CRM Planning And Implementation In Banking Sector - A Study Of Selected Private Banks

Dr.K.Anjaneyulu,
Associate Professor of Commerce,
Badruka College of Commerce & Arts,
Kachiguda, Hyderabad, Telangana- 500027

Abstract

Customer Relationship Management (CRM) has assumed importance in the banking sector in the present era. Planning and Implementing Customer Relationship Management takes main stage in the economy in order to improve the operational efficiency and customer retention. This in turn will help in reducing the costs to the banks as well as to the customers. Due to intense competition in the banking sector, the banks have realized the importance of implementing the CRM applications to improve the performance and to gain competitive advantage. This paper attempts to study how CRM in banking sector can be described with respect to definition, CRM planning and implementation, process and framework and applications of different technologies in implementing CRM by select banks. Further, CRM importance in Retail Banking operations are also attempted.

Keywords: Planning & Implementation, Process & Framework and CRM, Retail Banking.

Introduction

CRM implementation is on way to Indian banks. However, such implementations are not without hiccups. Due to globalization new generations of private sector banks and many foreign banks have entered the market and they have brought with them several useful and innovative products. The banks are now compelled to face nontraditional competition and thus the role of CRM has become very vital in providing good customer service. This paper aims to focus on the growing challenges of banks in recent times and how banks can utilize CRM for interacting with the customers across multiple touch points and to establish good customer relations and also try to maximize the life-time value of those relationships. This study also tries to focus on the importance of CRM, present and future of CRM in banking, challenges for banks while implementing CRM, utility of CRM in banks and suggestions for adoption of CRM strategies.

CRM is a business model that aligns product and sales strategies with customer requirements and preferences. Services are then provided in a timely manner using the channels that are preferred by the customers in the banks. Effective CRM starts by focusing on the development of business strategies and by aligning an organization to serve customers. These business strategies are then executed using CRM technology solutions.

CRM is an acronym that stands for Customer Relationship Management. It describes the strategy that a company uses to handle customer interactions. Customer relationship management is actively followed by companies in today's competitive corporate world with new technologies and software (IT) applications. CRM is all about interactions of entire business with customer. According to Michael oto of Erste Bank CRM is having the right offer for the right client, at the right time via the right channel.

Customer relationship management is a broad approach for creating, maintaining and expanding customer relationships. CRM is the business strategy that aims to understand, anticipate, manage and personalize the needs of an organization's current and potential customers. At the heart of a perfect strategy is the creation of mutual value for all the parties involved in the business process. It is about creating a sustainable competitive advantage by being the best at understanding, communicating and delivering and developing existing customer relationships in addition to concept of customer life cycle focusing on the development of products and services that anticipate the future
need of the existing customers and creating additional services that extend existing customer relationships beyond transactions.

**CRM (Customer Relationship Management)**

Kotler defined CRM as the process of utilizing detailed information about individual customers & carefully managing all the customers touch points with the aim of maximizing customer loyalty. The final objective of the CRM process is to create a powerful new tool for customer retention, customer value, customer acquisition & profitability. The following activities include CRM

* Ensuring both inputs across all functions including marketing, sales and services. Integrating the activities of marketing, sales and service to achieve a common goal.

* Constantly flexing the balance between marketing, sales and service inputs against changing customer needs to maximize profits.

* Costs and outputs in terms of customer revenue, profit and value.

* Acquiring and continuously updating knowledge about customer needs, motivation and behavior over the lifetime of the relationship.

* Applying customer knowledge to continuously improve performance through a process of learning from successes and failures.

**Importance of CRM in Banks**

Retail Banking refers to mass-market banking where individual customers typically use banks for services such as savings and current accounts, mortgages, loans (e.g., personal, housing, auto and educational), debit cards, credit cards, depository services, fixed deposits, investment advisory services (for high-net-worth individuals) etc.

Before internet era, consumers largely selected their banks based on how convenient the location of bank's branches was to their homes or offices. With the advent of new technologies in the business of bank, such as internet banking and ATM's, now customers can freely choose any bank for their transactions. Thus, the customer base of banks has increased, and so has the choices of customers for selecting the banks.

This is just the beginning of the story. Due to globalization new generations of Private sector banks and many foreign banks have also entered the market and they have brought with them several useful and innovative products. Due to forced competition, public sector banks are also becoming more technology savvy and customer oriented.

