



International Journal of Financial Management and Economics

P-ISSN: 2617-9210
E-ISSN: 2617-9229
IJFME 2022; 5(2): 182-186
www.theeconomicsjournal.com
Received: 18-07-2022
Accepted: 28-08-2022

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Customer relationship management (CRM) in Indian banking industry

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DOI: <https://doi.org/10.33545/26179210.2022.v5.i2.422>

Abstract

Globalization and technology improvements have exposed companies to a situation with tough competition. In this new era companies are focusing on managing customer relationships in order to efficiently maximize revenues. Today marketing is not just developing, delivering and selling, it is moving towards developing and maintaining long term relationships with customers. Relationship marketing is becoming important in financial services. Managers really need to look at areas where opportunities lie, because industry consolidation, virtual delivery channels and the ability to move money around with a click of a mouse are making it easier for customers to leave one bank for another. In this situation CRM (Customer Relationship Management) is an opportunity that banks can avail to rise above minor advantages by developing actual relationships with their customers. The purpose of this study has been to investigate how CRM in banks can be described. Definition and benefits of CRM, CRM processes, CRM technology and CRM structure and people have been studied in three different banks (Within case analysis & Cross case analysis). The results revealed banks' understanding for the term CRM, the way they have implemented CRM processes which are considered necessary for a customer centric organization & integration of technology with the business processes following the CRM organizational structure.

Keywords: Relationship marketing, CRM, within case analysis & cross case analysis

Introduction

CRM (customer relationship management)

CRM as defined by Kotler, is 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.

CRM activities includes

- 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.

Scope of Research: - This research is carried out to study points in Banks for which research is conducted. Points are

- Ability of Banks to retain loyal & profitable customers for rapid growth of the business.
- Acquiring the right customers, based on known characteristics, which drives growth & increases profit margins, Lower cost of customer acquisition
- Increasing individual customer margins while offering the right products at the right time.

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Research Limitations

- Limited access to primary data.
- Reliability & validity of data.

Research Problem: How can CRM in banks be described?

1. To approach this research problem study is done for 4 questions regarding the cases of 3 banks. Those questions are as follows:
2. How CRM is defined by the bank managers?
3. How the CRM process in bank is described?
4. How CRM technology in bank can be described?
5. How CRM organizational structure & people in bank can be described?

Research Methodology

Research Type: Descriptive Research with exploratory touches to find out suggestions.

Data collection: Primary data from Branch managers & Relationship Managers. Secondary data: Case studies from different journals.

Sample selection: Branch manager & Relationship Manager of each bank from Nagpur Region. - Relying on Accessibility & Feasibility.

Data Analysis Method: Within case analysis & Cross case analysis.

Findings**ICICI Bank****CRM- Definition**

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 is signing in and how much, what type of credit the customer wants.

CRM Technology

The bank is using various 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.

HDFC BANK

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, Expansion.

CRM Technology: HDFC bank uses CRM technology when interacting with the customers. Technologies like Call centre Automation, Data warehousing, Email Management, Field Service Automation, Marketing Automation. 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 and Institutional Banking, and Asset Management & Life Insurance. Each business area is responsible for financial results, customer relations, distribution, 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

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 different techniques to interact with customers, like Call centre Automation, Data warehousing, Email Management, Field Service Automation, 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.

Data Analysis

Data is analysed in two parts, firstly a within case analysis is done where the data is compared with the previous theories. Secondly a cross case analysis, where all the three cases are compared with each other. The analysis is presented in a way that addresses the four research questions of this study.

Within case analysis- ICICI Bank

CRM- Definition

The bank has a broad vision about CRM, when it came to the application of CRM; the bank looked at competitors, multi-channel environment and the customer satisfaction, because these are external environment ingredients. These are the forces that motivate any organization to restructure the business philosophy.

CRM- Process

The bank uses the collected information for analysis, which finally helps to form a strategy and to introduce new customer offers that will suit most of the customers. Through broad product offering the bank help companies release capital through efficient payment routines and create conditions for growth with the aid of a number of different financing solutions. The bank also offers the corporate customers a number of different investment options to create the best yield for excess liquidity. When it comes to customer offers, the bank offers most of the services to all the customers but there are some unique offers which the bank provides the selected customers according to their business needs. Branch has a major role in these offers because bank feels that the branch is sitting in front of customer not the head office, so branch has better understanding about its customer. The bank uses branch, phone, web site, email, direct mail and advertising channels to interact with its customers.

