

CRM Best Practices: A Study of Indian Retail Banks

Ms. Nirmaljeet Virk¹

Dr. O.P. Midha²

Abstract

Customer Relationship Management is emerging as a new phenomenon however; relationship oriented marketing practices date back to the Pre-Industrial Era. The current study explores the CRM best practices currently being followed in Indian Retail Banking Sector. It provides an integrated view to Indian Banks and to every employee in the organization, that they should be empathetic towards their customers and should treat them fairly. Customers have lot more choices available today than ever before. The only way to attract and retain customers is create, manage and develop relations with customers, thereby resulting in maximized total customer lifetime value.

Keywords: Customer Relationship Management, Indian Banking Sector, Retail

1. Research Scholar, I.K. Gujral Punjab Technical University and Assistant Professor, IILM Institute of Higher Education (Lodhi Road, Delhi)

2. Professor, University School of Management Studies, Rayat Bahra University (Sahauran);

INTRODUCTION

CRM is the process of managing detailed information about individual customers and carefully managing all the customer “touch points” with the aim of maximizing customer loyalty (**Philip Kotler**). The major objective-cum-meaning of CRM is “to turn current and new customer into regularly purchasing clients and then to progressively move them through being strong supporters of the company and its products and finally being active and vocal advocate for the company in the market. Hence, CRM is to establish, maintain and enhance Relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by mutual exchange and fulfillment of

promises. Such relations are usually but not necessarily always long term (**Gronroos**). So CRM is the commitment of the company to place the customer experience at the center of its priorities and to ensure that incentive systems, processes and information resources leverage the Relationship by enhancing the experience.

Customer relationships are an important Bank asset. A firm can use this customer equity to improve its growth and profitability prospects during economic downturns and upturns. Banks and financial institutions started recognizing that they can no longer look at a customer from a specific product or snapshot perspective but must encompass the entire customer relationship towards a client's profitability. From a strategic standpoint, CRM mobilizes resources around customer relationships rather than product groups and fosters activities that maximize the value of lifetime relationship. From an operational standpoint, CRM links business processes across the supply chain from back-office functions through all touch points, enabling continuity and consistency across a customer relationship. From an analytical standpoint, CRM is a host of analytical data tools that enable banks to fully understand customer segments, assess and maximize lifetime value of each customer, model "what-if" scenarios, predict customer behaviors, and design and track effective marketing campaigns. 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 and retain existing ones and maximize their lifetime value.

At this point, close relationship with customers will require a strong coordination between banks and its marketing departments to provide a long-term retention of selected customers. CRM is a sound business strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationship with those customers through individualized marketing, reprising, discretionary decision making, and customized service through the various sales channels that the bank uses. Any financial institution seeking to adopt a customer relationship model should consider six key business requirements, they are:

1. Create a Customer-Focused Organization and Infrastructure
2. Gaining Accurate Picture of Customer Categories
3. Assess the Lifetime Value of Customers

4. Maximize the Profitability of Each Customer Relationship
5. Understand how to Attract and Keep the Best Customers
6. Maximize Rate of Return on Marketing Campaigns
7. The Implications of These Six Imperatives

Modern Marketing philosophy advocates the concept of CRM that creates customer delight. This applies to all sectors of sales and Marketing includes the banking. In the banking filed a unique Relationship exists between the customers and the bank. But because of various reasons and apprehensions like the financial burdens, the 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. It is with this background, the researcher has made a modest attempt towards the idea that CRM can be adapted uniformly in the banking industry for betterment of Banking Services.

REVIEW OF LITERATURE

CRM has been a part of marketing literature since more than a decade. Interestingly, there is still much debate over what exactly constitutes CRM (**Nevin, 1995; Parvatiyar and Sheth, 2001; Sin et al., 2005**). According to **Parvatiyar and Sheth (2001)**, some of the themes represent a narrow functional marketing perspective while others offer a perspective that is broad and paradigmatic in approach and orientation. **Puccinelli (1999)** looks the financial services industry as entering a new era where personal attention is decreasing because the institutions are using technology to replace human contact in many application areas. Over the last few decades, technical evolution has highly affected the banking industry (**Sherif, 2002**). For more than 200 years, banks were sing branch-based operations, since 1980s things really getting changed with the advent to multiple technologies and applications. A different organization got affects from this revolution; banking industry is one of it (**Sherif, 2002**). In this technology revolution, technology based remote access delivery channels and payments systems surfaced which included automated teller machines (ATM) displaced cashier tellers, telephone represented by call centers replaced the bank branch, internet replaced the mail, credit cards and electronic cash replaced traditional cash transactions, and interactive television will replace face-to-face transactions (**Sherif, 2002**).

