

# An Integrated Approach to CRM as a Tool of Achieving Corporate Goals in Banking Sector

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## ABSTRACT

In the present era of increased competition in the banking sector it is an important task to develop the stable customer base for banks. An effective application of CRM system works as a valuable tool in sustainable development of banks in their business activities. Nowadays, banks have realized that customer relationship is a very essential factor for their success. CRM is a strategy that can help them to build long-lasting relationships with their customers and increase their revenues and profits. In order to provide the services in much better way banks should keep track of their customers in a close observation.

In this article the role of CRM in the era of technology, CRM practices used in banking sector, CRM techniques and measures applied by banks and the benefits of CRM initiatives are discussed. The topic related concepts and viewpoints introduced by different researchers in their studies are also included in this paper.

**Key words:** Customer Relationship Management (CRM), Banking Sector, CRM in banks, CRM practices, CRM system, CRM techniques, CRM initiatives, customer's preference, technology, challenges.

## I. INTRODUCTION

In the era of globalization and technological change there has been a growing interest among financial institutions, as well as other types of businesses to evolve customer relationship. The modern change in companies' approach to understand their clients' need precisely puts challenge for them. While many companies are eager to build relationships with their customers, not all customers are interested in building the same. And this is explainable: according to Henley Research Centre, the services rendered by banks are intangible, and therefore, it

is often difficult to maintain relationships with customers.

Nowadays banks have to deal with several challenges due to new technologies, including global competition for deposits and loans, underwriting fees, shrinking profit margins, which comes along with increasing customer demands. The significant role and the usage potential of CRM have been realized by banks, in acquiring new customers, retaining existing ones, and in maximizing their lifetime value. Banks have realized that CRM is the only solution which helps to maintain a long term relationships with their customers. Though, maintaining good relationship with customers requires strong cooperation between different departments at banks, such as Sales, Service, Support, IT and Marketing.

During the last decade the rapid transformation in the Indian banking industry has really made it stronger, efficient, disciplined, responsive to customer needs and a lot more competitive. Today Indian banks can compare themselves reasonably well with the rest of banks in Asia, in some areas like profitability, growth, service, innovations, customer value creation and low-rate of non-performing assets.

## II. CRM PRACTICES USED IN BANKING SECTOR

Basically, CRM came from the origins of the root 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 into existence when banking institutions have started to become more and more competitive. The focus on CRM increased the abilities of banks to understand the current needs of customers more precisely, and it also helped them to understand their customers' behaviors, like what they have done in the past, and what they are going to do in

the future. This kind of practice helped banks to design strategies based on each customer's preference in order to meet the needs of their customers. The information gathered about customers is important for banks, and the usage of such information intelligently would create two way and long term relationships with customers.

Application of innovative strategies in delivering and distributing services brought better competitive advantages in banking sector. Many banks until a decade ago, usually allow customers to conduct their banking needs between 10 am and 2 pm, but CRM approach with technological initiatives transformed delivering banking services. ICICI Bank was one of the first banks that have offered to their customers the conveniences through extending working hours for conducting bank transactions from 8 am to 8 pm, and as the mode of transactions was set the internet, telephone, ATM, call bank's representative from home, etc. And it worth to mention, that by enabling customers with more conveniences the banks have not only won the hearts of their customers, but reached the results in lesser transaction costs with the help of technology enabled automated systems.

Banks have been given a broad freedom in determining their rate structure for deposits and advances, as well as their product range, since the financial reforms started. Also has been given the freedom of choice to banks' customers, which they didn't have earlier because of standardized products and regimented interest rates. The focus of banks has thus shifted from their orientation from transaction marketing to cultivation of relationship marketing. With the application of advanced technologies in their activities banks have excelled on the performances through tele-banking, net banking, ATMs, credit cards, etc. The practices of using innovative technologies and being customer centric bank are well followed by the banks as follow:

**ICICI:** Its brave commitment in making banking a pleasure, with the wide range of accounts, investment schemes, and facility offered to customers; the security, flexibility of operations and maximum returns through phone banking and a huge network of 5,534 branches and 13,254 ATMs across India enabling customers 24x7x365 hours of service.

**HDFC Bank Ltd:** Strong brand and technological foundation has enabled it to acquire a large customer base through the innovative ideas to be a convenient one-stop-shop for the retail customer at a value for money price point. The bank has a

nationwide distribution network of 6,499 branches and 18,868 ATMs in 3,226 cities/towns.

**IndusInd Bank Ltd:** This bank claims to treat a customer as not only of any particular branch's customer, but as a customer of the whole company. The customers of this bank have full advantages of operating their savings bank accounts from any of the branches spread across the country.

