



## Customer Relationship Management Practices In Banking Sector

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### ABSTRACT

In a competitive marketplace where businesses compete for customers, CRM is seen as a key differentiator and increasingly has become a key element of business strategy. Organizations are increasingly interested in retaining existing customers while targeting non-customers; measuring customer satisfaction provides an indication of how successful the organization is at providing products and/or services to the marketplace. This paper explores the traditional approaches to implementing CRM projects in the banking or financial industry. It also highlights the major issues facing the industry in implementing such solutions. Additionally, the paper describes the SAS Banking Intelligence Solutions, and how these solutions can be used to lower CRM costs and to provide a better understanding of an organization's customer base.

**Keywords:** Customer, Banking Sector, Attitudes, Perception, Intelligence.

### INTRODUCTION

CRM is a business model that aligns product and sales strategies with customer requirements and preferences. Services are then provided in a timely manner using the channels that are preferred by the customers. Effective CRM starts by focusing on the development of business strategies and by aligning an organization to serve customers. These business strategies are then executed using CRM technology solutions. The most successful business strategies are developed only after an organization learns about customers' behavior patterns and attitudes. Behavior studies show what products or services have been purchased in the past and what products or services are currently being bought. Attitudes studies show what customers are thinking and feeling about future buying decisions. Uncovering a customers' behavior patterns and attitudes involve collecting relevant transactional and survey data, placing the data into a data repository, and then applying analytical techniques. After the information is collected from the data, an actionable business plan can be developed to create the multi-channel customer contact strategies that offer the optimal products or services. There is an evolutionary approach to CRM that focuses heavily on "customer equity" assets management. This approach begins with business strategy development. Next, a data infrastructure is created that supports customer interactions. Then, a technology infrastructure is designed to produce CRM results. Finally, customer communication channel strategies are created, and strategy execution technology is used to create an on-going dialog with the customers.

### REVIEW OF LITERATURE

In literature, many definitions were given to describe CRM. The main difference among these definitions is technological and relationship aspects of CRM. Some authors from marketing background emphasize technological side of CRM while the others consider IT perspective of CRM. From marketing aspect, CRM is defined by [Couldwell 1998] as "a combination of business process and technology that seeks to understand a company's customers from the perspective of who they are, what they do, and what they are like". Technological definition of CRM was given as "The market place of the future is undergoing a technology-driven metamorphosis" [Peppers and Rogers 1995]. Consequently, IT and marketing departments must work closely to implement CRM efficiently. Meanwhile, implementation of CRM in banking sector was considered by [Mihelis et al. 2001]. They focused on the evaluation of the critical satisfaction dimensions and the determination of customer groups with distinctive preferences and expectations in the private bank sector. The methodological approach is based on the principles of multi-criteria modeling and preference disaggregation modeling used for data analysis and interpretation. [Yli-Renko et al. 2001] have focused on the management of the exchange relationships and the implications of such management for the performance and development of technology-based firms and their customers. Specifically the customer relationship of new technology-based firms has been studied. [Cook and Hababou, 2001] was interested in total sales activities, both volume-related and non-volume related. They also developed a modification of the standard data envelope analysis (DEA) structure using goal programming concepts that yields both a sales and service measures. [Beckett-Camarata et al. 1998] have noted that managing relationships with their customers (especially with employees, channel partners and strategic alliance partners) was critical to the firm's long-term success. It was also emphasized that customer relationship management based on social exchange and equity significantly assists the firm in developing collaborative, cooperative and profitable long-term relationships. [Yuan and Chang 2001] have presented a mixed-initiative synthesized learning approach for better understanding of customers and the provision of clues for improving customer relationships based on different sources of web customer data.

They have also hierarchically segmented data sources into clusters, automatically labeled the features of the clusters, discovered the characteristics of normal, defected and possibly defected clusters of customers, and provided clues for gaining customer retention. [Peppers 2000] has also presented a framework, which is based on incorporating e-business activities, channel management, relationship management and back-office/front-office integration within a customer centric strategy. He has developed four concepts, namely Enterprise, Channel management, Relationships and

Management of the total enterprise, in the context of a CRM initiative. [Ryals and Knox 2001] have identified the three main issues that can enable the development of Customer Relationship Management in the service sector; the organizational issues of culture and communication, management metrics and cross-functional integration especially between marketing and information technology.

