking Sector

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Abstract

Banking institutions today face many challenges before them which include global competition also as foreign banks are permitted to operate in india.they struggle for deposits loans and underwriting fees the customer demands are increasing on some of the banks the probability is being low due to many uncontrollable reasons the need to keep up with new technologies is also a problem which needs a huge amount for installation better customer relationship is the only solution to meet the above said challenges this relationship depend on their ability to provide personalized service to every customer every time every where a small bit fall in the banks will create lot of connected problems.

Introduction

Customer satisfaction is a key indicated of the operational, financial performance of a bank as customer numbers grew traditional one to one customer interaction is un sustainable this sets the goal for financial services sector to use sector insight to understand how to create an effective multi-channel customer experience that is personalized and relevant, differentiated by value and respectful of privacy concerns.

As global competition increases and products become harder to differentiate, banks have begun moving from their product – centric attitude to a customer- centric one. the bridge of disconnect, over the years, has been shortened after many banks started methodically identifying and filling in the gaps through customer relationship management which now is seen as the way forward to thrive in the e-future. Until recently, banks with their antiquated approach to customer relations thought that all customers are created equal, and made a lot of decisions based on instinct, not on data. now ,with analytical CRM tools, they are able to see for the first time which customers they make profits and which customers are costly to them.

Objectives of the study

To understand the correct meaning of the term – CRM in banking

To know the importance or benefits of CRM in banking industries

To analyze the role of CRM in banking

To explain the different types of CRM adopted in banking sector.

To discuss the steps in the successful implementation of CRM.

Meaning of CRM

CRM is the strategy for building, managing, and strengthening loyal and long – lasting customer relationships.CRM is a customer centric approach based on customer insight. Its ultimate objective is

towards personalized handling customers as distinct entities through the identification and understanding of their differentiated needs, preferences and behaviors.

Customer relationship management (CRM) is a model for managing a company's interactions with current and future customers. It involves using technology to. Organize, automate, and synchronize sales, marketing, customer service, and technical support.

There are many definitions for CRM and all of them are more or less correct. It is important that the client not the product is in the centre. The CRM definition we use is – having the right offer for the right client, at the right time via the right channel.

CRM in banking

Implementing a CRM in banking industry can be very challenging. a powerful CRM should optimize the existing customer strategies and them future – proof without affecting the bank's flexibility.

All major banks have invested heavily in technology and infrastructure over the last 5 to 10 years in this area, but hardly any of them have been successful in actually getting it effective. CRM refers to the methodologies and tools that help business to manage the customer relationship in an organized way. It can be referred to as a business philosophy, a set of strategies, programs and systems, which focus on identifying and building loyalty with a most valued customer. This technique is used by the management to successfully attract and retain the customers for maximum corporate growth and profit.

CRM is much more than a technological solution .it is a strategy integrated in the business model of the banks. It is clearly oriented to value generation. CRM is a key element of differentiation that lets the bank develops its customer base and sales capacity. Today the environment is changing dramatically, and so is the banks approach to their customers. a well thought out CRM strategy lets them improve the sales experience of the customers. It develops the potential value for customers, increases sales, productivity and efficiency and creates personalized one to one services.

Importance of CRM for banks

CRM is of course very important. What banks must achieve is to improve knowledge about the clients, improve active customer contact, improve the satisfaction of the clients and improve the return per client. It really depends on the positioning and focus of a bank. If operational excellence is the key- focus and not customer intimacy, the choices they make in terms of investments in CRM will be completely different. If they wish to create value for their clients by offering high quality financial solutions that best meet their current needs and long-term goals, knowing their client and acting on that information in every contact is essential in achieving this.

Reasons importance of CRM in banking

Banks continue to face stiff revenue targets spread across too many stakeholders without banking CRM systems.

Bank's stakeholders struggle to deal with a vast number of departments, systems and geographies.

While the growth strategy of most banks relies on a cross selling infrastructure, there is an apparent lack of it.

Large investments are made to enable marketing intelligence, yet dismal infrastructure exists to execute and complete the feedback loop. Absence of visibility has created a reporting overload, directly resulting in huge efficiency drags.

