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Customer Relationship Management in Banking Sector, An overview

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ABSTRACT: Customer relationship management systems are being widely across various sectors and have emerged as a popular business strategy in today's competitive environment in companies. Nowadays, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management (CRM) and its potential to help them acquire new customers retain existing ones and maximize their lifetime value. At this point, close relationship with customers will require a strong coordination between IT and marketing departments to provide a long-term retention of selected customers. This paper deals with the role of Customer Relationship Management in banking sector and the need for Customer Relationship Management to increase customer value by using some analytical methods in CRM applications. It has been viewed as a process aimed at collecting customer data, find profiles of customers and use the customer knowledge in specific marketing activities. Managing the customer is what CRM is all about – it allows the banking establishment to look at the full basket of products offered by the institution and based on customer profiles offer the most profitable product to the most profitable customer. Customer relationship management (CRM) systems have been adopted to have better relationships with customers by having detailed knowledge of their requirements through using different information technologies. Implementing CRM systems correctly can provide many of benefits both for the customers and to the business as well. Banks have large numbers of customers and to fulfill their customer requirements most banks have adopted CRM systems. CRM involves new and advance marketing strategies which not only retain the existing customers but also acquire new customers and also analyzes their efforts in terms of a strategic framework and points out some of the deviations that have occurred in the implementations. It has been invented as a unique technique capable of remarkable changes in total output of companies. It is a discipline which enables the companies to identify and target their most profitable customers. This paper tries to identify technological revolution that the commercial banks witnessed and how far it has benefited banks to build better customer relationship management (CRM) services of public sector banks with private sector banks.

KEYWORDS: Customer, Management, Banking sector, CRM

I. INTRODUCTION

Competition in the financial services industry has intensified in recent years, owing to events such as technology changes and financial industry deregulation. Conventional banking distribution has been gradually supplemented by the emerging use of electronic banking. Many bank customers prefer using ATMs or a website rather than visiting a branch, while technology has also reduced barriers to entry for new customers. Today, customers have more power in deciding their bank of choice. Consequently, keeping existing customers, as well as attracting new ones, is a critical concern for banks. Customer satisfaction is an important variable in evaluation and control in a bank marketing management. Poor customer satisfaction will lead to a decline in customer loyalty, and given the extended offerings from the competitors, customers can easily switch banks. Banks need to leverage effectively on their customer relationships and make better use of customer information across the institution. Successful banks all over the world have invested considerably in customer relationship management technologies, which in turn would increase banks profits considerably on one hand and improve the level of their customers in doing business with them on the other hand. Further such banks are very sensitive to the risks they face in dealing with money in the form of credit risk or market risk or operational risk. Banks continuously embrace, with great favor the latest development in customer relationship management and information and communication technologies in order to service better and earn more profits.



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Although banking is an old activity and has roots on Economics, Finance and Commerce, the concept of Customer Relationship Management is of recent origin. To many people Customer Relationship Management means is “A co-ordinate approach to the selling process allowing the various operational, customer contact and sales promotional functions of an organization to functions as a whole”.

Universally conducting efficient banking operations and associated business involves managing;

- The information and communication technology that drives banks core business.
- Customer relationships.
- Risk associated with conducting business with customers and other banks and financial institutions.

II. CONCEPT OF CRM

The concept of Customer Relationship Management has its roots in relationship marketing. Relationship marketing brought new approach to relations with customers, creating at the same time new market assumptions. CRM is a business strategy focused on maximizing shareholder value through winning, growing, and keeping the right customers. We can distinguish here two important elements. First of all, concentrating on the most important from company's perspective customers and second of all retaining long-term relationship with them. That is why it is essential to collect consequently customers' opinions, complaints and new needs. In this way it is possible to approach a client more individually, and make them feel important for the company, because each company is worth as much as customer values it. Satisfied client will also recommend company's products to their friends.

CRM Is All About

- Finding your customers
- Collecting information about them along the way.
- Using that info to enhance their experience and foster long-term relationship.

CRM Objectives in Banking Sector

CRM, the technology, along with human resources of the banks, enables the banks to analyze the behavior of customers and their value. The main areas of focus are as the name suggests: customer, relationship, and the management of relationship and the main objectives to implement CRM in the business strategy are:

- To simplify marketing and sales process
- To make call centers more efficient
- To provide better customer service
- To discover new customers and increase customer revenue
- To cross sell products more effectively

The CRM processes should fully support the basic steps of customer life cycle. The basic steps are:

- Attracting present and new customers
- Acquiring new customers
- Serving the customers Finally,
- retaining the customers

Step to follow

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

Analytical Data Collection

The Analytical Data information is customer centric and contains the following data:

1. Demographic (age, sex, cultural level, marital status, etc.)
2. Ownership of bank's product/services
3. Product/services usage (balance, transactions, etc.)
4. Global variables : profit, cost, risk, assets, liabilities
5. Relationship with the bank: segment, portfolio, etc.

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III. OBJECTIVES OF THE STUDY

- 1) To analyze the opinion of the customers as to CRM of the banks with respect to service quality management.
- 2) To know the opinion of the customers as to CRM of the banks with respect to customer relationship management and retention management.