CRM- Technology

Bank is using different type of computer applications at different levels, like front-end applications that the employees at bank uses while interacting with the customer. The higher management uses analytical applications that while forming the strategies. And finally, the databases are used to store customer information for future use.

CRM - Organizational Structure

ICICI's organizational structure is a combination of centralized and somewhat decentralized, while making the strategy the head office is independent, but it leaves some soft corner for the branches so that they can accommodate their local customers according to their circumstances.

Within Case Analysis - HDFC Bank

CRM - Definition

HDFC try to remove the financial barriers facing their customers. They help them meet their goals and realise their plans. When customers meet their goals, simultaneously HDFC meet theirs.

CRM - Process

Channels of the bank establishes relationship with its customers and helps them for financial planning. Bank feels that establishing a relationship requires mutual trust because financial services are business of confidence.HDFC

provides understandable information on the services provided. Their ambition is to always ensure that the customer knows what he is deciding and understands the potential consequences. After gathering the customers' information, HDFC will decide who the right customers are and when to deal with them. They provide tailor-made solutions in clearing, payments, accounts, and other international products, focusing on the customer's needs.

CRM - Technology

The bank is using online banking by using which customers can pay bills, transfer money. The bank has also introduced electronic voucher by using which business to business transactions are getting very easy. All the online services are interactive. The bank is using data base enabled software.

CRM - Organizational Structure

In HDFC most of the CRM work is decentralized. Specific relationship managers within that branch will perform all the CRM activities.

Within Case Analysis - IDBI Bank

CRM - Definition

The banks are concentrating towards branches instead of centralized management, branches are responsible for their business, in other words for their customers. The branches treat every customer as individual, the branch has different set of service packs to different customers, according to their business needs and location. The banks see long term relationship as a key to the success and survival in the market, though some of long term relationship have less income for the time.

CRM - Process

For interaction, the bank uses different channels according to requirements of its customers. These channels include telephone, call centre, branch, ATM, internet, field based manager. Branch channel is the strongest channel according to the bank resources. The bank feels that in the CRM process that includes - Market planning, Customer interaction, Knowledge discovery and Analysis& Refinement.

CRM - Technology

The Bank is using CRM techniques mostly for interaction with customers & increasing database. Software used by the Bank for all CRM activities

CRM - Organisational Structure: IDBI's organizational structure is decentralized because the management believes that the branch has direct interaction with the customer so branch is the only who knows exact situation about its customers.

Cross Case Analysis

Table 1: CRM Definition in Banks

CRM Definition/ View	Personnel Interaction	Customer Oriented Approach	Marketing, Sales & Support
ICICI			☐
HDFC	☐		
IDBI		☐	

Table 2: CRM Process in Banks: Relationship evolution process in Banks

Relationship Evolution	Awareness	Exploration	Expansion	Commitment	Dissolution / Retention
ICICI Bank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HDFC Bank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IDBI Bank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Table 3: How Banks look at the benefits of CRM

Benefits of CRM	ICICI	HDFC	IDBI
Long Term Relationship	<input type="checkbox"/>		<input type="checkbox"/>
Reduced Transaction cost			<input type="checkbox"/>
Success & Survival in market			<input type="checkbox"/>
Customer Satisfaction	<input type="checkbox"/>		
Customer Retention & Loyalty		<input type="checkbox"/>	
Higher Profitability		<input type="checkbox"/>	

Table 4: CRM Technology in Bank: Comparison of technology in banks

CRM application usage	ICICI Bank	HDFC Bank	IDBI Bank
Call Center Automation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Campaign Management	<input type="checkbox"/>		
Contact Management	<input type="checkbox"/>	<input type="checkbox"/>	
Data Warehousing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Image Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Field Service Automation	<input type="checkbox"/>	<input type="checkbox"/>	
Knowledge Management	<input type="checkbox"/>	<input type="checkbox"/>	
Marketing Management	<input type="checkbox"/>		<input type="checkbox"/>
Personalization	<input type="checkbox"/>		<input type="checkbox"/>
Sales force Automation	<input type="checkbox"/>		<input type="checkbox"/>

