Customer Relationship Management in Banking Sector: Banker and Customer Relationship

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ABSTRACT: In the present era of competitive business environment companies are incapable to longer survive with a transactional attitude towards customers. They must focus their marketing lenses more rational dimension, which is the most appropriate approach for satisfying and maintaining customers. 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., to understand more in customer relationship management, we first need to understand three components which customer are, relationship and their management (Peppers and Rogers, 2004). Customers are the focal point in the development of successful marketing strategy. Customer retention assumes significance in revenue analysis of various organizations. The success of CRM process depends on the active involvement of all managers and employees 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. Providing service to customers has been identified as the prime responsibility of the Banks and therefore, Banks considered that CRM is the best tool to perform the job of rendering good services. The lack of understanding on Customer Relationship Management (CRM) is always a concern among the service providers especially banks. Banks have their own way of managing their relationships with the customers. However, the perception of customers on CRM practices among banks should also be taken into consideration. CRM activity attend the needs of customers without delay in time, the Banks can create more awareness to customers and can create a customer data base very significantly.

KEY WORDS: CRM, Customer relationship management, Relationship.

OBJECTIVES

To explain the concept of customer relationship management in banking sector.

To study the Banker and customer relationship.

METHODOLOGY

This paper is conceptual study of Social media and its role in marketing. It is based on the analysis of secondary data availed from various online journals, research reports and internet. This is a refereed paper and is based on theoretical facts and figures.

INTRODUCTION

Customer relationship management is one of the strategies to manage customer as it focuses on understanding customers as individuals instead of as part of a group. CRM manages the relationships between a firm and its customers. Today, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management and its potential to help them acquire new customers retain existing ones and maximize their lifetime value. Banking sector is a customer-oriented service where the customer is the KEY focus. Research is needed in such sector to understand customers" need and attitude to build a long relationship with them. Customer
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, reprising, discretionary decision making, and customized service-all delivered through the various sales channels that the bank uses.

Customer relationship management

In literature, many definitions were given to describe CRM. During the last decades there has been strong orientation on customers satisfaction by fulfilling their needs and wants as means for the achievement of organizations objectives. This underlying motivation on customer focus is clear mission to create value for customers, stay profitable and gain desired performance. By creating value for customers organizations would gain customers" loyalty, which in turn would result in business" growth and profits. The main difference among these definitions is technological and relationship aspects of CRM.

History of CRM in banking sector

Customer Relationship Management: A Brief History 1980s: Database Marketing. The promise of database marketing? To speak individually to countless customers. The reality: It's too costly, too difficult, and doesn't pay out on the bottom line, except in the case of business-to-business key account marketing. The compromise: A little database marketing goes a long way, which is very good news for everyone except technology vendors. You can do quite well simply by knowing how recently and frequently customers purchase; how much they spend; what they purchase; and an iota of demographics. Almost everything else is fluff and gloss.

In 1986, ACT! Introduced the business world to contact management software. Essentially a digital rolodex, ACT! Allowed for the efficient storage and organization of customer contact information. Goldmine and other vendors also released CMS programs throughout the 80s.

Near the close of the decade, the proliferation of personal computers and the advent of server/client architecture paved the way for an explosive growth in software development.
1990s: Relationship Marketing. Major phenomenon: Loyalty programs. Major promise: Loyalty! Major result: Companies such as airlines now have an enormous incremental layer of expenses, without much to show for it. It's the familiar promotional conundrum: If your competition promotes, you have to promote equally, which eventuates in everyone making less money. But if you unilaterally withdraw from such competition, market share collapses. And, alas, no one, at least on the consumer and small business end of things, can tell the differences between loyalty, bribery, or inertia. 3. Early 2000's: Customer Relationship Management (CRM). Major phenomenon: Great promise. Major reality: Promise unattained.

Importance of CRM in Banking sector

"Central banks don't have divine wisdom. They try to do the best analysis they can and must be prepared to stand or fall by the quality of that analysis." This quote from Mary Kay Ash, founder of Mary Kay cosmetics shows the key to the wisdom of banks – analysis. Like central banks, retail banks today recognize they must identify, attract and retain profitable customers. The question is how to do this.
Banks, historically, have taken a non-holistic approach to customer management and customer service, offering products and services which satisfied the banks rather than the customer's needs. Retail banks today recognize that this can no longer be the case. They must be able to react to the individual customers requirements for flexible, customized services and products that can be accessed through multiple channels. In other words, they must be competitive in a competitive market.
Historic entrenchment, however, has made banks reluctant to enter the banking CRM world which would allow front line branch personnel the ability to manage the customer with a holistic product package. Knowing the customers‟ needs at the initial point of contact allows for the ability to up-sell as well as cross-sell a full range of financial products and services.
Though, a bank's senior decision makers fully understand the branch process and the necessity for it, they have somewhat less understanding of their electronic customer base. It is this gap in knowledge that in many cases causes a reluctance to institute a CRM system. There are concerns about expenses associated with the system, the ease at which the system can be accessed by front line personnel and the relinquishing of authority to the front lines. Even more frightening to the entrenched bank establishment is the relinquishing of choice to the customer themselves. How then, can a CRM system assist these retail establishments in increasing their ROI? CRM success in retail banking depends on measurable ROI over a short period. Expenditures and prospective earning over an established period must be defined. With this information the return from a CRM system can be measured.
One significant issue for physical retail banking is the shifting peak periods–the need to reallocate idle or untapped branch resources during peak periods will have a positive impact on ROI. An integrated CRM system can help to shift these resources through equal access to customer information. The concept of the process driven workflow in a retail bank needs a CRM system which can

