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Customer relationship management practices in banks: A study

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Abstract

The days of the unsophisticated, uninformed, easily led customer is over-service, delivery method and price have become predominant that influence customer decision making. In such a scenario, customer relationship management enables a return to win-win thinking, transforming information into services that can lower the buyers costs without erasing the vendors profits. Over the last decade, many companies have adopted the art of customer relationship management. They have collected and sifted mountains of data on preferences and behaviour, divided buyers into even-finer segments, and honed their products, services and marketing pitches. Few Banks have bothered to look carefully at the broad context in which customers select, buy and use products and services. They have been so focused on fine-tuning their own offering that they have failed to see how those products and services fit into the real lives of their customers. Thinking in terms of customer's scenarios has always been useful, but the arrival of the internet makes the technique more powerful than ever. This paper focuses upon the study of Customer Relationship Management practices in Banks.

Keywords: CRM, marketing integration, services sector

Introduction

The concept of buyer-seller relationship is not new and has been practiced in one form or the other since a long time; it is only in recent times that Customer Relationship Management (CRM) has turned into a buzzword. Customer loyalty has always been valuable, but today it has become more vital for success. In the Internet marketplace, vendors are under constant pressure to match the lowest price that a buyer can find with a least one supplier, on any given day, having some short-term reason to offer goods below cost. Customers meanwhile find themselves getting no more than what they pay for, as thinning profit margins leave no room for courtesies. The resulting race to the bottom has no winner. Byers give back their purchasing economies to the cost of constantly comparing suppliers while vendors find that every sale bears the burden of costly promotion. For both, CRM thus enables a return to win-win thinking, transforming information into services that can lower the buyers cost without erasing the vendors profits. Profitability analyses have shown that while 20 percent of an organization's customers generate its profit, 80 percent reduce profit. Therefore, retaining these 20 percent is imperative for the organization, this can be achieved only via effective CRM practice.

The growing expectations of the customer have forced organizations to innovate, serve and satisfy the consumer better, faster and for a longer time. Organizations are developing winning strategies for leveraging the latest technologies to acquire and retain customers even amidst fierce competition. The ability to successfully build and manage customer relationship is therefore a decisive advantage in today's competitive world. Customer Relationship Management (CRM) provides an integrated view of a company's customer to everyone in the organisation and, thus, ensures that everyone in the enterprise is focused on the customer.

CRM provides a seamless integration between all applications and flexible development of solutions merging front-office and back-office into one office that focuses on increased customer satisfaction.

It is crucial to remember that CRM is an abbreviation for Customer Relationship Management, not Customer Relationship Marketing. Management is a broader concept than marketing, because it covers marketing management, manufacturing management, human

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resource management, service management, sales management, and research and development management. Thus, CRM requires organisational and business level approaches- which are customer-centric- for doing business rather than simply a marketing strategy.

CRM involves all of the corporate functions (marketing, manufacturing, customer services, field sales and field service) required to contact customers directly or indirectly. The term "touch points" is used in CRM to refer to the many ways in which customers and firms interact.

Relationship Marketing

Relationship marketing is a process of attracting, maintain and enhancing customer relationships. It is considered to be a focal point integrating customer service and quality with a market orientation. In this context, we find special focus on individual customer profitability based on interactive marketing activities and managing these dimensions with the motto of establishing, developing and maintaining cooperative customer relationships for mutual benefits.

Barbara Jackson answers to this question that when and how the relationship marketing should be used. She argues that relationship marketing cannot be effective in all situations but is found extremely effective in the right situations. We find relationship marketing extremely effective with the right type of customers found heavily committed to a specific system and expect consistent and timely service. The banking business results are considerably influenced by the relationship marketing. The industrial customers lack time and want quick service. They do not mind the charges paid for the specific service. The concept of relationship marketing is found much more significant to the industrial customers or profitable customers. For relationship marketing, it is not essential that customers in all the condition and for all the purposes pay special charges for the special services they get.

The banking business is found sizably influenced by relationship marketing. Identification of real-time customer is found important and the relationship marketing makes it possible. Differentiating AAA customer from the less-profitable customers is possible by relationship marketing which helps professionals in offering personalised services or minimum call-hold time.

The aforesaid facts make it clear that in the banking services, the relationship marketing continues to play an incremental role. The customer satisfaction, retention and profitability can be improved with the help of relationship marketing.

Relationship management is a key skill needed by the bankers. It is found very much significant to those customers who influence the business of a branch substantially. The bankers working with key customers must develop a personal relationship with them when they think customers might be ready to invest. As for instance when most of the employees working in an organisation get arrears of their salaries, it is essential that the bankers are familiar with the time and their schedule and make a telephonic call or meet physically. To be more specific when they need to influence the key customers investing a big amount, it is essential that they are invited on dinner and the professionals are given the responsibility of initiating a dialogue and getting a deal. It is against this background that we need a sound information management system even at the different branches of a bank.