**Bank of Punjab:** This bank has the distinction of being the first bank in north India to install a state-of-the-art ATM payment gateway allowing online transactions. It is also the first bank which has introduced fax banking and tele-banking for its customers.

### III. CRM TECHNIQUES AND MEASURES

**Architecture of CRM:** As more businesses continue to compete on a global level, it has become more important for them to use successful CRM techniques. For the success of a CRM system it is important to understand the architecture of CRM which has three categories as follows:

- Collaborative aspect of CRM deals with communication between companies and their clients;
- Operational aspect of CRM deals with the concept of making certain processes automated;
- Analytical aspect of CRM deals with analyzing customer information and using it for business intelligence purposes.

Each of these elements is critical and every company must learn how to use all three in proper way. When it is implemented proficiently, they can build strong customer relationships and ensure their profits for a long time.

**Strengthening customer base:** Banks functioning with the help of well-tuned CRM systems can add a large number of customers to the existing customer base. Working further on the different target group's banks can shift more customers from the temporary group to the loyal group. Banks can improve the loyalty of their customers through loyalty programs, incentives, attractive pricing of products and services, and flexible channels of delivery. In order to implement more practical CRM systems banks are categorizing their customers in various segments, like personal finance, business finance and corporate partly. Some banks like SBI, ICICI, HDFC, CANARA bank, etc. are also developing universal banking system and converting themselves into financial supermarkets capable of dispensing various services including insurance.

**Customer focused solutions:** In order to offer better customer solutions, several successful banks looking to grow in commoditized market place. To deliver the real solutions to develop CRM, it may also bring valuable changes in all the area. Customer focused solutions practiced by banks are as follows:

- **Coordination:** Banks need to adopt a mechanism of sharing the information related to customers, attending queries and involving them in decision making;
- **Cooperation:** Banks need to develop metrics to measure the customer satisfaction and incentives that reward the cost focused on customers' behaviors, and should get the authority to act on their behalf;
- **Capability:** When banks deliver cost focused solutions it requires customers with multi domain skill and boundary skill, which are developed to eradicate conflict in the minds of customers;
- **Connection:** In order to connect and resolve the perceived conflicts arise to customers and to look after the core activities, many banks work together based on mergers and acquisitions.

**Steps followed by banks:** Many banks and financial institutions build customer care culture for their internal customers, so this customer care becomes part of their integral functional process. Today customers are demanding and knowledgeable. Therefore, instead of trying to maximize profit from each transaction banks can focus to maximize the lifetime value of the customers. Some banks like HDFC, ICICI, HBC, UTI, etc. adopted CRM strategy to build long term relationship. Here are six steps followed by the banks:

- (i) Keep updating the customer profile;
- (ii) Approach them with a mix of innovative products/services, customer care and growth opportunities;
- (iii) Cover them by educating IT architecture to feed their aspirations;
- (iv) Boldly choose the target customers for the first wave of CRM;
- (v) Rank or cluster them in accordance of costs, revenue, profit potential and relationship intention;
- (vi) Calculate the lifecycle value of your customers.

#### IV. BENEFITS OF CRM INITIATIVES

A carefully planned CRM strategy and initiative would bring the following benefits to the customers and banks:

For the customers: improved customer service, effective and timely delivery, more satisfaction, value added services, a sensitive market with equally good choices, personalization and closeness, variety of products and packages, availability, reliability and affordability of products and services;

For the banks: growing customer base, increasing levels of customer loyalty, stable and vibrant business potential, higher volumes, lower costs, sensitized and productive workforce, proper and functional customer segmentation, focused marketing which is cost efficient, business process reengineering on scientific lines, an attractive and profitable product mix, proximity to customer, and improved bottom line.

#### V. CONCLUSION

One of the primary goals of CRM is to maintain customers. When it is done effectively, a company can build lifetime relationship with customers. CRM tools usually come in the form of software. The software programs may vary according to their CRM approaches. But it is important to understand that CRM is more than just a technology. CRM should be directly connected to the company's philosophy and must guide all of its policies, being an important part of customer service and marketing. If this is not implemented, then the whole CRM system may fail in its performance.

The 21<sup>st</sup> century customers are global and have a high degree of need for cognition, recognition, approval and respect. Banks will have to be more careful while they reshaping their product profile to attract more customers. New products will have to be more customer-oriented. Many of them are demanding complex banking solutions to the problems of investment, and fund transfers are under the same roof. Banks have an opportunity to develop products with the help of modern technology and offering technology based services. Indian banking system is also gearing up to serve better in rural areas. CRM can be improved by structuring the rural credit delivery system for social purposes.

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