## OBJECTIVES OF STUDY

1. The primary purpose of the project is to learn what is CRM is all about and how it helps in the banking sector.
2. To know how effective is CRM in retaining banks customers.
3. To know the application and implementation of CRM in banking sector.
4. To Study different types of CRM software used in banks.
5. To compare CRM practices in different banks.
6. To study effects of CRM on banks and as well as on its employees.

## SCOPE OF STUDY

Today in this competitive world almost every organization focuses more on customer rather than their primary objective that is profit. Due to this reasons organizations are coming up with many marketing strategy. From here emerges a marketing strategy called CRM. Almost every company feels the need for CRM to meet their customer demands and provide them the best of the services. CRM has emerged as an essential tool in handling an organizations customer. It has gaining a lot of importance in today's world. I had taken CRM as my topic because I want to do my post graduate diploma in marketing and CRM is an effective tool for marketing of goods or services.

## RESEARCH METHODOLOGY

### DATA SOURCES

The study has been collected data from boyh primary data and secondary data. The primary data include questionnaire, opinions collected from respondents and the secondary information has been sourced from the internet and from business related magazines, journals, published books and newspapers.

### SAMPLING TECHNIQUE USED

Since the information required was not of a very technical nature and also looking at the scope of the study and the extent of the target segment, the sampling technique employed was Convenience Sampling for administered the questionnaires.

### SAMPLE SIZE

The study restricted the sample size to 50 respondents. This was done keeping in mind the time constraints and the fact that this number would be enough to serve the information needs required to show the trends.

### LIMITATIONS OF THE STUDY

1. The survey is limited to Hyderabad city only.
2. The duration of study will be 45 days.
3. The views expressed by the consumers may not be 100 percent True or accurate.
4. Financial Limitation.

## AN ANALYSIS OF CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES IN BANKING SECTOR

In view of the above, the study is designed to investigate the customer relationship management practices in banking sector.

**Table 1**  
**Gender**

Gender	Frequency	Percent
Male	31	62.0
Female	19	38.0
Total	50	100.0

**Interpretation:** From the above graph the majority of the respondents male and they are of 62% and remaining are of female 38%.

**Age**

Age (in years)	Frequency	Percent
Up to 20	6	12.0
20-30	32	64.0
30-40	10	20.0
Above 40	2	4.0
Total	50	100.0

**Interpretation:** 64% of the respondents belong to the age group 20-30 years and 20% of them belongs to 30-40 above 40 years are of 4% and remaining belongs to upto 20 years

**Qualification**

Response	Frequency	Percent	Valid Percent	Cumulative Percent
SSC	3	6.0	6.0	6.0
Intermediate	3	6.0	6.0	12.0
Diploma	12	24.0	24.0	36.0
UG	5	10.0	10.0	46.0
PG	27	54.0	54.0	100.0
Total	50	100.0	100.0	

**Interpretation:** The majority of the respondents have completed post graduation i.e. of 54% and graduates are 10% and diploma holders are of 24% and 6% of intermediate and ssc.

**Income**

Response	Frequency	Percent	Valid Percent	Cumulative Percent
below 10,000	2	4.0	4.0	4.0
10,000-15,000	17	34.0	34.0	38.0
15,000-20,000	27	54.0	54.0	92.0
above 20,000	4	8.0	8.0	100.0
Total	50	100.0	100.0	

**Interpretation:** 54% of the respondents have the income between 15 to 20000 rupees of income 34% have 10000-15000, 8% has above 20000, and remaining has 10,000.

**Do you think that CRM is important in today's competitive business environment?**

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Not at all important	2	4.0	4.0	4.0
Somewhat important	7	14.0	14.0	18.0
Important	20	40.0	40.0	58.0
Very important	21	42.0	42.0	100.0
Total	50	100.0	100.0	

**Interpretation:** 82% of the respondents express that the CRM is important and very important and remaining 18% says they doesn't give important for it.

**How would you rate effectiveness of CRM in your bank?**

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Satisfactory	20	40.0	40.0	40.0
Good	20	40.0	40.0	80.0
Very good	6	12.0	12.0	92.0
Excellent	4	8.0	8.0	100.0
Total	50	100.0	100.0	

**Interpretation:** 40% of the customers said they are satisfied 40% said its good and 12% said its very good and remaining said its excellent.