Relationship management undoubtedly plays an increasing role in the future. An important task before the bankers is to win and keep the profitable customers and this is possible when they get a fair treatment. It is also right to mention that the bank branches should prefer to concentrate on the existing profitable or key customer instead of getting the new unprofitable customers. Of late, the banking organisations have been found recognizing the importance of cross-business opportunities. To be more specific when we talk about the industrial customers, we find relationship. Management occupying a place of outstanding significance since the business is only the beginning of the relationship. Against this background, we find relationship management or relationship marketing significant to almost all the organisations but in the services sector and to be more specific in the banking sector, it is found occupying a dominating position. An expert sees a growing movement toward relationships marketing. In this context we find Barbara Jackson also making an advocacy in favour of relationship marketing.

Main Steps in establishing a Relationship Management are

- Identify the key profitable customers for relationship marketing. A bank branch in this context may choose a few of the key customers from both the categories-general and industrial customers and may designate them for the relationship management.
- Assigning a skilled relationship manager to each key customer for special treatment. This makes it essential that the bankers facing the customers directly are imparted the training facilities in the relationship management.
- Developing a clear job description for relationship managers who are supposed to procure important information regarding the key customers. The relationship manager is responsible for all information about the client and is considered to be mobiliser of banking services.
- Appoint an overall manager to supervise the relationship managers. This person would develop job descriptions, evaluation criteria and resource support to increase the effectiveness of the performance of relationship managers.
- Each relationship manager must develop long-range and annual customer-relationship plans. The annual relationship plan would state objectives, strategies, specific actions.

Things Affecting Relationships

Theodore Levitt is his contribution; the Marketing Imagination focuses on things affecting relationships. In the banking services, the main thing is to improve the quality of banker customer relations. The problem can be divided in two categories. The general customers of a branch in face-to-face communications specially with the front-line staff should be assured decent behaviour by bankers. The managers should evince interests in resolving their problems they, of course, are found satisfied. Another group of profitable customers or we also call the AAA customers need something special from you. The relationship marketing helps you in identifying AAA customers in your command area. It is essential that personalised services are made available to them. They have a high level of

expectations and professionals need to provide to them the best they can. The professionals need not to forget that whatever they spend on them help getting much more in return. The relationship marketing helps in understanding the behavioural profile of customers. If they are well aware of the relationship management, the

profitable customers would not only be influenced but would also continue for the years and years to come. You spend less but get more. You spend nothing and get nothing. The two options are in your hand. You of course, always prefer the first one.

Table 1: Factors Affecting Relationship

Adopt Good Things	Minus Bad Things
Initiate positive phone calls	Make only callbacks
Make recommendations	Make justifications
Candor in language	Accommodative language
Use phone	Use correspondence
Show appreciation	Wait for misunderstanding
Make service suggestions	Wait for service requests
Use “ We” problem solving language	Use “Owe-us” legal language
Get to problems	Only respond to problems
Use/jargon/shorthand/innovative Communications	Use long-winded communications
Personality problems aired	Personality problems hidden
Talk of our future together	Talk about making good on the past
Routines Responses	Fire drill/emergency responsiveness
Accept responsibility	Shift blame
Plan the future	Rehash the past

Source: Adapted from Theodore Levitt; The Marketing Imagination, (NY), 1983,

Justifications for Practising Marketing in Banks

Marketing principles if practiced in a right fashion bear the efficacy of generating enriching and tapping the business potentials, satisfying the customers and subserving the social interests. The time honoured innovation in perception becomes essential to conceptualise the modern marketing principles in the banking services. The following arguments justify the application process:

- **Understanding the Customers:** The concept of bank marketing is of late well supported by the sophisticated information technologies. In an age of information explosion, the banking services depend substantially on the marketing information system. With the help of different sub-systems and to be more specific the marketing research, the bankers get an opportunity to understand the expectations of prospects/ customers. Since we segment the market and intensify research, it is easy to identify the magnitude or the emerging trends in expectations. The lifestyles, like and dislikes, hopes and aspirations or the behavioural profile all are perceived in a right fashion. This simplifies the task of formulating sensitive policies and strategies, It is against this background that the banking organisations need to practice marketing. A good number of foreign banks and a few of the Indian commercial banks, of course working in the private sector appear serious to the problem and therefore they succeed in capitalizing on the opportunities optimally. The credibility for this goes to the application of modern marketing principles.
- **Satisfying the Customers:** If we understand the prospects/customers in a right fashion and the policy makers appear interested in designing creative or time honoured policies, the success rate reaches at its peak. If the marketing processes help us in understanding the task of satisfying them is found easier. The formulation and innovation processes of the marketing mixes move in a right and desired order. The customers get the services in tune with their expectations which help banks in mobilizing savings and deposits by

transforming the prospects into actual customers and the actual customers into habitual customers. The process of excelling competition is geared and the market share is maximized. Thus, we create market potentials and tap them optimally.