Thus, Non-traditional competition, market consolidation, new technology, and the proliferation of the internet are changing the competitive landscape of the retail banking industry.

**Objectives of the Study**

1. To understand the process and framework of CRM
2. To explore the insights of CRM planning and implementation in banking sector
3. To understand the CRM practices by select Indian Private Banks

**CRM planning in banking sector**

The first step in planning any project is to justify the programme. Understanding the programme approval process in company will take a long way toward creating a solid and useful business plan. The business plan might also include
* The requirement for new technologies
* The impact on existing technologies
* Ongoing support and maintenance requirements
* CRM alternatives

Planning CRM project

Planning CRM project is important from success point of view. It involves the following steps:

* The general business goals and objectives
* The necessary people involved
* A date for implementation
* A budget for all phases of the solution
* A technical inventory

The general Business goals and objectives

The first step in implementing a successful CRM project is to conduct an internal analysis. From this point you can begin to outline your project goals. Objectives and requirements. Current state analysis involves:

(i) Strengths and weaknesses of the company's current processes,
(ii) Improvisation of processes,
(iii) Distraction of productivity due to administrative activities, and
(iv) Activities of the competitors.

Desired State Analysis: The desired state will establish and define the ultimate project goals. This analysis will result in a clear direction for the project and acts as the basis of foundation for measuring the project's success. This analysis will also define the gap between the current and desired state. Also, as a result of this phase of the analysis, the areas where the revenue gap can be narrowed will become obvious. Technology is an enabler not a solution itself. Automating an inefficient process will only speed up the wrong activity. On the other hand, automating very strong processes can result in early victories for the entire system.

Project Goals: The project will begin to come into focus once the organization begins to drill down into the measurable, tangible project goals that addresses its CRM solution's unique requirements and specific needs. The project objectives will become the project's critical success factors. These can be used to evaluate CRM solutions, and in turn they will become the benchmarks or criteria that the solution must meet in order to be considered successful.

Project Deliverables: The project deliverables will further drill down into the specific business needs that the system must address. This detailed list of features and functions will sometimes serve as the body of a request for proposal (RFP) used to evaluate and compare CRM applications

Cost Justification: The overall CRM solution plan should also provide a basis for justifying the expenses associated with the initiatives taken by the organization. Increased revenues and decreased costs are the obvious ROI indicators, but more must be understood. To justify the costs, first determine ROI expectations. One should begin by outlining the project goals and defining the measurable objectives. Convert these measurable objectives into rupee amount that reflects the operational savings and increased sales that the any organization can anticipate. Now, one can calculate how quickly the organization will realize a 100% ROI

Involves appropriate people

Involvement has to start at the top management and include relevant parties at all the way to the user level. As a rule, successful CRM projects have an executive as the project champion. They make sure that a project stays on track by setting the initial project goals and objectives, and eliminating obstacles that arise.
A date for Implementation
Implementing the typical CRM solutions requires thirty to twenty days to complete the project with exclusion of pre-implementation planning.

Technical Inventory
Technical infrastructure should always support the applications that are selected by the banks or organization and they may have to decide whether to change the infrastructure or choose from a more limited list of solution options.

CRM implementation in banking sector
Once the stake holders are convinced, the budget is set, the software is chosen, and the integrator/implementation partner is hired, and then comes the work. The software has to be implemented. Implementation does not just mean installing software and hoping that it runs well. It means understanding how the software must confirm to the business model and it should suite to the style of the particular bank. Implementation is always required regardless of how much or little it is.

In order to implement a CRM package by any particular bank without knowing how implementations work, then it is likely that bank may face problems throughout the project. The statement of work and the change management processes have to be clear prior to starting the installation.

Fig 1: CRM Implementation
It may be suggested that a formal steering committee may be formed which consists of stakeholders, programme managers, project managers, and so on who would review the project as it moves through the implementation stages for effective implementation of CRM in the banks.

**CRM Process and framework**

A broad framework for CRM process can be subdivided into four sub-processes

1. Customer relationship formation process
2. Relationship management
3. Relationship performance and evaluation process
4. CRM enhancement process

Customer relationship formation process relates to the three important deciding factors, setting the objectives of implementing CRM; selecting parties (or customer groups) for the CRM programme; and finally developing programs for relationship management with the customer.