**How would you rate employees comfort with CRM solution in your bank**

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Satisfactory	20	40.0	40.0	40.0
Good	18	36.0	36.0	76.0
Very good	10	20.0	20.0	96.0
Excellent	2	4.0	4.0	100.0
Total	50	100.0	100.0	

**Interpretation:** 56% of the respondents express employees are comfort with the CRM 40% of the employees are satisfied and remaining said its excellent

**How would you rate the effectiveness of your CRM in customer retention?**

Response	Frequency	Percent	Valid Percent	Cumulative Percent
satisfactory	22	44.0	44.0	44.0
good	15	30.0	30.0	74.0
very good	9	18.0	18.0	92.0
excellent	4	8.0	8.0	100.0
Total	50	100.0	100.0	

**Interpretation:**44% of the respondents expressed they are satisfied 30% of them said its good 18% expressed its very good and remaining are as fallows.

**How would you rate the effectiveness of your CRM in enrichment of customer service?**

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Satisfactory	17	34.0	34.0	34.0
Good	22	44.0	44.0	78.0
Very good	5	10.0	10.0	88.0
Excellent	6	12.0	12.0	100.0
Total	50	100.0	100.0	

**Interpretation:** 66% of the respondents expressed crm enrichment is of good and very good and explants and remaining 34% is of satisfactory.

**According to you what role does a CRM solution plays in improving discipline of your bank?**

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Bad	4	8.0	8.0	8.0
Satisfactory	14	28.0	28.0	36.0
Good	20	40.0	40.0	76.0
Very good	8	16.0	16.0	92.0
Excellent	4	8.0	8.0	100.0
Total	50	100.0	100.0	

**Interpretation:** CRM plays a curious role in the bank based on the response it is conformed 92% of the respondents said it as satisfactory, good, very good and exllent, remaining said it's bad.

**What do you view CRM as...**

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Investment	26	52.0	52.0	52.0
Cost driver	24	48.0	48.0	100.0
Total	50	100.0	100.0	

**Interpretation:** 52% of the respondents says it's a investment and remaining 48% says it as a investment.

**Comparing with other banks, CRM in your bank is.....**

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Satisfactory	23	46.0	46.0	46.0
Good	21	42.0	42.0	88.0
Very good	2	4.0	4.0	92.0
Excellent	4	8.0	8.0	100.0
Total	50	100.0	100.0	

**Interpretation:** 46% of the respondents express that it is satisfactory,42% said it is good and remaining 12% of the respondents expressed it as a very good and excellent.

**Do you satisfied with your bank's CRM?**

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Very satisfied	7	14.0	14.0	14.0
Somewhat satisfied	34	68.0	68.0	82.0
Somewhat dissatisfied	9	18.0	18.0	100.0
Total	50	100.0	100.0	

**Interpretation:** 14 % are of very satisfied and 68% some what satisfied and 18% some what satisfied this says how the they are dissatisfied.

## FINDINGS

1. Majority of the respondents express that the CRM is important and very important and remaining says they don't give important for it.
2. Majority of the respondents are satisfied with the bank's CRM. But, they required more from the bank. Some of the respondents are feel that the service provided by the bank is excellent.
3. Majority of the respondents express employs are comfort with the CRM. They find improvement in the employees' reaction.
4. Majority of the respondents are satisfied with the CRM's effectiveness and some of the respondents are feel as excellent in customer retention.
5. Most of the respondents feel that CRM will help the banks in customers improvement.

6. CRM plays a curious role in the bank based on the response it is confirmed by majority of respondents.
7. As per my study half of the respondents are very much satisfied with the bank's CRM and remaining are just satisfied bank has to improve their efficiency in CRM.

## CONCLUSION

The goal of this research was to study the impact of CRM and its practices in banks. CRM has been a key element of the modern marketing in recent years. All around the world companies in different sizes have been trying to utilize CRM systems to help them with their competitive business. On the other hand because of vigorous competition, not only acquiring new customers is becoming difficult but also holding existing customers is a quite a challenging task. During our research we learned that it is a lot cheaper to keep existing customers happy than to attract new ones. But maintaining relation with existing customers in level that constantly encourage them to stay with a company is a dynamic and meticulous job. That is why computerized CRM system can play a critical role in success of a company. But the way that CRM systems are used can make substantial different on the outcome. Along with the sales and marketing, all the other departments of a business should be involved with CRM processes. A new emerging approach that recently has been attracting corporations is customer value management. Their goal is to identify the value that can be delivered to customers along with their products through their supportive processes and services.

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