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“Customer Relationship Management In Banking Sector”

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ABSTRACT

Today banks are dealing with several challenges including global competition for Deposits, Loans, and underwriting fees, increasing customer demands, shrinking profit margins: and need to keep up with the new technologies. Banks have realized the importance of Customer Relationship Management (CRM) and its potential to help them to acquire new customers, retain existing ones, and maximize their lifetime value. Banks has realized that CRM is the only solution to help them to maintain a long term relationship with their customers. On the other hand, maintaining relationships with customers also requires strong coordination between different departments at the bank viz., IT, Sales, Service, Support, and Marketing. CRM came from the origins and is based on the principles of Relationship marketing which is considered as one of the key departmental areas of modern marketing and the one which generated great research interest over several years.

CRM came in to existence when banking institutions have started to become more and more competitive. The focus of CRM increased banks abilities to understand the customers' current needs more precisely and also helped them to understand their customers behaviors, such as what they have done in the past , and what they plan to do in the future. Such practice helped banks to design strategies based on each customer's preference in order to meet their customer's needs. Customer information is important for banks and the intelligent use of such information would create long term, two way relationships with customers.

Keywords: Customer Relationship Management (CRM) , Customer Information, Challenges, Customer's Preference, Banking Sector.

1. INTRODUCTION

Customer Relationship Management (CRM) is fundamental to building a customer-centric organization. CRM system links together the customer data into single and logical customer repository. In general CRM for banks consists two primary tasks, acquisition of customers and increased sales other existing customers. It is often justified by the phrase; Make the right offer at the right time to the right customer. It is believed that successful adoption of IT- enabled CRM system in the banking industry redefines the banks interaction with its customer's with nationally and internationally. The adoption of CRM within the banking industry chiefly depends on the overall adoption of IT culture within the country. Today developed countries like the UK are enjoying innovative technologies, tailored made systems, and a high level of IT maturity; most of the IT projects in the organizations are well managed.

Customer Relationship Management has become inevitable for growth and profitability of Banks in present scenario marked by rising competition, technological advancement and empowered customers. The CRM practices are adopted to generate better understanding of the customer for product development, segmentation, appropriate targeting, campaign management and maintenance of long term profitable and mutually beneficial relationships with customers. In Indian banking Customer Relationship Management is still at a nascent stage. A very

small proportion of its potential has been utilised. 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 revolutionised banking services and practices. 'Relationship Marketing' is seen as the only differentiating factor given the almost commoditisation of banking services.

2. OBJECTIVES OF THE STUDY

- ❖ To diagnose the customer relationship management in banking sector for relationship between the customer and banks.
- ❖ To analyze the CRM strategies adopted.
- ❖ To study the CRM Practices in Banking Sector.
- ❖ To study the Benefits of CRM context in Banking Sector.

3. NEED FOR THE STUDY

The banking industry was selected for CRM research because, in general banks are more advanced in terms of technology adoption than many other organizations. The reasons is that other organizations do not usually require the level of information from their customers which banks do; banks keeps a lot of in depth information about their customers. Therefore, the CRM system currently used in banks need to be more robust to be able to handle such sensitive information about different types of customers.

4. PRINCIPLES OF CRM

❖ Customer focus

A customer is a person or group of persons who receives the product or service—the final output of a process or group of processes. A customer is the final arbiter of quality, value and price of a product or service. A satisfied customer only assigns value to a service, on the contrary, to a dissatisfied customer a product or service has no value, even if the concerned service or product has been designed with lot of effort, energy and cost after a thorough planning.

❖ Leadership

Persuasion, judgment and decision-making abilities are the main attributes of quality leadership. When there is a slight chance of getting a business but the client is hesitating or in a fix, or not in a position to decide properly, it should be followed up by the relationship manager by patient hearing, mild counseling and to stand by the side of the prospective client to help clear his doubts and to make him feel happy by realizing that he is going in the right direction and he is very right in choosing his requirements.