Defining the purpose helps in providing a clear idea of CRM programs and activities that ought to be performed. It would also help in identifying suitable relationship partners in order to meet the expectations of customers and banks.

![Diagram of CRM Process Framework](image)

The governance process addresses several issues like roles specifications, process alignment. Communication and common bonds. It also involves employee motivation and training regarding the effective implementation of CRM tools.

The performance evaluation process comprises the measurement of the effects of CRM process and comparison with original objectives, which are defined at the initial stages of CRM implementation. The performance can be evaluated with respect to different focus areas of business like the strategic issues, financial aspects, and the marketing areas of interest like customer retention, loyalty and customer satisfaction.

The evolutionary process involves the enhancement and improvement of the CRM process. The evolution can occur naturally on the basis of developments occurring in the external environment, where the quest for superior/alternate solutions is continuous with CRM vendors and professionals working in tandem or the evolution based on the
experiences of the implementation of current CRM programs, leading to enhancement and improvement of the existing programs.

**CRM PRACTICES BY SELECT INDIAN PRIVATE BANKS**

**A. ICICI BANK**

**CRM - AT ICICI Bank, CRM definition includes:** Marketing, sales and support system to applied from customers to customer basis, offering the right service to the right customers at the right time.

**CRM Process:** The bank handles the CRM process in a technical way, by collecting the information about its customers from data warehouse and customer meetings, the information includes the market position of the customer (business), the management, what type of contracts the customers are signing in and how much, what type of credit the customer wants.

**CRM TECHNOLOGY:** The bank is using following technology software to interact with its customers. Call center automation, Contact management, Data warehousing, Campaign management, Knowledge management, Field service management, Marketing automation, Sales service automation, personalization.

The bank views CRM technology as customer-centric process and it can help us to automate the whole processes otherwise it is impossible to handle all the information manually.

**CRM - Organizational structure:** A separate department coordinates the entire CRM process, which is responsible for making strategies and following it up. The bank has different trainings programs to enhance its staff’s skills, the training program called sales and strategy, which also includes the CRM segment, is designed for the staff in the marketing, advertising and CRM departments.

**B. HDFC BANK**

At HDFC Bank, CRM definition and other aspects are as follows:

**CRM- Definition:** CRM is a personal interaction with customers.

**CRM Process:** E-Markets are HDFC's global Internet portal containing all electronic services offered by HDFC Markets. The portal comprises online trading, research material, market information, financial data, quantitative financial tools etc.

CRM process for HDFC includes following components, Knowledge Discovery, Market Planning, Customer Interaction, Analysis & Refinement, Awareness, Exploration and Expansion.

**CRM Technology:** HDFC bank uses CRM technology when interacting with the customers.

They are as follows; Call center Automation, Data warehousing, Email Management, Field Service Automation, Marketing Automation and by using CRM technology, HDFC can provide customers more knowledge about the bank and also get more customers.

**CRM - Organizational Structure:** The Group's business organization includes three business areas: Retail Banking, Corporate an Institutional Banking, and Asset Management & Life. Each business area is responsible for financial results, customer relations, distributions, products and business development & support.

Corporate sales department is responsible for the whole CRM process and will guide the corporate relationship managers. Corporate relationship managers identify the right customers and the investment opportunities and decide when the offer shall be introduced to the customers. Then it is their responsibility to interact with the customers.
Variety of ways to learn are available including on-the-job learning, traditional classroom work, workshops, and work supervision and mentoring self-studies, and network-based learning.

**IDBI BANK**

At IDBI Bank, the CRM definition and other aspects are as follows:

**CRM Definition:** CRM as the key to success, they are following customer-oriented approach by treating every customer as individual.

**CRM Process:** The bank feels that in the CRM process that includes, Market planning Customer interaction, Knowledge discovery and Analysis & Refine.

**CRM Technology:** Bank uses following techniques to interact with customers, Call center Automation, Data warehousing, Email Management, Field Service Automation, and Marketing Automation and Contact management

**CRM Organizational Structure and People:** Further in the branch the branch manager and the assistant branch managers are responsible for all the activities including: Identification of right customers and investment opportunities, Development of right customer offer, Decisions about the time of new customer offerings, Customer interaction. Branch is working on customer-oriented business strategy. They have put the customer at first priority.

