

CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES IN BANKING SECTOR – FUNDAMENTAL TOOL FOR ACHIEVING BETTER BUSINESS RESULTS.

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ABSTRACT

In the present scenario of business and corporate organization like banking sector, the customer relationship management (CRM) is one of the most important paradigms. The rapid growth of such organizations, whose outcome is based on the quantum of active customers and the retention of such customers for the longer duration, is passing with critical phase of challenges with regard to customer relationship management. Due to fierce competition in the banking sector, where the competitive struggle to win larger market share and attract the largest possible number of customers is constantly being led, and taking into account poorly differentiated offer of banks, adequate customer relationship management is a fundamental tool for achieving better business results. In this context, the subject of the paper is the identification of the characteristics of the modern approach to customer relationship management and factors that influence its successful implementation, in order to achieve long-term and mutually beneficial relations between banks and banking products and services users.

The present paper paying attention on the prominence of CRM system and its potential to lead to new customer acquisition, satisfying and retaining existing customers in order to gain competitive advantage in customer acquisition, satisfaction, retention and loyalty.

INTRODUCTION

Faced with mounting pressures to contain cost and mandates to adopt continuous quality improvement process, the rural banking industry is actively engaged in relationship marketing and partnering activities.

Customers relationship management (CRM) which has prevailing significance for any business is no less significant for banking services. In the present Indian Banking Scenario, two prominent phenomena are the focal point to emerging practices and policies. These are 'Technology' and 'Relationship Marketing'. The power of technology that has revolutionized banking services and practices. 'Relationship Marketing' is seen as the only differentiating factor given the almost commoditization of banking services. On observation of the recent restructuring, rebranding and reengineering efforts of many banks, we find that the key motive towards these is to utilize customer centricity as a strategy. Further, catalyzing the importance of Technology and Relationship marketing is the Core Banking Solution (CBS). All the banks have overcome the teething troubles of CBS. Going further, most of the Banks have invested in technology enabled Customer Relationship

Management Software to utilise CBS generated customer information for enhancing business opportunities, access to customers and support. Thus, CRM is a logical progression of CBS for Indian banks. Although, at a nascent stage it is developing swiftly.

Customer Relationship Management is the integration of these two cornerstones of Indian banking technology and relationship marketing. It has a potential to bring about dynamic changes in marketing practices of banks in near future, with the objective of business growth through managing customers as assets, Systematically collecting, analyzing and disseminating customer information and use of this customer information for acquiring, retaining and better servicing customers. An understanding of the current status of the CRM initiative in majority of banks suggests that only a minuscule of the potential of CRM has been realized. The key impediment is the lack of understanding and acceptance of CRM as an organization wide strategy and need for reorientation of organization structure to adopt this. The paper attempts to investigate these issues and suggests a framework for reaping the benefits of this investment in CRM by various banks.

LITERATURE REVIEW

The relevance of relationship marketing in health care has been widely recognized (Cassidy 1993; Dunn & Thomas 1994; Narduetal 1994; Macstrainc & Denning, Paul; 1986; Paul; 1988; wagneretal (1994) discussed the relevance of relationship marketing programs, integrated marketing communication strategy and data base marketing for developing a favorable image leading to improved hospital performance. Based on Demming's principles of total quality, Doyle and Bondrau (1989) advocated hospital supplier partnerships as a means to improve productivity, to control cost and to improve quality of care. They suggest that long-term relations with suppliers based on trust, service and effective coordination could lead to efficiency and improved performance.

Dunn & Thomas (1994) draws clear distinction between transaction selling and offering partnership solution to customer problems and advocated partnering with customers with a hierarchy of corporate buying - selling model. Several marketing practices that attempt to establish, develop or maintain cooperation & collaboration with customers & other marketing providers are included under the general rubric of relationship marketing. This include after marketing activities (Voura 1992) one to one marketing (Pepper & Rogers 1994) membership programs (including frequent buyer incentives) cross - distribution arrangements, cross - selling co - production, co - branding, channel partnership logistics sharing, special supply arrangements (including special sourcing and JIT arrangements) business alliances, data base marketing etc., (Sheth & Parvatiyar 1995)

OBJECTIVES OF THE STUDY

- 1). to know the Conceptual framework of Customer Relationship Management.
- 2). to gain knowledge about different types of CRM practices adopted by banks.
- 3). to Understand CRM practices in International and Indian scenario.
- 4) to identify different issues and challenges involved in CRM implementation in banking sector.