IV. METHODOLOGY

This research work will depend on both primary and secondary data. Primary data will be collected by ways of structured questionnaire on banks in sakaleshpur taluk of Hassan district, Karnataka. Secondary data will be collected from published records of RBI and other Bank authorities, standard text book and published research papers, and through the web information's. The required primary data will be collected from the bank branches in Sakaleshpur taluk. A minimum of 6 branches will be approached, apart from collecting information from banks, the general public who holds accounts with the banks in the taluk.

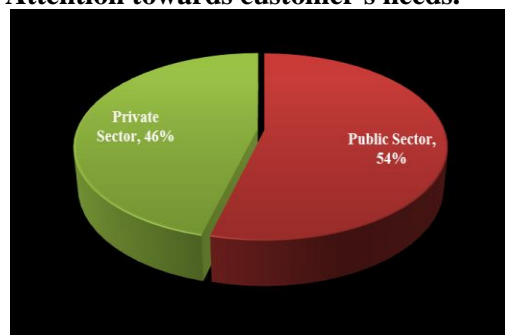
a. Sampling Design

The researcher followed multi-stage sampling in the selection of sample. Public and Private sector banks operating in Sakaleshpur taluk of Karnataka. The sample for the study was selected through a three-stage sampling procedure. The first stage involved the choice of banks. As it was felt that it would be useful to attempt a comparative study between Public and Private Banks, two public sector banks (Canara bank, corporation bank, and Karnataka Bank). Thus the final sample for the study consisted of 6 banks branches which generated 50 customers for studying customer relationship management in banks of Sakaleshpur taluk.

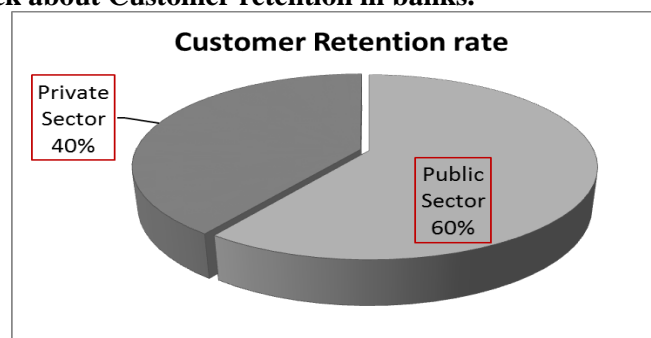
V. ANALYSIS OF DATA

Delivering high quality service is an important strategy that attracts and retains customers and enhances customer relationship in banks. High quality in service pleasing and creating delightful customers and not just simply preventing them from getting bad service quality itself comprises of several dimensions like empathy, reliability, responsiveness, tangibility, communication etc.

1.1 Customers feedback about Attention towards customer's needs.



1.2 Respondents feedback about Customer retention in banks.





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a. Benefits To Customer

CRM helps banks to provide lot of benefits to their customers some key benefits are as follows.

- Service provisioning throughout the entire life cycle of the corporate customer, from the initial stages to the establishment of a close, long-term relationship with profitable clients,
- Optimization of the use of bank resources, such as alternative channels of distribution (internet and home banking),
- Significant reduction in and limitation of operational costs through system automation and standardization,
- Low maintenance and expansion costs owing to the use of modern administration tools which allow bank employees to make a wide range of modifications to the system
- CRM permits businesses to leverage information from their databases to achieve customer retention and to cross-sell new products and services to existing customers.
- Companies that implement CRM make better relationships with their customers, achieve loyal customers and a substantial payback, increased revenue and reduced cost.

VI. FINDINGS

1. In both public and private sector banks, the mean rating of individual attention understanding the specific needs of the customers are lower than their respective dimension mean values.
2. Public Sector banks is rated higher than the private sector banks and the public sector banks are well interactive with their customers perception of customer retention management practices in public and private sectors is almost the same.

VII. SUGGESTIONS

The customers perception of service quality is lower in private sector banks. So it is suggested that private sector banks may take steps to improve their service quality, strategies, customer interaction management strategies customer retention management strategies.

Challenges faced by banks in successful implementation of CRM

- The difficulty of obtaining a complete view of customers.
- The need to move away from dis jointed, 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.

VIII. CONCLUSION

In this day and age, customers enjoy complete luxury in terms of customized technical solutions and banks use the same to cement long-term, mutually-beneficial relationships. For a bank to succeed in adopting a CRM philosophy of doing business, bank management must first understand CRM as a holistic concept that involves multiple, interlocking disciplines, including market knowledge, strategic planning, business process improvement, product design and pricing analysis, technology implementation, human resources management, customer retention, and sales management and training. The attempt here have been to describe the importance of following CRM practices for acquiring, retaining and growing customers for sustained success for companies and how it could be automated as an application practice with the help of organization's IT infrastructure. The whole infrastructure combined with the



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knowledge that it brings forth, guide the destiny of companies in this extremely competitive world. CRM forms the biggest strategic asset that the companies can have for effectively implementing its marketing plans.

The present study provides some guidelines for customer relationship management satisfied customers are loyal customer, their retention rate is much higher and so is their overall profitability for the bank. CRM offers the most holistic route for banks to enhance customer relationships.

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BIOGRAPHY

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