

Importance of customer relationship management (CRM) in Indian banking sector

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Abstract

In today's competitive environment, Customer Relationship Management systems are a popular business strategy and these systems are being widely used in various sectors. Aspire of a customer relationship management strategy is to maximize profitable relationships with customers by increasing the value of the relationship for both the seller and the customer of the most companies. On the basis this concept to provide long term retention of selected customers requires close relationship with customers. CRM is a managerial strategy to develop and maintain the relationship between the customers and the banks. By having detailed knowledge of customers' requirements CRM systems have been adopted to have better relationships with their customers. To fulfill the requirements of customer the banks adopted the CRM systems. For the success of any enterprise, customer relationship management is a fundamental requirement and it requires a holistic strategy and process to make it successful. This paper deals with the importance of CRM in the Indian banking sector.

Keywords: Banks, Customers, Importance, Requirements and Relationship.

1. Introduction:

In the early 1970s, Customer Relationship management concept is started. Standalone Mainframe Systems relied by businesses during that time to automate sales. In 1982 Database Marketing Concept is introduced to analyze and collect customer data. In the year 2004 Sugar CRM was developed the first open source CRM system [9]. In the changing environment, all the financial institutions and businesses have growing interest to develop customer relationship management. In the

modern days marketing are not simply building up an item, evaluating it, advancing it and making it available to target customers. It requests building trust, a coupling power and esteem added association with the customers to win their hearts. Winning customers through the standards of customer enjoyment and customer life time esteem is the aims of the new age marketing [6].

Traders, industrialists, service providers and agriculturists are getting financial assistance from the banks. In the development of Indian economy Indian banks played important role by creating savings habit and by lending financial assistance to Indian industry. Banking systems are well developed in India. In the world, today, one of the largest industries is Indian Banking industry. Strategic importance is given to the CRM in the banking sector. Getting, retaining and maintaining long term relationship with the customers is a holistic process of customer relationship management [5].

2. Definition of the CRM:

Francis Buttle defined "CRM is the centre business strategy that integrates internal processes and functions and external networks, to create and deliver value to a target customer at profit. It is grounded on high quality customer data and information technology.

According to Bob Thompson, "Successful CRM is about competing in the relationship dimension. Not as an alternative to having a competitive product or reasonable price, but as a differentiator. If your competitors are doing the same thing as your product and price will not give you a long-term, sustainable competitive advantage. But if you can get an edge based on how customers feel about your company, it is a

much sticker – sustainable – relationship over the long haul”.

Peter Drucker said, “The purpose of a business is to create and keep a customer”.

As per these definitions, CRM is the important business strategy that integrates various business activities to get and retain the customers by providing best products or services as a differentiator.

3. Review of the Literature:

Vikram B.B, Anuradha (2015), they identified technological revolution that the commercial banks witnessed and how far it has benefited banks to build better customer relationship management services of public sector banks with private sector banks. They provided some guidelines for CRM satisfied customers are loyal customer, their retention rate is much higher and it is overall profitability for the bank. CRM offers the most holistic route for banks to enhance customer relationships [8].

Sandeep Kaur (2016), has said that the banks play an important role in the socio-economic development of the country. To enhance the standard of living of our citizens banks offer several facilities. In the present age for the growth and profitability of banks customer relationship management is very important. He concluded that CRM is one of the biggest challenges for the Indian Banking Industry [5].

4. Objectives:

1. To know the CRM concept and its implementation in Banking Sector.
2. To study the significance of CRM in the area of Indian Banking Sector.
3. To know the challenges faced by Indian Banking Sector in the recent trends in CRM.

5. Methodology:

The paper is based on secondary data. From various sources such as reports, journals, websites, magazines, books and etc. the secondary data is collected.

6. Types of Customer Relationship Management:

6.1 Operational CRM:

Businesses manage their marketing, sales and customer service activities through the help of operational customer relationship management. Any typical function performed by the banks comes under this type of CRM. Right from managing orders and marketing to customer services, all these operations are performed by the banks with the help of operational customer relationship management.

6.2 Analytical CRM:

Analyzing entire business processes of banks by the analytical customer relationship management. The top management, marketing, selling are determining the best way to serve the customers with the help of analytical customer relationship management. The main function of analytical customer relationship management is data analysis. To get better information about current status of an organization, customer data is analyzed by this CRM. This customer relationship management helps banks to interpret process, store or report the customer data.

6.3 Collaborative CRM:

An organization share customers' information with the help of collaborative CRM. For a business before implementing CRM system, it is most important for a business. The bank must invest collaborative CRM, for problems of communicating and coordinating deals between sellers and customers to manage their business activities by efficient and effective manner.