RESEARCH METHODOLOGY

The research method used was secondary sources of data. Research articles and case studies of CRM practices in banking sector were analyzed.

This arrangement could be broadly classified into three types of relationship marketing practices.

- 1). Conceptual framework of Customer Relationship Management.
- 2). Different types of CRM practices adopted by banks.
- 3). Understanding CRM practices in International and Indian scenario.
- 4) Identifying different issues and challenges involved in CRM implementation in banking sector

CRM – Conceptual framework

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 toward 'Personalized' handling of customers as distinct entities through the identification and understanding of their differentiated needs, preferences and behaviours. A few more definitions which clarify CRM concept are –

According to Philip Kotler, CRM is the process of carefully managing detailed information about individual customers and all customer 'touch points' to maximise customer loyalty.

It can also be described as a business strategy comprised of process, organisational and technical change to better manage business around customer behaviours.

Types of CRM

Broadly, three types of CRM are adopted by banks:

Operation CRM – In this, CRM software packages are used to track and efficiently organise inbound and outbound interactions with customers including the management of marketing campaigns and call centres. 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. The major benefits of operational CRM to banks are:

- (a) Sales Force Automation
- (b) Customer Service and Support
- (c) Enterprise Marketing Automation

Analytical CRM – It is about analysing customer information to better address marketing 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.

The major benefits of Analytical CRM to banks are:

Customer Retention

- (b) Fraud Detection
- (c) Optimizing marketing efforts as per customer life time value

- (d) Credit Risk Analysis
- (e) Segmentation and targeting
- (f) Development of customised 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 channeling 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

- (a) Providing efficient customer communication across a variety of channels
- (b) Online services to reduce customer service costs
- (c) 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.

CRM in Banking: international scenario

Worldwide banks have explored and realised the benefits of CRM in a variety of ways. Different banks have implemented the philosophy in their own different way. A few illustrations will give a glimpse of the global scenario with respect to CRM in Banking.

Royal Bank of Canada utilized CRM to develop models of assessment of customer profitability and life time value. These were then included in determining customer decisions like – Customized Marketing campaign, establishing service levels, segmentation, targeting, product design and pricing. Customer's vulnerability to attrition also is analysed and the most valuable are flagged before they defect, in order to take preventive action in a focused and effective way.

Wells Fargo Bank renowned for leadership in service and convenience to varied customer segments focused on customer service through CRM. Application of CRM enabled better integration of customer information and service applications to assist representatives of customer sales and services to easily provide a one-stop-shop for any banking service or transaction. Using CRM, Wells Fargo takes full advantage of available customer information to offer customer the choice, convenience and price benefits so that they give the Bank, all their business.

Wachovia Bank uses customer transaction data to support modelling processes that evaluate each branch's current and long term profitability. In Atlanta Bank's largest market, significant performance improvements were attained when it used the output of modelling process as a basis to decide which of its 96 branches to close and which location to open new ones.

CRM in Banking: Indian scenario

Although significance of Relationship Marketing practices and optimizing and maintaining customer relationships across diverse customer segments has been realized and practiced by all banks in India, the technology enabled CRM is still at a developing stage. Different Banks are at different levels of CRM adoption and implementation and majority of them can be considered to be at preliminary stages. Operational CRM is

the most wide spread, but collaborative CRM is most evident in internet banking, mobile banking, ATM functions, POS devices and initiatives like availability of pass book printing machines to enable customers to update their passbooks themselves. Also SMS alerts at various significant customer service events are proliferating. Analytical CRM is being utilized but not by all banks. Here also a few illustrations of Indian banks using CRM will define a clearer picture of CRM in Indian banking.

