Effect of Customer Relationship Management in Banking Sector, Bangalore Region

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Abstract: Driven by challenges on competition, rising customer expectation and shrinking margins, banks have been using technology to reduce cost. Apart from competitive environment, there has been deregulation as to rate of interest, technology intensive delivery channel like Internet Banking, Tele Banking, Mobile banking and Automated Teller Machines (ATMs) etc have created a multiple choice to user of the bank. The banking business is becoming more and more complex with the changes emanating from the liberalization and globalization. For a new bank, customer creation is important, but an established bank it is the retention is much more efficient and cost effective mechanism.

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 Banking Industry in India has undergone a rapid changes followed by a series of fundamental developments. Those customers through individualized marketing, reprising, discretionary decision making, and customized service-all delivered through the various sales channels that the bank uses. Under this case study, a campaign management in a bank is conducted using data mining tasks such as dependency analysis, cluster profile analysis, concept description, deviation detection, and data visualization. Crucial business decisions with this campaign are made by extracting valid, previously unknown and ultimately comprehensible and actionable knowledge from large databases.

The research work is an empirical study intended to explore the technological revolution that the commercial banks witnessed and how far it has benefited banks to build better customer relationship management (CRM) services of public sector banks with private sector banks. Furthermore, a comparison would also be made to find out the expectations of the customers from the banking stream and on various technical and structural fronts.

Keywords: Customer Management, Banking sector, CRM

Introduction

Today, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management (CRM) and its potential to help them acquire new customers retain existing ones and maximize their lifetime value. At this point, close relationship with customers will require a strong coordination between IT and marketing departments to provide a long-term retention of selected customers. This paper deals with the role of Customer Relationship Management in banking sector and the need for Customer Relationship Management to increase customer value by using some analytical methods in CRM applications.

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CRM Objectives in Banking Sector

The idea of CRM is that it helps businesses use technology and human resources gain insight into the behavior of customers and the value of those customers. If it works as hoped, a business can: provide better customer service, make call

centers more efficient, cross sell products more effectively, help sales staff close deals faster, simplify marketing and sales processes, discover new customers, and increase customer revenues. It doesn't happen by simply buying software and installing it. For CRM to be truly effective an organization must first decide what kind of customer information it is looking for and it must decide what it intends to do with that information. For example, many financial institutions keep track of customers' life stages in order to market appropriate banking products like mortgages or IRAs to them at the right time to fit their needs. Next, the organization must look into all of the different ways information about customers comes into a business, where and how this data is stored and how it is currently used. One company, for instance, may interact with customers in a myriad of different ways including mail campaigns, Web sites, brick-and-mortar stores, call centers, mobile sales force staff and marketing and advertising efforts. Solid CRM systems link up each of these points. This collected data flows between operational systems (like sales and inventory systems) and analytical systems that can help sort through these records for patterns. Company analysts can then comb through the data to obtain a holistic view of each customer and pinpoint areas where better services are needed. In CRM projects, following data should be collected to run process engine: 1) Responses to campaigns, 2) Shipping and fulfillment dates, 3)Sales and purchase data, 4) Account information, 5) Web registration data, 6) Service and support records, 7) Demographic data, 8) Web sales data.

Data Warehouse and Data Mining

The Data warehouse is the core of any decision support system and hence of the CRM. In implementing its Data Warehouse Bank has selected an incremental approach, where the development of information systems is integrated with the business strategy. Instead of developing a complete design of a corporate Data Warehouse before implementing it, the bank has decided to develop a portion of the Data Warehouse to be used for customer relationship management and for the production of accurate and consistent management reports. Here we are not concerned with the latter goal, but are concentrating on the former. The Data Warehouse has been designed according to the IBM BDW (Banking Data Warehouse) model, that has been developed as a consequence of the collaboration between IBM and many banking customers. The model is currently being used by 400 banks worldwide. The Bank Data Warehouse is regularly populated both from operational systems and from intermediate sources obtained by partial preprocessing of the same raw data.

Analytical DataMart

The Analytical DataMart is customer centric and contains the following data:

1. Demographic (age, sex, cultural level, marital status, etc.)
2. Ownership of bank's product/services
3. Product/services usage (balance, transactions, etc.)
4. Global variables : profit, cost, risk, assets, liabilities
5. Relationship with the bank: segment, portfolio, etc.

