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# Customer Relationship Management in Banking Sector

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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 so as to build a long relationship with them. Customer

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.

**Importance of CRM Systems in Modern Retail Banking:**

"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 into 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 of time 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:**

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 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

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.

**CRM in Banking: Global Scenario:**

Worldwide banks have explored and realized 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 modeling 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 modeling process as a basis to decide which of its 96 branches to close and which location to open new ones.

**Factors that influence the development of long-term relations between banks and customers**

From the organizational aspect, successful CRM system adoption is determined by three fundamental and three means objectives. The three fundamental objectives are: maximization of CRM organizational culture; ensuring of an effective relationship with CRM providers; and minimization of CRM adoptation risks, while the three means objectives are: maximization of CRM usage, maximization of relational marketing capabilities and maximization of CRM orientation. From the customers' aspect, development of effective and long-term relationships with banks is affected by many factors, such as: trust in bank and its services, existing loyalty and satisfaction, percepcion of efficiency of communication channels, existing sutomer knowledge of banks' products and services (especially in case of Internet and mobile banking etc.)

The importance of trust as a basic factor for the development of long-term customer and bank relationships is often highlighted in research. These relationships are highly influenced by the "ability of bankers to understand and meet the specific needs" of customers, which, in return affects the overall customers' perceptions and attitudes towards banks. The role of trust is often observed two-fold, as a trust between consumers and the bank and interpersonal trust, which mainly depend on competence of service providers and trust in their honesty and non-rebellious intentions.

Developed relationships with customers are found to be in positive association with customer loyalty which is expressed as "intentions to continue their relationship with and cross-buy other products from their bank". Greater customer satisfaction, loyalty and opportunities for cross-selling related and unrelated products of banks to their customers are to a large axtent affected by following five dimensions of effective customer relationship management: organizational commitment, customer experience, process-driven approach, reliability and technology-orientation. The loyalty has become important issue due to rising customer switching, therefore, banks make attempts to maintain a loyal customer base, in order to hold market position and be profitable.

When it comes to the determinants of the development of long-term relationships, the efficiency of providing services is often emphasized as one of the key ones. Efficiency is based on simplicity and functionality, which are highly valued, especially in the case of basic day-to-day tasks, speed, ease and process automation. Also, it was shown that the development of relationships with customers is greately influenced by the possibility to decrease the costs of interacting with customers, while, simultaneously, maintaining and even increasing customer retention and revenues related to their transactions. Research results showed that customers' "intentions to switch banks" are mainly affected by their "price satisfaction". Paul, Mittal and Srivastav indicated that consumers' satisfaction is associated with a large number of factors that can contribute to it. It was found that "knowledge of products, response to need, solving questions, fast service, quick connection to the right person, and efforts to reduce queuing time" make the positive impact on the overall satisfaction, while "assistance to the customer, appearance, and follow up" influence the satisfaction negatively.

Considering the greater rate of usage of electronic banking, achievement of satisfaction of customers, as the outcome of their experience with online products is gathering the attention of authors. The satisfaction of customers with online banking, is greately influenced by factors such as security, available infrastructure, regulatory norms, etc.. Today, users are mostly familiar with the use of online banking as their daily routines and consider it the main link with their bank. Their attitudes to online services, as well as the trend of "self-service" in banking are generally positive.

**Challenges Faced by Banks in Successful Implementation of CRM**

1. The difficulty of obtaining a complete view of customers.
2. The need to move away from disjointed, standalone, and inconsistent channels to provide a cohesive, multichannel offering.
3. The burden of disconnected legacy systems and disparate databases that store client financial data.
4. The cost and complexity of meeting stringent government regulatory and client security and privacy requirements.
5. 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.

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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