Table 5: CRM Organizational Structure & People

Bank & Roles	CRM organization of IDBI Bank	CRM organization of ICICI Bank	CRM organization of HDFC Bank
Coordinators of the entire CRM Process	Assistant Manager	Client Team	Corporate Sales Department
Identify the right customers	Assistant Manager	Client executives & account managers	Corporate Sales Department
Develop the right offer	Assistant Manager	Client executives & account managers	Corporate Sales Department
Decide right time	Assistant Manager	Client executives & account managers	Corporate Sales Department
Interact customers with right channel	Assistant Manager	Client executives & account managers	Corporate Sales Department

Conclusions

Definition & Benefits of CRM

It is found that all the three banks have their different definitions of CRM; however, the definitions used by the banks in study are supported by theory due to disagreements in theoretical definitions of the concept. While making within case analysis it is found that CRM is a very broad term and it encompasses a lot of different dimensions and the three banks are following three ways, but their destination is same - keeping long term customer relationship. It is also interesting that banks have different views about CRM benefits, but they all believe that long term customer relationship will create value for them.

CRM Process

It is found that all the three banks are following Swift’s theory, Market planning, Customer interaction, Knowledge discovery and Analysis& Refinement. It is seen that banks are applying customer-oriented relationship management and struggling for long-term relationships. It is observed that IDBI is still dealing with lots of customers who are economically invaluable, but still managers argue that they

will be profitable in long run.

CRM Technology

Looking at the conclusions about technology, It is found that all the three banks fully understand the technology in the best possible way. They are using most popular and easily accessible channels for customer interaction. It is interesting that all 3 banks are following the technology in almost the same way by need identification, personalized offers, most profitable customer identification and providing them standardized customer care. Findings say that banks are fully using the technology which is described as, integrated CRM solutions.

CRM - Organizational Structure

It is found that organization in all the three banks is aligning with communication process. People are working effective to share a process and activate their skills to complete the activities and tasks required for success. It is also found that a same person may have the responsibility for all the communication process in a bank, including recognizing the right customer, relate the right offer, schedule the offer at

the right time, and interact with customers across the right channel. At the people side, it is found that all the three banks are paying attention to the training of people, though they use different training programs. They recognize that people are the brand.

Recommendations for Banks

Success Factor: Banks must realize the term CRM in its broader term. No doubt personal interaction, marketing and sales are the right view of CRM but CRM includes a lot more than that. In its vital sense CRM includes personal interaction, marketing and sales, IT, customer knowledge, people, process and can also be some other dimensions of CRM. Banks not only just concentrate on one segment of CRM, but by using a mix of different elements they can get a real customer-oriented services, with a long term relationships.

Continuous learning process: Customer needs and requirements are very much volatile; It is recommended to keep one foot ahead of the customer. Banks must know what is going to happen in future so that they can prepare offers according to the changing environment. Customers also want to stay where they can find innovative ideas. In changing environment, it is good to look forward by anticipating future.

Customer information: customer is only loyal when the bank has the thorough understanding of the customer's requirements, if banks don't have enough information about customer, it is impossible to understand customer's business problems. It is recommended to keep on tracing the customer and get through knowledge about customer's problems.

Organizational Structure: CRM is not just a technology or some sort of equipment to buy and implement it, it is a total philosophy. To implement the sole of CRM it is recommended to make changes in each and every department and from top to bottom management. The whole organization organized according to CRM requirements.

Clear goal & objectives: Every one working in the organization must have a very clear goal in mind; the whole organization must be working as a single unit. It is not affordable that the higher management is looking CRM as marketing and sales and middle management looking towards personal interactions and so on. At every level CRM definition must be very clear, here definition does not mean by few written words, but it's sole. Why we are sitting in the market? Who are our customers? Why to make contact with them? How to make contact? How to make it long? How to make customer satisfied? How these satisfied customers make to come again and again? These and other questions must be very clear in every one working in the bank.

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