Customer Relationship Management in Banking Sector

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In today’s highly competitive business environment companies are not capable to longer survive with a transactional attitude towards customers. They have to focus their marketing lenses more rational dimension, which is considered to be the most suitable approach for satisfying and maintaining customers. In the banking field a unique ‘Relationship’ exists between the customers and the bank. But because of various reasons and apprehensions like financial burdens, risk of failure, marketing inertia etc., to understand more in customer relationship management, we first need to understand three components which are customer, relationship and their management (Peppers and Rogers, 2004). Customers are the focal point in the development of successful marketing strategy. Customer retention assumes significance in revenue analysis of various organizations. The success of CRM process depends on the active involvement of all managers and employees in the banking field a unique ‘Relationship’ exists between the customers and the bank. But because of various reasons and apprehensions like financial burdens, risk of failure, marketing inertia etc., many banks are still following the traditional ways of marketing and only few banks are making attempts to adapt CRM. Providing service to customers has been identified as the prime responsibility of the Banks and therefore, Banks considered that CRM is the best tool to perform the job of rendering good services. The lack of understanding on Customer Relationship Management (CRM) is always a concern among the service providers especially banks. Banks have their own way of managing their relationships with the customers. However, the perception of customers on CRM practices among banks should also be taken into consideration. CRM activity attend the needs of customers without delay in time, the Banks can create more awareness to customers and can create a customer data base very significantly.

**Keywords:** CRM, Bank, Customer
1. Introduction

Customer relationship management is one of the strategies to manage customer as it focuses on understanding customers as individuals instead of as part of a group. CRM manages the relationships between a firm and its customers. Today, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management and its potential to help them acquire new customers retain existing ones and maximize their lifetime value. Banking sector is a customer-oriented service where the customer is the KEY focus. Research is needed in such sector to understand customers’ need and attitude so as to build a long relationship with them. Customer

CRM is a sound business strategy to identify the bank’s most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, reprising, discretionary decision making, and customized service—all delivered through the various sales channels that the bank uses.

2. Customer Relationship Management

In literature, many definitions were given to describe CRM. During the last decades there has been strong orientation on customers’ satisfaction by fulfilling their needs and wants as means for the achievement of organization’s objectives. This underlying motivation on customer focus is clear mission to create value for customers, stay profitable and gain desired performance. By creating value for customers organizations would gain customers’ loyalty, which in turn would result in business’ growth and profits. The main difference among these definitions is technological and relationship aspects of CRM.

3. Research Problem

Banking sector has always been the focus of society due to its essential role in the finance world and the wellbeing of world’s economy. Particularly in banking sector, the role of CRM is very vital in leading the banks towards high level and volume of profits. So there is a need to study the role of CRM in development and promotion of banking sector through the sidelines of the practices, problems and impact of the CRM on banking sector all the time.

4. Objectives of the Study

The main objectives of the study is
1. To study and understand the concept of CRM.
2. To study the CRM Practices in Banking Sector.
3. To study the Benefits of CRM context in Banking Sector.

5. Data Collection

The present study is completely based on secondary sources of data collection such as electronic resources, books, journals, magazines, with the objective of successfully completion of ongoing study data are collected from published and unpublished sources.

Customer Relationship Management: A Brief History

1980s: Database Marketing. The promise of database marketing? To speak individually to countless customers. The reality: It's too costly, too difficult, and doesn't pay out on the bottom line, except in the case of business-to-business key account marketing. The compromise: A little database marketing goes a long way, which is very good news for everyone except technology vendors. You can do quite well simply by knowing how recently and frequently customers purchase; how much they spend; what they purchase; and an iota of demographics. Almost everything else is fluff and gloss.

In 1986, ACT! Introduced the business world to contact management software. Essentially a digital Rolodex, ACT! Allowed for the efficient storage and organization of customer contact information. Goldmine and other vendors also released CMS programs throughout the 80s.

Near the close of the decade, the proliferation of personal computers and the advent of server/client architecture paved the way for an explosive growth in software development.

1990s: Relationship Marketing. Major phenomenon: Loyalty programs. Major promise: Loyalty! Major result: Companies such as airlines now have an enormous incremental layer of expenses, without much to show for it. It's the familiar promotional conundrum: If your competition promotes, you have to promote equally, which eventuates in everyone making less money. But if you unilaterally withdraw from such competition, market share collapses. And, alas, no one, at least on the consumer and small business end of things, can tell the differences between loyalty, bribery, or inertia. 3. Early 2000's: Customer Relationship Management (CRM). Major phenomenon: Great promise. Major reality: Promise unattained.
6. Importance of CRM Systems in Modern Retail Banking

"Central banks don't have divine wisdom. They try to do the best analysis they can and must be prepared to stand or fall by the quality of that analysis.” This quote from Mary Kay Ash, founder of Mary Kay cosmetics shows the key to the wisdom of banks – analysis. Like central banks, retail banks today recognize they must identify, attract and retain profitable customers. The question is how to do this.

Banks, historically, have taken a non-holistic approach to customer management and customer service, offering products and services which satisfied the banks rather than the customer’s needs. Retail banks today recognize that this can no longer be the case. They must be able to react to the individual customers requirements for flexible, customized services and products that can be accessed through multiple channels. In other words, they must be competitive in a competitive market.