OBJECTIVES OF THE STUDY

The main objective of the study is to examine the importance of CRM in banking sector, and its use in two types of Banks i.e. Public Sector Banks and Private Sector Banks. The other specific objectives of the study are:

1. To study the concept and use of CRM in banking sector.
2. To analyze the performance of CRM as a tool of Indian banking sector.

POPULATION OF THE CURRENT STUDY

The population for the study is defined as the retail banking segment of scheduled commercial banks based in Chandigarh Tricity city with at least one year of commercial operation. The scheduled commercial banks are into both retail and wholesale (corporate) banking. Retail banking is an area of interest for all the banks today and the study has been restricted only to this segment of the banks for the purpose of focus. Also, it was felt that business organizations need to complete a significant period of operation (in this case, one year) after which the practices can be considered to be well established and suitable for comprehensive description.

FINDINGS: CRM BEST PRACTICES SURVEY

Table 1 shows the performance of PSBs with respect to deployment of CRM best practices. Clearly, State Bank of India is the winner with Industrial Development Bank of India trailing far behind and closely followed by Punjab National Bank. At the other end of the list, Andhra Bank has scored the lowest followed by UCO Bank and Oriental Bank of Commerce. Here we have got a mean score of 3.18.

Table 1: CRM Best Practices: Public Sector Banks

S.No.	Name of the Bank	Mean	Std Dev
1	State Bank of India	3.69	0.97
2	IDBI	3.52	0.87
3	Punjab National Bank	3.49	0.92
4	P & S Bank	3.45	0.97
5	Bank of Baroda	3.26	0.83

6	Allahabad Bank	3.11	0.83
7	Indian Bank	3.00	0.97
8	Oriental Bank of Commerce	2.88	0.85
9	UCO Bank	2.83	0.99
10	Andhra Bank	2.79	0.91
Overall Mean		3.18	0.91

Table 2 shows the performance of Private Sector Banks with respect to deployment of CRM best practices. The table clearly shows that ICICI Bank, HDFC Bank and Axis Bank have emerged as Banks following the best CRM Practices. On the other extreme are banks like Jammu & Kashmir Bank and Federal Bank are amongst the lowest scorers.

Table 2 captures CRM mean score of 8 Private Sector Banks, which have got mean score of 3.50, which is significantly more as compared to Public Sector Banks.

Table 2: CRM Best Practices: Private Sector Banks

S.No.	Name of the Bank	Mean	Std Dev
1	ICICI Bank	3.83	0.79
2	HDFC Bank	3.76	0.78
3	Axis Bank	3.72	0.88
4	Indusind Bank	3.60	0.84
5	Yes Bank	3.44	0.83
6	Kotak Mahindra Bank	3.32	0.81
7	Jammu & Kashmir Bank	3.22	0.96
8	Federal Bank	3.16	0.85

Overall Mean	3.50	0.84
---------------------	-------------	-------------

LIMITATIONS OF THE STUDY

Though the study is very comprehensive in nature, it is subjected to certain limitations as mentioned below.

1. The study is mainly based on the data collected from the selected banks; therefore, the accuracy of the data provided by them is relied upon the point of time of taking perceptions from the respondents.
2. The study is carried out through the select banks, so the findings may not represent the entire banking sector.

REFERENCES

1. Gronroos, C. (2006). On defining marketing: Finding a new roadmap for marketing. *Marketing Theory*, 6 (4), 395-417.
2. Nevin, J. R. (1995). "Relationship marketing and distribution channels: Exploring fundamental issues", *Journal of the Academy of Marketing Science*, Fall, pp. 327-334.
3. Parvatiyar, A., and Sheth, J. N. (2001), "Conceptual framework of customer relationship management", In J. N. Sheth, A. Parvatiyar, and G. Shainesh (Eds.), *Customer relationship management: Emerging concepts, tools and applications* (pp. 3-25). New Delhi: Tata McGraw- Hill.
4. Puccinelli, B. (1999), "Bank Delivery, service channels require more personal attention:", *Bank systems and technology*, 36(7).
5. Sherif, K. (2002). *Assessing the Introduction of Electronic Banking in Egypt using the Technology Acceptance Model*. Hershey, PA, USA: Idea Group Inc.
6. Sin, L. Y., Tse, A. C., and Yim, F. H. (2005), "CRM: Conceptualization and scale development", *European Journal of Marketing*, Vol. 39 No. 11/12, pp. 1264-1290.