**Characteristics of Retail Banking**

Today's retail banking sector is characterized by the following:
- Multiple products (deposits, credit cards, insurance, investments and securities)
- Multiple channels of distribution (Call center, branch, internet and Kiosk)
- Multiple customer groups (Consumer, small business and corporate)

**Customer Expectations**

Today, the customers have many expectations from bank such as
- Service at reduced cost
- Service "Anytime Anywhere"
- Personalized Service

With increased number of banks, products and services and practically nil switching costs, customers are easily switching banks whenever they find better services and products. Banks are finding it tough to get new customers and increasing market share.

According to research by Reichheld and Sasser in the Harvard Business Review, 5% increase in customer retention can increase profitability by 35% in banking business, 50% in insurance and brokerage and 125% in the consumer credit card market. Therefore, banks are now stressing on retaining customers and increasing market share.

**Challenges for Banks**

In modern times, challenges faced by private banks are presented below:

(i) The banks now need to find what to sell, whom to sell, when to sell, how to sell and how to be different to increase profitability. Banks need to differentiate themselves by adding value-added service offerings and building long-term relationships with their customers through more customized products, enhanced value offerings, Personalized services and increased accessibility. Banks also need to identify customers and products that would
be most profitable and target customers with products that are most appropriate to their needs and serve the customers with greater cost efficiency.

(ii) Banks also need to find out the avenues for increased customer satisfaction, which leads to increased customer loyalty. This may be explained better from two initiatives took in the past.

(iii) Earlier what drove many bankers to invest in ATM's was the promise of reduced branch cost, since customers would use them instead of a branch to transact business. But what was discovered that the financial impact of ATMs is a marginal increase in fee income substantially offset by the cost of significant increases in the number of customer transaction. The value proposition, however, was a significant increase in that intangible called customer satisfaction. The increase in customer satisfaction has translated to loyalty that resulted in higher customer retention and growing franchise value.

(iv) Bankers invested in internet banking, believing that the internet was a lower-cost delivery channel and a way to increase sales. Studies have now shown, however, that the primary value of offering internet banking services lies in the increased retention of highly valued customer segments. Again, customer satisfaction drives in the value proposition.

Thus, banks need to retain existing customers with enhanced personalized services and products, which best suits their needs and satisfies them the most.

**Utility of CRM in Banks**

Customer Relationship Management (CRM) primarily caters to all interactions with the customers or potential customers, across the multiple touch points including the internet, bank branch, call center, field organization and other distribution channels.

**Challenges for Banks While Implementing CRM**

Customers may not want what they get; A CRM system apart from improving from office operations and customer servicing also help in coping with many services that do not need manual intervention. These are serviced by channels like 1VR, internet and ATM. Customers can get account information, information on credit balance, issue instructions for drafts or even transact through these. At the same time there may be a few customers who still prefer the traditional methods of banking. Banks need to be flexible enough to continue to extend the "Personal Touch" that such customers prefer.

Make changes internally before going for CRM: Many banks have spent a lot of money on CRM, finding it easier to buy CRM technology than to make major internal changes necessary to really make CRM work for them. Unfortunately for these banks, the software has often failed to deliver.

**Present and Future of CRM in Modern banking**

The present and future of CRM in modern banking are as follows:

(i) Bank merely an organization it accepts deposits and lends money to the needy persons, but banking is the process associated with the activities of the banks. It includes issuance of cheque and credit cards, monthly statements, timely announcement of new services, helping the customers to avail online, mobile banking etc. Huge growth of customer relationship management is predicted in the banking sector over the next few years. Banks are aiming to increase customer profitability with customer retention. It is sound business strategy to identify the bank's most profitable customers and prospects, and devote time and attention to expanding account relationships with those customers through individualized marketing, pricing, discretionary decision making.
(ii) In banking sector, relationship management could be defined as having and acting upon deeper knowledge about the customer, ensure that the customer such as how to fund the customer, get to know the customer, keep in touch with the customer, ensure that the customer gets what he wishes from service provider and understand when they are not satisfied and might leave the service provider and act accordingly.

(iii) CRM in banking industry entirely different from other sectors, because banking industry purely related to financial services, which needs to create the trust among the people. Establishing customer care support during on and off official hours, making timely information about interest payments, maturity of time deposit, issuing credit and debit cum ATM card, creating awareness regarding online and e-banking, adopting mobile request etc. are required to keep regular relationship with customers.