Historic entrenchment, however, has made banks reluctant to enter into the banking CRM world which would allow front line branch personnel the ability to manage the customer with a holistic product package. Knowing the customers’ needs at the initial point of contact allows for the ability to up-sell as well as cross-sell a full range of financial products and services.

Though, a bank's senior decision makers fully understand the branch process and the necessity for it, they have somewhat less understanding of their electronic customer base. It is this gap in knowledge that in many cases causes a reluctance to institute a CRM system. There are concerns about expenses associated with the system, the ease at which the system can be accessed by front line personnel and the relinquishing of authority to the front lines. Even more frightening to the entrenched bank establishment is the relinquishing of choice to the customer themselves.

How then, can a CRM system assist these retail establishments in increasing their ROI? CRM success in retail banking depends on measurable ROI over a short period. Expenditures and prospective earning over an established period of time must be defined. With this information the return from a CRM system can be measured.

One significant issue for physical retail banking is the shifting peak periods—the need to reallocate idle or untapped branch resources during peak periods will have a positive impact on ROI. An integrated CRM system can help to shift these resources through equal access to customer information. The concept of the process driven workflow in a retail bank needs a
CRM system which can
- Capture customer data at the point of entry into the banking system – the branch. Ensure that all customer information and history are accessible – allowing the branch to foster the corporate identity of the organization.
- Provide quality information on each customer interaction that can then be accessed by senior management in timely reports which allow more refined analysis than previously available.
- Enable bank marketing to easily identify customer contacts by market segment and target correspondence to those customers most likely to acquiesce to the product or service offering.
- Ensure that the customers experience within the system is consistent across all channels.

The Banking CRM system also integrates the electronic customer identity into the organization. No longer is the face-to-face bank contact required to cross-sell or up-sell products. New product introductions, based on the current electronic customer profile, can be offered though the e-marketing channels.

The Major Benefits of Analytical CRM to Banks are
1. Customer Retention
2. Fraud Detection
3. Optimizing marketing efforts as per customer life time value
4. Credit Risk Analysis
5. Segmentation and targeting
6. Development of customized new products matching the specific preferences and priorities of customers.

Collaborative CRM – These involve systems facilitating customers to perform services on their own through a variety of communication and interactive channels. It brings people process and data together and enables channelling of data and information appropriately to bank staff for proactive decision making and enhanced informed customer service and support activities. It provides a means of information sharing to all concerned in timely manner and includes customer as a creator of service. The major benefits of collaborative CRM to banks are
1. Providing efficient customer communication across a variety of channels
2. Online services to reduce customer service costs
3. Providing access to customer data while interacting with customers.

Thus, CRM can be understood as a catalyst enabling transformation of Banking from traditional ‘Transactional banking’ to ‘Relationship Banking’ by use of technology.

**CRM in Banking: Global Scenario**

Worldwide banks have explored and realized the benefits of CRM in a variety of ways. Different banks have implemented the philosophy in their own different way. A few illustrations will give a glimpse of the global scenario with respect to CRM in Banking.

Royal Bank of Canada utilized CRM to develop models of assessment of customer profitability and life time value. These were then included in determining customer decisions like – Customized Marketing campaign, establishing service levels, segmentation, targeting, product design and pricing. Customer’s vulnerability to attrition also is analysed and the most valuable are flagged before they defect, in order to take preventive action in a focused and effective way.

Wells Fargo Bank renowned for leadership in service and convenience to varied customer segments focused on customer service through CRM. Application of CRM enabled better integration of customer information and service applications to assist representatives of customer sales and services to easily provide a one-stop-shop for any banking service or transaction. Using CRM, Wells Fargo takes full advantage of available customer information to offer customer the choice, convenience and price benefits so that they give the Bank, all their business.

Wachovia Bank uses customer transaction data to support modeling processes that evaluate each branch’s current and long term profitability. In Atlanta Bank’s largest market, significant performance improvements were attained when it used the output of modeling process as a basis to decide which of its 96 branches to close and which location to open new ones.

**7. Challenges Faced by Banks in Successful Implementation of CRM**

1. The difficulty of obtaining a complete view of customers.
2. The need to move away from disjointed, standalone, and inconsistent channels to provide a cohesive, multichannel offering.
3. The burden of disconnected legacy systems and disparate databases that store client financial data.
4. The cost and complexity of meeting stringent government regulatory and client security and privacy requirements.
5. The pressure on margins and growth prospects from increased competition.
6. 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. A lot of banks underestimate the magnitude of CRM. They tend to treat it just like any other application technology, without realizing that CRM, if done properly, is a strategic initiative that touches all areas of an organization.

8. Findings

- CRM has been implemented by public sector banks, is followed and implemented highly when compare with private sector banks.
- Public sector banks are giving more importance for their customer to retain them.
- They were introduced more strategy to attract customer as well as to know their customer expectation towards CRM.

9. Conclusion

Customer relationship management is one of the great challenges for the banking sector, since the Customer satisfaction level in public sector is not satisfactory when compared with private banks. Research provides some ideas to banking sector how to retain their customer and also explained some of the benefits to customer which are maintained by banking sector. Hence now a day CRM with customer by banking sector used to get customer database, customer satisfaction level, customer loyalty, long time service, customer retention, to identify profitable customer for their bank, identify non profitable customer of bank and non performing assets.
10. References