Yes Bank has developed YCCRM (Yes Bank Collaborative CRM), the prominent features of which are 'discussion boards' and 'templates'. These enable sharing of relevant customer information to all concerned staff members to design new products, provide proactive service, and informed customer handling leading better service. It enables collaboration among staff and customers to create higher customer value through use of CRM software.

Punjab National Bank deployed CRM software with modules of Prospect Management, Lead Management, Activity Management, Product Management, Complaint Management and Business Intelligence Reporting. The payoffs are in terms of increased customer base, cross-selling, sales force optimization, efficient lead management and higher productivity.

ICICI identified five functional areas which when integrated will give Bank its CRM Business Transformation Map. Core areas of transformation were business focus, organization structure, business matrix, marketing focus and technology. The pay offs were : lower total cost of ownership, efficient management of volume growth, greater responsiveness to market needs, improved operations, decrease in operational costs, reduction in turnaround time, and integrated platform for all applications of bank. The recent CRM application is enabling ICICI customers to perform transactions via the platform of face book, a social networking site. This brings the bank one step ahead in providing convenience and service through CRM. SBI's Business Intelligence system integrates data from nearly 70 databases to form a single enterprise data warehouse model. The system generates 248 reports daily for top management and each of the branches have access to reports generated particularly for them. This has empowered decision makers to have actionable data leading to faster decision making based on latter's information.

Bank of Maharashtra has developed in-house software which generates and updates a variety of reports on detailed customer information and sends to branches. These reports are utilised for better customer understanding, better customer support and service by access to relevant customer information with all stakeholders to enable decision making and Business Development as well as retention activities.

CRM in Banking: Issues and challenges

CRM is a strategic initiative which has organization wide implication. Many banks are still struggling to make proper use of this very useful mechanism. However, the adoption and utilization is dependent on a number of factors and impediments. Broadly the issues are pertaining to: People, Processes, Data and Technology. Also a major drawback is the general perception of CRM being a Technology imperative. There is a great need to understand that technology is only the enabler to CRM. In the real sense it is an organization wide strategy. The success of this depends on a careful integration of Organization's goals, structure, systems, processes and resources.

CRM: Technology issues

The following are the impediments to CRM implementation in context of technology:

- **Misconception about role of technology:** Most officers perceive technology as a limited to record of information and transaction. The use of technology in further sophisticated information processing and dissemination is not done.
- **Lack of Integration:** There are multiple channels and multiple technologies in use simultaneously in customer interface, service and sales. The integration of this complex system of technologies is a challenge.
- **Empowerment to frontline staff:** Frontline staffs have customer profile and data. Most of them have no motivation to further process these and make full utilisation of these to provide better services and proactive selling effort. They are neither trained to use customer analytics nor to customize the Banks offering.
- **Underutilization:** the single integrated view of customer ,past transactions preferred mode of business are known, but no mechanism is in place to utilise this with aid of software like lead management and activity management for higher effectiveness in sales and service.

People issues

- Lack of knowledge and skills in converting data to customer knowledge
- Lack of motivation for utilizing the potential of CRM solution
- Inadequate performance management parameters
- Less or insufficient decision making authority : In order to use CRM concept towards customer centricity, sufficient decision making power is required to provide customized, responsive and proactive services.
- Training: Staff lacks training in IT, its applications, the complete use of software and its applications as well as marketing skills, analytical skills, uses of customer information and service skills for implementation CRM.

Process issues

As CRM is an organization wide strategy the entire processes need to be aligned appropriately. Some important process issues are:

- **Change in Culture:** The CRM implementation demands a change in organizational culture in terms of vision, mission, philosophy, and shared values. This encompasses a fundamental change in the organizational practices and employee behavior.
- **Breaking the silos:** CRM cannot succeed in Silo structure of departments. It demands integration and collaboration of all departments on a continuous basis. So, Breaking of silos prevalent in traditional organization structure is a challenge.
- **Change in Structure and Systems:** CRM success lies in ownership of CRM by all departments with Marketing in the strategic role of combining efforts in all these towards better customer service. This

basic structural change from product centric organization to customer centric organization faces impediments in terms of role conflicts, ambiguity, resistance and attitudinal impediments.