- **Excelling Competition:** Of late, the intensity of competition is found at its peak. Like other organisations. Even banks have also been facing numerous problems due to fierce competition. The leading foreign banks and to some extent even the Indian commercial banks working under the private sector believe in creating and expanding the quality gap. The public sector commercial banks just attempt to bridge over the gap or even fail in doing such. The snatching of business is thus, found gaining a momentum. This makes it essential that the innovation process gest an overriding priority even in the public sector banks. The need of the hour is to enrich the peripheral services so that the mobilization process is activated. Here it is important to mention that competitive banks have been using technology for improving the quality of services and the Indian public sector commercial banks have been facing strong opposition on that account. Thus, marketing practices would also help bank in optimizing our requirements for the use of technology.
- **Formulating and Innovating the Mixes:** The quality of mix plays a decisive role in getting the business and increasing the market share. Hence, the first mix is product in which we need to make possible an optimal blending of core and peripheral services. If we turn our eyes on the product mix of the private sector banks we find the private sector banks. The consumerism has taken a new shape and the customers needs and requirements are expanding very fast. This makes it essential that while formulating or innovating the product mix, we assign due weightage to the needs and requirements of customers. While requires professionalism and the marketing principles are found

helpful in the very context. While fixing interest and commissions, we need to turn our eyes on competitor's strategies and to incorporate necessary changes. We also need special emphasis on developing the human resources for banks. Since the customers are now more sensitive, the bankers behavioural management need a new look. The recruitment and training facilities, the motivational plans, the performance appraisal need a new vision. The motive is to create a quality-gap by improving the quality of our mixes.

The Strategies for the effective CRM depends upon the business, its size, market share, nature of product type, Volume of sales, geographic spread and economic status and living standards of the customers. The most common strategies which may be adopted by bank include:

- All the employees within the bank have an important role in CRM. Every employee should understand that his or her work is towards the satisfying the customers. The marketing department should co-ordinate integrated activity for the customer satisfaction.
- The product and service must provide the value addition. The expectations of the customer are changing and may increases due to various reasons. Customer satisfaction level regarding the uses of product or services are changed due to changed in technology; change in business scenario and due to changes in global business. The bankers must understand the customer's expectations and match them.
- The main expectation of customer in service is quality. The bank had to set standards for quality of services and adhere to it's satisfy its customers.
- Customer always compares the products, services of a banks to other competitors. So, banks need to make analysis regarding the changes in competitors products and increase its strengths and reduce its weakness, to ensure that it give more satisfaction to the customer and increase the value of products in terms of function and its help in retain the customers.
- Formation of customer clubs is another way to promote the relationship. The main purpose of such clubs is creating sense of mutual belonging, understanding, and sharing of common problems and emotion of customers. The clubs provide a direct two way communication process.

To implement the CRM in effective way it is essential that organisation first understand the need of the customers and then design the method by the provide the services to the customer. In recent global market, many challenges are being imposed on organisation to survive in the market. In order to capture the core advantages, they focus on implementing the effective process and methodology. CRM is all about people, processes and technology. It involves harnessing the potential of people to create a greater customer experience, using the technology as the enabler. CRM has already made a big impact in the world of customer service and will continue to do so.

CRM Comprises of three phases viz.

- i). Acquire,
- ii). Enhance, and
- iii). Retain.

Each phase impact customer relationships in different ways so that focus and strategies vary from phase to phase. They are described in below table.

Table 2: Focuses and Strategies of CRM Phases

Phase	Focuses	Strategies
Acquire	Differentiation	<ul style="list-style-type: none"> • Innovation • Convenience
Enhance	Bundling	<ul style="list-style-type: none"> • Reduce cost • Customer service
Retain	Adaptability	<ul style="list-style-type: none"> • Listening • New products

The cost of acquiring customers is nine to ten times more than the cost of retaining existing ones. Instead of rushing headlong into CRM, it is important for companies to understand the customer that it is targeting and the kind of loyalty that it needs to build with them and identify the technology that will be used.

Many expert view that happy employees, in turn, give happy customers. Employees in a company should get the service mindset. Management of customer information is what CRM is all about. The general consensus of experts is that companies can benefit greatly by having effective CRM strategy.

During the last few years, globalization in the field of e-commerce has challenged companies to make customer communication truly interactive. The new CRM is moving away from one-to-many mass communication philosophies to a more individualized one-to-one communication. Real time automated marketing communication in relation to the effective, personalised sales and services will make the firm's communication to the consumer relevant and timely. Today, CRM market is seeing increasing customer expectations and customer relationship complexity which is caused not only by the new continuously evolving technology but also because of greater mobility in the field and faster development of new products. Firms must keep increasing the relationship complexity function between these customers and themselves. They must swiftly move away from the old paradigm of mass production to the new paradigm of mass customization to meet the exact demands of the customer. By building a detailed understanding of common customer scenarios, a company often finds creative more effectively, and fulfill supplementary needs that may not involve the company's offerings at all. In delivering such benefits, the company becomes a vastly more important and much indispensable supplier to its customers.

Summing-Up

As companies move from a product centric to a customer-centric orientation, and as they add new e-business channels to traditional customer interactions, they need the tools to analyse and optimize their efforts. Transitionally, performing analysis across the many different systems and information sources about the customer has been a difficult task, involving significant data integration, data mart implementation, and extensive IT support for analysis and reporting.

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