Manual reporting is the primary source of performance analysis for most banks.

There are two main points that describe the significant jump regarding CRM customer demand for sophistication and multichannel approach orientation. Consequently, there are four steps that banks should take to benefit from CRM change their commercial product vision to a customer centric vision effectively integrate different channels ensure data quality and deploy complex marketing strategies.

Types of CRM

Broadly, three types of CRM are adopted by banks.

1. Operation CRM

In this, CRM software packages are used to track and efficiently organize inbound and out bound interaction with customers. Operational CRM supports frontline processes in sales, marketing and customer service, automating communications and interactions with the customers. They record contact history and store valuable customer information to ensure a consistent picture of customer's relationship with the bank that can be retrieved by staff as per requirement.

2. analytical CRM.

It is about analyzing customer information to better address marketing and customer and customer service objectives and deliver the right message to the right customer at the right time through the right channel. It involves the use of data analysis to extract knowledge for optimizing customer relationships.

3. collaborative CRM

These involve systems facilitating customers to perform services on their own through a variety of communication and interactive channels. It brings people, process and data together and enables channeling of data and information appropriately to bank staff for proactive decision making and enhanced informed customer service and support activities.

Thus, CRM can be understood as a catalyst enabling transformation of banking form traditional transactional banking of relationship banking by use of technology.

Strategic framework for successful implementation of CRM

For successful adoption and implementation of CRM relevant changes in banks culture, practices, processes and employee attitudes are required. the following section suggests a strategic framework to enable successful CRM implementation.

1. Recognizing CRM as a strategic initiative

CRM has many dimensions, resulting atiin varied perspective to CRM. Therefore, the CRM philosophy, in its true sense, is not understood by stakeholders. This becomes a major impediment. So, it is imperative to state that CRM is a long term strategic initiative for attaining the organization's long term objectives.

2. Top management support

Without leadership and endorsement of top management, the CRM initiative may not get the required weight age attention and effective deployment.

3. Realignment of Organizational structure and practices

Sales force Automation. Dashboards, loads of customer information in MIS reports cannot lead to CRM implementation in it's true sense unless and until the organization structure in Banks is realigned.

4. Change in culture

CRM being a strategic initiative, demands a change in organization culture pertaining to perceptions and practices. CRM to be successful needs support from all organizational members and particularly the recognition of the fact that each one is responsible for CRM.

5. Communication and coordination

To put life into technology and strategic plans for customer acquisition, service and retention, communication of CRM vision, enabling practices and

Desired behaviors is necessary. Also coordination of human efforts and customer communications to software enabled CRM updates. Alerts and templates is essential.

6. Motivation

Lack of motivation towards adopting, accepting and using CRM applications is a major impediment to CRM in Banks. This can be addressed by helping employee at all levels to understand CRM concepts and firm's vision for CRM. They should be guided in communicating customer about market and profitability data to describe the Bank's progress, as it proceeds on its CRM journey.

7. Training

Adequate training to end users is essential keeping in view the involvement of new technology, realignment of business practices and magnitude of fundamental change in Bank's service offerings. Training at all levels focused on CRM philosophy, applications banking, new processes to be adopted, employee's role in customer service, and change management along with use of new technology is the need of the hour.

Conclusion

Customer Relationship Management has become inevitable for growth and profitability of banks in present scenario marked by rising competition, technological advancement and empowered customers. CRM is fundamental to building a customer-centric organization. CRM is not technology. It is business. Further, today customer centric banking means a new way of thinking. Banks need to focus on relationship banking rather than traditional transaction banking. CRM is key, because, the value of retail banking lies in distribution. Knowing your client is the first requirement of a retailer. A bank's ability to identify customer needs, segment customers and build accurate customer profiles, all depend on how effectively it collects, manages and uses customer data. Banks need to realize which type of information they need, harvest it carefully, store it safely and keep it updated. It protects the business, helps it to penetrate through growth markets and prevents disintermediation by other bankers.

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