A STUDY ON CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES IN BANKING SECTOR IN INDIA

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ABSTRACT

The banking sector is one of the most dynamic and innovative sectors regarding the economic development in India. Banks are aiming to increase customer profitability with any customer retention the banking sector is regarded as the main pillar of the economy, so all indicators of growth and strengthening of this sector are the basic elements of modelling the expected economic growth. This paper aims at exploring the theoretical foundations of customer relationship management with reference to the Indian banking sector. More detailed, our analysis will focus on the customer perspective of facing CRM policies respectively in the banking system. So, in this paper, I have tried to point out Indian banking Sector. The aim of this paper is to analyze the design and implementation banking environment for CRM in the bank, identify the benefits and challenges, as well as the success factors of the implementation and develop a better understanding of impact of CRM on banking competitiveness as well as to provide a greater understanding of what constitutes good CRM practices.

Keywords: Customer Relationship Management; Banking Sector; Customer

INTRODUCTION

Today one of the approaches which are creating the buzz in the banking sector is Customer Relationship Management. Today, Indian banking industry is one of the largest in the world. CRM in the banking sector is of strategic importance. Customer relationship management (CRM) is a strategy that can help them to build long-lasting relationships with their customers and increase their profits through the right management system and the application of customer-focused strategies. CRM in the banking sector is of strategic importance. It is the establishment; development; maintenance and optimisation of long term mutually valuable relationships between consumer and the organisations. Successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organisation’s strategy, people, technology and business processes. CRM identifies the present and future markets, selects the markets to serve and identifies the progress of existing and new services.

CRM is a holistic strategy which can help the banks to become customer oriented and implement customer-focused strategies, which in turn will help them build long lasting relationships with the customers and hence increase their profits. CRM is a holistic process of acquiring, retaining, and growing customers. CRM defines is used to define the process of creating and maintaining relationships with business or customers.

Thus in this era of increased competition, in order to prosper, it will be imperative for the banks to develop long term relationships with the customers by offering quality services. Developing long term relations with the customer depends basically on three dimensions product quality, service quality and relationship quality for any kind of industry. This fact is also applicable for banking industry.
OBJECTIVE OF THE STUDY

1. To study and understand the concept of CRM.
2. To study the CRM Practices in Banking Sector in India.
3. To examine the importance of CRM in banking sector.
4. To study the Benefits of CRM context in Banking Sector.

DATA AND METHODOLOGY

The presents study is completely based on secondary sources of data collection such as electronic resources, books, newspapers, magazines, with the objective of successfully completion of ongoing study data are collected from published and unpublished sources.

Definition of Customer Relationship Management

Customer relationship management (CRM) is a co-ordinate approach in business to maintain the relationship between the firm and its customers to satisfy and retain the firm’s customer, in turn helps the firm to exist in business and to attract more customers by giving promotions and more comfort in doing business with the firm (This Little Piggy, 2012).

According to Saravanakumar (2009), CRM is all about maintaining a sustainable competitive advantage by serving existing customers and attracting new customers.

Importance of Customer Relationship Management (CRM)

The concept of customer relationship management is dynamic in nature and therefore required for its effectively and efficiently implementation in the in organisation of Indian banking sectors. Customer relationship management is not only pure business but also ideate strong personal bonding within people. Development of this type of bonding drives the business to new levels of success.

Once this personal and emotional linkage is built, it is very easy for any organization to identify the actual needs of customer and help them to serve them in a better way. Although It is a belief that more the sophisticated strategies involved in implementing the customer relationship management, the more strong and fruitful is the business, but it may or may not be correct from actual situation is concerned. Most of the organizations have dedicated world class tools for maintaining CRM systems into their workplace. Some of the efficient tools used in most of the renowned organization are BatchBook, Salesforce, Buzzstream, Sugar CRM etc.

1. A CRM system consists of a historical view and analysis of all the acquired or to be acquired customers. This helps in reduced searching and correlating customers and to foresee customer needs effectively and increase business.

2. CRM contains each and every bit of details of a customer, hence it is very easy for track a customer accordingly and can be used to determine which customer can be profitable and which not.

3. In CRM system, customers are grouped according to different aspects according to the type of business they do or according to physical location and are allocated to different customer managers often called as account managers. This helps in focusing and concentrating on each and every customer separately.

4. A CRM system is not only used to deal with the existing customers but is also useful in acquiring new customers. The process first starts with identifying a customer and maintaining all the corresponding details into the CRM system which is also called an ‘Opportunity of Business’. The Sales and Field representatives then try getting business out of these customers by sophistically following up with them and converting them into a winning deal. All this is very easily and efficiently done by an integrated CRM system.
5. The strongest aspect of Customer Relationship Management is that it is very cost-effective. The advantage of decently implemented CRM system is that there is very less need of paper and manual work which requires lesser staff to manage and lesser resources to deal with. The technologies used in implementing a CRM system are also very cheap and smooth as compared to the traditional way of business.