❖ Process approach

A process transforms an input into desired output by the use of resources, energies and time. In producing an output there may one single process or a group of inter-related processes. In case of inter-related processes, often the output from one process directly forms the input to the next. For effective functioning of an organization, it has to identify and manage numerous linked activities with the help of different processes for accomplishing its goal.

❖ System approach

CRM denotes the management of the entire system and is not confined to only one or the other sub-systems or functional departments. CRM is based on a system approach to management. Its primary objective is to increase value to customers on a continuous basis by designing and improving organizational processes and systems on a ongoing basis. Meeting each sub-system may have its own goal but the goal and objectives of all sub-systems are to be integrated to achieve the overall goal.

❖ Involvement of people

The fundamentals of CRM bear the genes of customer relationship through involvement of people, i.e., the work-force at the disposal of the organization. The whole gamut of CRM is for the people, of the people and by the

people. People involvement at all levels is essential for the success of a CRM program. The bank managers and staff must be in a position to exploit the concept of customer relationship completely.

❖ **Mutually beneficial customer relationship**

The relationship with the customer should be based on a mutually beneficial relation-ship. A bank should not concentrate its attention towards earning of profits only, but focus should be directed to the customers' wealth creation or value enhancement with the motto of earning through service. The expenses in terms of time, effort, recognizing individual needs and offering a customized investment solution are high. Retention of customers and building a long lasting relationship is the main criteria under this concept.

4.1 BENEFITS OF CRM

❖ **CRM Banking Focuses on the Customer**

CRM manages to places the customer at the focal point of the organization in order to cater to his needs, satisfy him and thus maximize the profits of the organization. Banking CRM understands the needs of the customer and integrates it with people, technology, resources and business processes. It focuses on the existing data available in the organization and uses it to improve its relationship with customers. Banking CRM uses information and analytical tools to secure customer focus. Thus it is completely essential that banks implement CRM in order to secure this.

❖ **Satisfied Customers**

It is important to make a customer feel as if he / she is the only one - this will go a long way in satisfying and retaining them. Bankers need a return on investment and it has been proved that increase in customer satisfaction more than contributes a fair share to ROI. The main value of CRM banking lies in satisfaction and increased retention of customers.

❖ **Centralized Information**

CRM banking solutions manage to clearly integrate people, processes and technology. CRM banking provides banks with a holistic view of all bank transactions and customer information as well and stores it in a single data warehouse where it can be studied later.

❖ **CRM Banking Boosts Small Banks**

Banking CRM software meets the needs of banks of all sizes in terms of attaining the required accuracy and understanding of customers. Merely assuming that banks that are considerably smaller in size have a better customer approach and are able to deal with their customers in a better manner is wrong.

❖ **Customer Segregation**

CRM enables a bank to see which customers are costing them and which are bringing benefits. CRM provides them with the required analytical tools that will help them focus on the importance of segregating these two and doing what is required to avail of the maximum returns.

❖ **Increased Operational Efficiencies and Collaboration**

CRM solution supports business automation for processes and business activities, eliminating manual tasks and reducing process time. Straight through processing abilities enhance reduction in turnaround and processing time, increasing output and enabling speedy completion of tasks. The multilingual Web-based single repository of information enables remotely located bankers to collaborate and transact seamlessly.

❖ Customer Information Consolidation

Instead of customer information being stored in product centric silos, (for e.g. separate databases of savings account & credit card customers), with CRM the information is stored in a customer centric manner covering all the products of the bank. CRM integrates various channels to deliver a host of services to customers, while aiding the functioning of the bank.

❖ 360-degree view of company

This means whoever the bank speaks to, irrespective of whether the communication is from sales, finance or support, the bank is aware of the interaction. Removal of inconsistencies of data makes the client interaction processes smooth and efficient, thus leading to enhanced customer satisfaction.

❖ Personalized sales home page

CRM can provide a single view where Sales Managers and agents can get all the most up-to-date information in one place, including opportunity, account, news, and expense report information. This would make sales decision fast and consistent.