- **Demand for more pro-activeness and flexibility:** The former strict hierarchical and rigid structure has to be transformed to flexible, responsive and proactive structure. This demands top management support, proper training and efficient follow up systems. In addition to behavioral issues the full utilization of CRM benefits cannot be attained unless this is enabled.

Strategic framework for successful implementation of CRM

- A global survey conducted by the IBM Institute for Business Value and part of IBM Business Consulting Services three part series 'Doing CRM Right', claims that only 15 percent of CRM projects are fully successful, but that the success rate can be improved to as high as 80 percent, through proper business methodology and prioritization.
- Banks have made a large investment in technology and benefits thereof are being realized in terms of improved customer empowerment, customer orientation and convenience. Yet to realize the full potential, a need to emphasize the strategic importance of CRM is felt. For successful adoption and implementation 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

- Acceptance and implementation of the concept. So, it is imperative to state that CRM is a long term strategic initiative meaning that it emanates from the mission of organization and is considered as a key means of attaining the organization's long term objectives. It also means that it is designed to sustain the organization's objective attainment, fitting in the plan of action formulated to optimize the organization's opportunities and face the threats. Here a clarification of some myths about CRM is helpful.

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. In fact, the philosophy should be propagated and sold to internal customers i.e. employees at all levels by senior management. A particularly important role of top management in this context is development and sharing a

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. The present structures in most banks are product and process centric. Having installed technology set up for CRM, relevant changes in structure making it compatible to adoption and use of technology enabled CRM is the need of the hour.

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 buy in from all organizational members and particularly the recognition of the fact that each one is responsible for CRM. It is often observed that CRM is perceived to be the task of employees in direct contact with customers. The truth is every employee is a part of process leading to customer satisfaction. So, each can contribute meaningfully in value addition to customer irrespective of his task and role in process sequence. Thus, a realization of each employee's basic role towards customer centricity will strengthen adoption of 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 behaviours is necessary. Also, coordination of human efforts and customer communications to software enabled CRM updates, alerts and templates is essential. This can be achieved by Multichannel Integration Process. Today Banks customers are utilising a variety of channels, leading to strategic customer information scattered in islands across Bank. CRM objectives cannot be attained unless these transactions across channels like internet, mobile, call centre, branch, POS terminal, ATM, etc. are tracked. The multichannel integration will enable a unified view of the customer leading to better insights into his preferred products, channel preference, usage frequency, needs and wants. This definitely will aid not only better and informed service, but also new product development, targeting, approaching the customer with the right product at the right time, through the right channel. This phenomena called 'versioning' can differentiate a Bank's offerings from other players just bombarding offers and products through all possible channels leading to wastage of effort, resource and time. Apart from this, unified customer view will enable informed decision making preventing attrition, bad loans and frauds.

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 as well as communicating customer, market and profitability data to describe the Banks' progress, as it proceeds on its CRM journey. Also helpful will be setting expectations to help individuals and groups align their performance with the goals of CRM. It is essential to set expectations to help individuals and groups align their performance with the goals of CRM. People need to know the link between CRM and their own role performance and success.

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 in 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. In addition, behavioral training in reinforcing customer centric attitudes and behavior is required. In other words, rather than simply demonstrating how to use software's features and functionality, training should teach employees how to effectively execute the business process, enabled by the CRM system.

Conclusion

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, keep it updated and use it proactively to cross-sell, improve customer experience and deepen relationships. Today data access is no longer a challenge, rather banks have access to loads of customer information, but the challenge still lies in converting this into business advantage. This implies that CRM needs to address the gap of converting data into customer insights which proliferates profitable customer relationships across multiple touch points. The strategic framework suggested for effective implementation of CRM emphasizes the importance of understanding CRM as an organization wide strategy and need for alignment of bank's culture and processes to bring customer centricity at the core of operations. The framework recommends leadership and motivation driven by top management to optimize customer relationships on the basis of customer information. It points out the need for training at all levels along with coordination and communication amongst various departments. Thus, a strategic approach towards CRM implementation will enable attainment of the desired benefits of the CRM investments made by banks.

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