6. All the details in CRM system is kept centralized which is available anytime on fingertips. This reduces the process time and increases productivity.

7. Efficiently dealing with all the customers and providing them what they actually need increases the customer satisfaction. This increases the chance of getting more business which ultimately enhances turnover and profit.

8. If the customer is satisfied they will always be loyal to you and will remain in business forever resulting in increasing customer base and ultimately enhancing net growth of business.

CRM in Banking Sector

In banking context, CRM is a system which has to deal with a large number of individual retail customers and has the analytical capability to manage the customer retention rates of the bank and to enable them to cross-sell their product effectively (Buttle 2009).

The idea of CRM is that it helps businesses use technology and human resources gain insight into the behavior of customers and the value of those customers. If it works as hoped, a business can: provide better customer service, make call centers more efficient, cross sell products more effectively, help sales staff close deals faster, simplify marketing and sales processes, discover new customers, and increase customer revenues. It doesn't happen by simply buying software and installing it. For CRM to be truly effective, an organization must first decide what kind of customer information it is looking for and it must decide what it intends to do with that information. For example, many financial institutions keep track of customers' life stages in order to market appropriate banking products like mortgages or IRAs to them at the right time to fit their needs. Should be collected to run process engine: 1) Responses to campaigns, 2) Shipping and fulfillment dates, 3) Sales and purchase data, 4) Account information, 5) Web registration data, 6) Service and support records, 7) Demographic data, 8) Web sales data.

Benefits of Using CRM in Banking Industry

Certainly a benefit for each company is to achieve better economic results thanks to achieving higher value from every interaction with a customer. Competition is very sharp in current market. Companies must take care of a customer in every area of their specialization by using various communication channels. Customer expects perfect services whether he calls a help line, asks a dealer, browses a web site or personally visits a store. It is necessary to assure him in a feeling that he communicates with the same company whatever form of communication, time or place he chooses.

According to Matusinska (2009, p. 191) the basic advantages and benefits of CRM are these:

- Satisfied customer does not consider leaving
- Product development can be defined according to current customer needs
- The ability to sell more products
- Optimization of communication costs
- Proper selection of marketing tools (communication)
- Trouble-free run of business processes
- Greater number of individual contacts with customers
- More time for customer
Differentiation from competition
• Real time access to information
• Fast and reliable predictions
• Communication between marketing, sales and services
• Increase in effectivenes of teamwork
• Increase in staff motivation

Implementing CRM

To ensure the well functioning of the concept of customer relationship management for successfully implementation in banking sector prospects, and devotes time and attention to expanding account relationship with those customers through individualised marketing, reprising, discretionary decision making, and customized service through the various sales channels that the bank uses. Any financial institution seeking to adopt a customer relationship model should consider six key business requirements (Chary & Ramesh, 2012), these are:

1. Create a customer-focused organisation and infrastructure.
2. Gaining accurate picture of customer categories.
3. Assess the lifetime value of customers.
4. Maximize the profitability of each customer relationship.
5. Understand how to attract and keep the best customers.
6. Maximise rate of return on marketing campaigns

Challenges Faced By Banks in Successful Implementation of CRM

• The difficulty of obtaining a complete view of customers.
• The need to move away from disjointed, standalone, and inconsistent channels to provide a cohesive, multichannel offering.
• The burden of disconnected legacy systems and disparate databases that store client financial data.
• The cost and complexity of meeting stringent government regulatory and client security and privacy requirements.
• The pressure on margins and growth prospects from increased competition.
• The costs associated with retaining customers and developing customer loyalty.

Although CRM can help banking institutions efficiently manage their customers, many banks fail to meld the concept into the prevailing work culture. But the high incidence of CRM failure has very little to do with the CRM concept itself. Usually it's a case of the banks failing to pay attention to customer data they already have.

A lot of banks underestimate the magnitude of CRM. They tend to treat it just like any other application technology, without realizing that CRM, if done properly, is a strategic initiative that touches all areas of an organization.

SUMMARY AND CONCLUSION

In brief I would like to conclude that customer relationship management is one of the biggest challenges for the Indian banking sector especially for the public sector banking sector, because the customer satisfaction level in public sector banks are not satisfactory as compared to private sector
banks. But we have to understand the reason behind such practices between public sector banks and private sector banks. Therefore, the concept of customer relationship management is not sufficient in itself but the most important thing is that how we are implementing it in an organisation to keep our customer happy so that they can retain their customer and make them loyal.

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