Review of Literature

Kamath in his thesis entitled "Marketing of bank services with special reference to branches in Bombay city of syndicate bank" has concluded that quicker and better service offered by bank will be the most important variable in attracting and retaining customer.

S.G Shah in his article has stated that quality of customer service in bank has to very sink to very low and poor levels because of two vastly different reasons. The first is that even the simple routine service have broken down. The second area in which customer service is lagging is that of special situation.

T.S Ravisankar in his study "Marketing strategies and planning for business growth in banks stressed that the marketing plan for banking service be supported by appropriate marketing strategies. He suggests that the marketing strategy for banks must be oriented to customer – current and potential.

John Brooks former president and chairman of the council of the charted institute of Bankers, London states "Customer care is emerging as a critical factor in the banking industry and bankers are fully conscious of the need for attaining international standard for service".

Dr. B.C. Saraswathy in her article has stated that the mail objectives of CRM are building long term, sustaining relations with customers by delivering superior customer value and satisfaction. Instead of trying to maximize profit for each every transaction, CRM focuses on maximizing profits over the lifetime value of customers. Undoubtedly, CRM is a potential tool in sustaining and boosting sales in this era of hyper competitive world.

Objectives of the Study

1) To examine the opinion of the customers as to CRM of the banks with respect to service quality management.

2) To analysis the opinion of the customers as to CRM of the banks with respect to customer interaction management.

3) To study the opinion of the customers as to CRM of the banks with respect to   customer retention management.

Methodology

This research work will depend on both primary and secondary data. Primary data will be collected by ways of well-structured questionnaire that will be administered by the researcher on banks in Bangalore. Secondary data will be collected from published records of RBI and other Bank authorities, standard text book and published research papers. The required primary data will be collected from the bank branches in Bangalore. A minimum of 8 branches will be approached, apart from collecting information from banks, the general public who holds accounts with the banks in the Bangalore.

Sampling Design

The researcher followed multi-stage sampling in the selection of sample. Public and Private sector banks operating in Bangalore. The sample for the study was selected through a three-stage sampling procedure. The first stage involved the choice of banks. As it was felt that it would be useful to attempt a comparative study between Public and Private Banks, two public sector banks (SBI, Vijay Bank,Axis bank and ICICI Bank).

The random selection of bank branches constituted the second stage of the sampling process. Two branches for each of the chosen public sector banks and two branches for each of the Private sector banks were selected for this study. Judgment sampling method was adopted initially 20 customers from each branch were targeted for data collection needed for the study. Thus the final sample for the study consisted of 8 banks branches (four from to public sector banks and four from private sector banks) which generated 160 customers for studying customer relationship management in banks of Bangalore.

Analysis of Data

Delivering high quality service is an important strategy that attracts and retains customers and enhances customer relationship in banks. High quality in service pleasing and creating delightful customers and not just simply and not just simply preventing them form getting annoyed service quality itself comprises of several dimensions like empathy, reliability, responsiveness, tangibility, communication etc.

Findings

1. In both public and private sector banks, the mean rating of individual attention understanding the specific needs of the customers are lower than their respective dimension mean values.

2. Public Sector banks is rated higher than the private banks and the public section banks are well interactive with their customers perception of customer retention management practices in public and private sectors is almost the same.

Suggestions

The customers perception of service quality is lower in private sector banks. So it is suggested that private sector banks may take steps to improve their service quality, strategies, customer interaction management strategies customer retention management strategies.

Conclusion

Today, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management (CRM) and its potential to help them acquire new customers retain existing ones and maximize their lifetime value. At this point, close relationship with customers will require a strong coordination between IT and marketing departments to provide a long-term retention of selected customers. This paper deals with the role of Customer Relationship Management in banking sector and the need for Customer Relationship Management to increase customer value by using some analytical methods in CRM applications.

The present study provides some guidelines for customer relationship management satisfied customers are loyal customer, their retention rate is much higher and so is their overall profitability for the bank. CRM offers the most holistic route for banks to enhance customer relationships. Banks can enhance customer retention, profitability and loyalty and get an increased share of banks from their customers. Banks need to embrace CRM as a principle and adopt a strategy for managing customer relationships that effectively addresses three key areas, customers, processes and technology. Finally banks should take actions such as recognition and delegation of work, freedom to handle customer's grievances and management's approval to take decision according to the situations.

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