❖ Operational Inefficiency Removal

CRM can help in Strategy Formulation to eliminate current operational inefficiencies. An effective CRM solution supports all channels of customer interaction including telephone, fax, e-mail, the online portals, wireless devices, ATMs, and face-to-face contacts with bank personnel. It also links these customer touch points to an operations center and connects the operations center with the relevant internal and external business partners.

4.2 CHALLENGES AND 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.

5. LITERATURE REVIEW

Chen and Popovich (2003)¹, CRM is not a concept that is really new but rather due to current development and advances in information and enterprise software technology, it has assumed practical importance. The root of CRM is relationship marketing, which has the objective of improving the long-term profitability of customers by moving away from product-centric marketing.

Zineldin (2003)², CRM applications have the ability to deliver repositories of customer data at a much smaller cost than old network technologies. Throughout an organization, CRM systems can accumulate, store, maintain, and distribute customer knowledge.

*Greenberg (2004)*³, CRM generally is an enterprise-focused endeavor encompassing all departments in a business. He further explains that, in addition to customer service, CRM would also include, manufacturing, product testing, assembling as well as purchasing, and billing, and human resource, marketing, sales and engineering.

*Frow and Payne (2004)*⁴, added that CRM stresses two-way communication from the customer to the supplier to build the customer over time. The two-way communication has been enhanced greatly by advances in technology particularly the Internet.

*Curry and Kkolou (2004)*⁵, refer to the major benefits and reasons for adoption of CRM which include: customers from the competition will come prefer the organization; a simplified, customer – focused internal organization will simplify the infrastructure, shrinking the work flow and eliminating non-productive information flow; and profits will increase from satisfied customers which will lead to more compact & focused company.

6. RESEARCH DESIGN

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

7. FINDINGS

1. CRM has been implemented by public sector banks, highly when compare with private sector banks.
2. Public sector banks are giving more importance for their customer to retain them.
3. They were introduced more strategy to attract customer as well as to know their customer expectation towards CRM.

8. SUGGESTION

Customer support is directly connected to CRM. If a company fails to provide quality customer support, they have also failed with their CRM system. When a customer makes complaints, they must be handled quickly and efficiently. The company should also seek to make sure those mistakes are not repeated. When sales are made, they should be tracked so that the company can analyze them from various aspects. It is also important to understand the architecture of Customer relationship management.

The architecture of CRM can be broken down into three categories, and these are collaborative, operational, and analytical. The collaborative aspect of CRM deals with communication between companies and their clients. The operational aspect of the architecture deals with the concept of making certain processes automated. The analytical aspect of CRM architecture deals with analyzing customer information and using it for business intelligence purposes. Each one of these elements is critical for the success of a CRM system. A company must learn how to use all three properly, and when they do this proficiently, they will be able to build strong customer relationships and ensure their profits for a long period of time. As more businesses continue to compete on a global level, it will become more important for them to use successful Customer relationship management techniques.

9. CONCLUSION

There are a number of reasons why CRM has become so important in the last 10 years. The competition in the global market has become highly competitive, and it has become easier for customers to switch companies if they are not happy with the service they receive. One of the primary goals of CRM is to maintain clients. When it is used effectively, a company will be able to build a relationship with their customers that can last a lifetime. Customer

relationship management tools will generally come in the form of software. Each software program may vary in the way it approaches CRM. It is important to realize that CRM is more than just a technology.

Customer relationship management could be better defined as being a methodology, an approach that a company will use to achieve their goals. It should be directly connected to the philosophy of the company. It must guide all of its policies, and it must be an important part of customer service and marketing. If this is not done, the CRM system will become a failure. There are a number of things the ideal CRM system should have. It should allow the company to find the factors that interest their customers the most. A company must realize that it is impossible for them to succeed if they do not cater to the desires and needs of their customers. Customer relationship management is a powerful system that will allow them to do this.

It is also important for the company to use measures that are dependent on their customers. This will greatly tip the odds of success in their favor. While CRM should not be viewed as a technology, it is important to realize that there are end to end processes that must be created so that customers can be properly served. In many cases, these processes will use computers and software.

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