(iv) The present-day CRM includes developing customer base. The bank has to pay adequate attention to increase customer base by all means, it is possible if the performance is at satisfactory level, the existing clients can recommend others to have banking connection with the bank he is operating. Hence asking reference from the existing customers can develop their client base. If the base increased, the profitability is also increase. Hence the bank has to implement lot of innovative CRM to capture and retain the customers.

(v) There is a shift from bank centric activities to customer centric activities are opted. The private sector banks in India deployed much innovative strategies to attract new customers and to retain existing customers. CRM in banking sector is still in evolutionary stage, it is the time for taking ideas from customers to enrich its service. The use of CRM in banking has gained importance with the aggressive strategies for customer acquisition and retention being employed by the bank in today's competitive milieu. This has resulted in the adoption of various CRM initiatives by these banks.

**Suggestions For Adoption of CRM Strategy**

The following steps minimize the work regarding adoption of CRM strategy. These are:

* Identification of proper CRM initiatives
* Implementing adequate technologies in order to assist CRM initiative
* Setting standards (targets) for each initiative and each person involved in that circle
* Evaluating actual performance with the standard or benchmark
* Taking corrective actions to improve deviations, if any

**CONCLUSION**

Planning and implementation is key ingredient in establishing relationship not only with customers but also with various parties such as suppliers, vendors, creditors, government and employees of the banks. By effective and successful implementation of CRM practices in the banks, the banks can enhance its operational efficiencies and deliver better services. From the corporate implementation point of view, CRM should not be misunderstood to simply mean a software solution implementation project but also it should have a holistic approach in building and establishing long run relationships. From the above said examples of select banks, one can understand the importance of CRM practices that are being followed, may be applied to entire banking industry.

Customer Relationship Management is concerned with attracting, maintaining and enhancing customer relationship in multi service organizations like banks. CRM goes beyond the transactional exchange and enables the banker to estimate the customer's sentiments and banking intentions so that the customer can be provided with products and services in accordance with the needs and demands of the customer. By maintaining good customers relations bankers can provide good customer service which would result in customer satisfaction thus leading to customer loyalty, increased business and high market share.

**SUGGESTIONS**
Following Suggestions are offered to strengthen the CRM usefulness to Banking Sector in general and selected private sector banks in particular:

1. **Campaign Management**: Banks need to identify customers, tailor products and services to meet their needs and sell these products to them. CRM achieves this through Campaign Management by analyzing data from banks' internal applications or by importing data from external applications to evaluate customer profitability and designing comprehensive profiles in terms of individual lifestyle preferences, income levels and other related criteria. Based on these profiles, banks can identify most lucrative customers and customer segments, and execute targeted, personalized multi-channel marketing campaigns to reach these customers and maximize the lifetime value of those relationships.

2. **Customer Information Consolidation**: Instead of customer information being stored in product-centric silos, (for e.g. separate databases of savings accounts & 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.

3. **Marketing Encyclopedia**: Central repository for products, Pricing and competitive information, as well as internal training material, sales presentation, proposal templates and marketing collateral.

4. **360-Degree view of the 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.

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

6. **Lead and Opportunity Management**: These enable organizations to effectively manage leads and opportunity and track the leads through deal closure, the required follow-up and interaction with the prospects.

7. **Activity Management**: It helps the management to assign and track the activities of various members. Thus, improved transparency leads to improved efficiency.

8. **Contact Center**: It enables customer service agent to provide uniform service across multiple channels such as phone, internet, e-mail, and fax.

9. **Operation 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.

10. **Enhanced Productivity**: CRM can help in enhanced productivity of customers, partners and employees.

11. **CRM with Business Intelligence**: Banks need to analyze the performance of customer relationships, uncover trends in customer behavior and understand the true business value of their customers. CRM with business intelligence allows banks to assess customer segments, which help them calculate the net present value (NPV) of a customer segment over a given period to derive customer lifetime value. Customers can be evaluated within a scoring framework. Combining the behavior key figure and frequency to monetary acquisition analysis with a marketing revenue quota can optimize acquisition costs and the number of inefficient activities. With such knowledge, banks can efficiently allocate resource to the most profitable customers and reengineer the unprofitable...
ones. Data warehousing solutions have been implemented in Citibank, Reserve Bank of India, State Bank of India, IDBI, ICICI, Max Tounch, ACC National Stock Exchange and PepsiCo. And Business intelligence players hope many more will follow suit.

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