- Capture customer data at the point of entry into the banking system – the branch. Ensure that all customer information and history are accessible – allowing the branch to foster the corporate identity of the organization.
- Provide quality information on each customer interaction that can then be accessed by senior management in timely reports which allow more refined analysis than previously available.
- Enable bank marketing to easily identify customer contacts by market segment and target correspondence to those customers most likely to acquiesce to the product or service offering.
- Ensure that the customers experience within the system is consistent across all channels.

- The Banking CRM system also integrates the electronic customer identity into the organization. No longer is the face-to-face bank contact required to cross-sell or up-sell products. New product introductions, based on the current electronic customer profile, can be offered though the e-marketing channels.

The Major Benefits of Analytical CRM to Banks are as follows:
1. Customer Retention

2. Fraud Detection

3. Optimizing marketing efforts as per customer life time value

4. Credit Risk Analysis

5. Segmentation and targeting

6. Development of customized new products matching the specific preferences and priorities of customers.

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 channelling of data and information appropriately to bank staff for proactive decision making and enhanced informed customer service and support activities. It provides a means of information sharing to all concerned in timely manner and includes customer as a creator of service. The major benefits of collaborative CRM to banks are
1. Providing efficient customer communication across a variety of channels
2. Online services to reduce customer service costs

3. Providing access to customer data while interacting with customers.

Thus, CRM can be understood as a catalyst enabling transformation of Banking from traditional "Transactional banking" to "Relationship Banking" by use of technology.

BANKER AND CUSTOMER RELATIONSHIP

DEFINITION

According to sec 5(c) of the Banking Regulation Act 1949, a banker is a person who undertakes business of banking. Banking means accepting deposits from public, for lending, repayable on demand or otherwise with drawable by cheque, draft, order.

Meaning of customer

A customer means a person who seeks to open account which banker accepts with proper introduction. The relationship is not based on frequency of transactions, and durations. Features of bank or banker Receiving money and collecting drafts. The obligation of honoring cheques drawn upon them, making payments across the counter on demand.? The main line of activity of the organization should be banking.

TYPES OF RELATIONSHIP

BANKER AND CUSTOMER RELATIONSHIP

I. GENERAL RELATIONSHIP

II. SPECIAL RELATIONSHIP

GENERAL RELATIONSHIP BETWEEN

BANKER AND CUSTOMER

1. PRIMARY RELATIONSHIP

2. SECONDARY RELATIONSHIP

1. PRIMARY RELATIONSHIP

a. DEBTOR AND CRDITOR RELATIONSHIP

b. CREDITOR AND DEBTOR RELATIONSHIP

DEBTOR AND CREDITOR RELATIONSHIP

When banker accepts deposits from the customer he becomes the debtor and the customer is the creditor. The only obligation is to return the amount deposited with interest on demand. The banker can deal with the money anyway he likes.

Features of debtor and creditor

Banker is called a dignified debtor Customer is not the secured creditor of the Bank Customer's balance at bank is not repayable Banker should pay the deposit money on demand by the customer.

The deposit should be paid at the appropriate place. The demand should be made by the customer on working days and during the business hours.

CREDITOR AND DEBTOR RELATIONSHIP

Here the banker acts as a creditor. The debtor creditor relationship holds good in the case of deposit account. But in the case of loan cash credit and overdraft the banker becomes a creditor and the customer assumes the role of a debtor.

SECONDARY RELATIONSHIP

a) Banker as a trustee

b) Banker as an agent

c) Banker as a Bailee

d) Banker as lessor

SPECIAL RELATIONSHIP BETWEEN BANKER AND CUSTOMER

1. Obligation of a banker

2. Rights of a banker

Obligation of a banker

Banker as certain obligation to be fulfilled towards the customer

i. Obligation to honor the customers cheque
ii. Obligation to maintain secrecy of customer's account
iii. Obligation to receive the cheques and other instrument for collection
iv. Obligation to honor the cheque of customer across the counter.
v. Obligation to give reasonable notice before closing the customer's accounts
vi. Banker Obligation to honor the customers cheque

The bank has the obligation to honor customer's cheque as and when they are presented. A banker must honor the customer's cheque drawn on him provided

a. Enough funds

b. Correctness of the cheque

c. Proper drawing of the cheque

d. Proper application of funds

e. Proper presentation

f. Reasonable time for collection

Dishonor of Cheque

A cheque is said to be dishonored when the payment is not made.

Circumstance for dishonor of cheque

i. Insufficiency of funds
ii. Notice of the customer's death
iii. Notice of the customer's Insolvency
iv. Trust accounts
v. Suspicion about the title over the cheque
vi. Presentation of a postdated cheque
vii. Joint account
viii. Material alterations
ix. Drawer's signature
x. Proper form of the cheque
xi. Drawn on another branch

Wrongful dishonor of cheque

A cheque may be dishonored by a banker by mistake or by negligence on the part of any of the employees, even though there is sufficient balance and cheque has been drawn in a proper manner. The banker will be held responsible for the wrongful dishonor of a cheque because of loss or damage to the customer.

Rights of a banker

Bankers right to charge interest, commission, Incidental charges and commitment charges

i. Right not to produce books of accounts
ii. Right to set of
iii. Right to appropriate payment
iv. Right to lien

Banker's right to charge interest, commission, Incidental Charges.

Banker has an implied right to charge for service rendered to a customer.

a. Rights to charge interest: As a creditor the banker has the implied right to charge interest on the advance granted to the customer.

b. Right to charge commission: A banker render several services to the customers and they cannot be offered free hence the banker has an implied right to levy certain charges known as commission.

c. Incidental charges: Incidental charges are levied by banker on the inoperative or unremunerative current accounts of the customer's. Incidental charges rates are revised by the bank from time to time.

2. Right not to produce books of accounts: According to the provisions of the banker books Evidence Act 1891, the banker need not produce the original books of accounts as evidence in cases in which the banker is not a party. He can issue only an attested copy of the required portion of the account which can be utilized as evidence before the court.

3. Right to setoff: The right of setoff is the process of combining two or more accounts of a customers. It is a statutory right available to a banker to set of a debt owed to him by a debtor from credit balance held in other account of the debtor.

Conditions for exercising right to setoff

Two or more account should be in the name of same customer.

The amount of debts must be certain.

4. BANKER RIGHT OF GENERAL LIEN

Meaning of Lien

Lien is the right of a payment to retain the property belonging to another until the debt due from the owner of that property is repaid.

Banker general lien

It is the right of the banker to retain the goods ad securities entrusted to him as a banker by a customer in respect of the general balance due from the customer.

Objectives of banker general lien

The objectives of the banker general lien is to ensure the safety of the banker fund by serving as a protection against the loss that may arise on a loan, overdraft or any other advance to a customer.

Banker general lien an implied pledge

A banker's general lien empowers the bank not only to retain the securities but also to sell them without getting any orders from the court, so the banker lien is considered as an implied pledge.

Conditions for exercising general lien by banker

i. The securities should belong to the customer.
ii. The banker should be in possession of the securities.
iii. There should be lawful possession of the goods.
iv. The loan should be due for payment.

Circumstances under which a banker can exercise right of general lien.

i. Banker can exercise lien on bills and cheques deposited for collection.
ii. Banker can exercise lien on documents of title to goods.
iii. Lien on specific securities left with the banker after the repayment of the specific loan.
iv. Lien on funds deposited with the banker in his capacity as a banker.
v. Lien on life insurance policy that comes into his hands as a banker.
vi. Lien on duty discharged fixed deposit receipt that comes into his hand as a banker.

Circumstances under which a banker cannot exercise right of general lien

i. No lien on safe custody deposits
ii. No lien on money deposit for a specific purpose.
iii. No lien on securities left with the banker by mistake
iv. No lien on joint accounts where in one joint account holder is a customer.
v. No lien on securities received for sale.
vi. If a banker acts as a trustee under an agreement he cannot exercise lien on trust property.

Garnishee order

Garnishee order is a order issued by the court at the request of a judgmental creditor(bank) to the garnishee waring him not to pay the money which is with him to the judgement debtor until the claims of the judgement credit is disposed of.

CONCLUSION

Customer relationship management is one of the great challenges for the banking sector, since the Customer satisfaction level in public sector is not satisfactory when compared with private banks. Research provides some ideas to banking sector how to retain their customer and also explained some of the benefits to customer which are maintained by banking sector. Hence now a day CRM with customer by banking sector used to get customer database, customer satisfaction level, customer loyalty, long time service, customer retention, to identify profitable customer for their bank, identify non profitable customer of bank and non performing assets.

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