7. CRM in Banking Sector:

Evaluation of customers' perception and value the CRM helps to the banks to use new technology and human resources. The brand investors of any banks depend upon the good customer service. With the help and implementation of CRM, a bank can make more call centre, provide customer service in a effective manner, more cross sell products, marketing and sales processes are simplified, discover new customers and increase customer revenues [8]. The Indian Banking Systems consists of 27 public sector banks, 22 private sector banks, 49 foreign banks, 56 regional rural banks, 1562 urban co-operative banks and 94384 rural co-operative banks, in addition to cooperative credit institutions. In comparison to private sector banks, only a few public sector banks like Syndicate bank, SBI, PNB, and Corporation Bank etc., use CRM software.

CRM Implementation:

According to Sandeep Kaur (2016), to ensure the proper function concept of CRM and for successful implementation in banking sector, following requirements should be complied:

- (i) Customer focused organization should be there.
- (ii) Banks assess the accurate picture of customer categories.
- (iii) Customer' life time value is assessed by the banks.
- (iv) The profitability of each and every customer relationship should be maximized by banks.
- (v) The banks have to know how to attract and keep the customers.

- (vi) On marketing campaigns the banks should maximize rate of return [5].

The following are the Challenges faced by banks in Successful Implementation of CRM:

- (i) The difficulties in the evaluation of perception of customers accurately.
- (ii) The need to give a strong, multichannel advertising.
- (iii) The heavy load of disconnected legal systems and different databases that store customer money related information.
- (iv) The cost and complexity of meeting strict government regulations and customer security and privacy requirements.
- (v) The pressure on margins and growth prospects from increase competition.
- (vi) The cost linked with retaining customers and developing customer loyalty [1].

8. Importance of CRM in Indian Banking Sector:

The better relationship, easy to conduct the business and generate revenue, running a successful business customer relationship management is important. In the present age, for the growth and profitability of banks, customer relationship management is very important. CRM is an instrument of the bank in identifying and capturing the most profitable customers. In order to create new strategies to acquire prospective customers and retain existing customers, it combines technology with human resources [2]. The beneficial and long-term business relationship provides benefits for banks and customers. Due to the following factors CRM is important:

- i) All the banks such as private, public and foreign banks taking steps to be acquired customers and retain the acquired customers. CRM helps banks to tackle the competition and for efficient and effective survival in the competitive environment.
- ii) At the right time, CRM system helps to the banks to acquire prospective customers by providing right products and services to the customers.
- iii) Nowadays customer loyalty is decline. Strong customer loyalty and keeping good relationship with the customers for the organization can be developed with the help of customer relationship management.
- iv) Formulating CRM strategies are important to reduce and remove the operational inefficiencies of banks.

- v) Better distribution and channel management is possible by CRM technique.

- vi) The bank should develop good relationship with present and future customers to have more customers. Today, customers in Banking Industry are well informed by the implementation of better customer relationship management system.

- vii) Retention of existing customers is important for the banking industry in the competitive environment, increasing customer satisfaction and loyalty customer retention can be achieved by CRM system.

- viii) To globalize banks products and services, customer relationship management system is must for the Banking Industry [10].

Customer Life Cycle:

As per the importance of customer relationship management primary banking business driver in the Customer Relationship Management is customer acquisition, customer development, customer satisfaction and loyalty, customer retention.

Customer Acquisition – Who are the profitable customer and how to we attract them?

Customer Development – How do we deliver what customers want, when they want it?

Customer Satisfaction & Loyalty – How do we provide best products and services to the Customers, how sustain customer loyalty?

Customer Retention – How do we build and retain the customers? [7].

9. Recent Trends in CRM:

The customer relationship management strategies and practices in banking industry mainly relied on new technology developments. To attain growth and profitability, the banking industry can develop best customer solutions with effective management practices. The availability of banking products and services to the customers with the help of new technology and the developments, the perceptions and the customers' expectations has changed dramatically. To develop close relationship with the customers the banking industry has to offer new technology based products and services to their customers.

In offering new products and services to the customers some of the techniques of electronic customer relationship management used by the banking industry are as follows:

- ATM
- Internet Banking includes electronic payment services, real time gross

settlement, electronic funds transfer, electronic clearing service, point of sale terminal, tele banking, electronic data interchange.

- Computer Networking
- Smart Cards
- Decision Support System
- Mobile Banking
- E-mail [8]

Today, Customer Relationship Management has undergone important changes which include all aspects of communication and interaction with customers with the wide usage of electronic communication technologies. It determines how to work with the new and existing customers, solve customers' problems, and induce them to purchase banking products and services, create the feeling of loyalty and maintain financial interactions with customers (Rezghi, et al., 2014) [4].

10. Conclusion:

Customer Relationship Management in Banks and it helps in changing processes in business and also changes the structure and culture of the organization. In the competitive environment, Indian Banking Sector should adopt suitable marketing strategy and also constantly introduce the new services for the growth of the banks. In the present context, inevitable marketing tool is customer relationship management and with regard to banks CRM can be considered as critical responsibility of market. This study is important to the Indian Banking Sector to get the significant information to keep the new and existing customers and maintain the continuous relationship with the new and prospective customers. Indian banking sector is an important agent of growth of the economic and the financial sector.

The banking industry must identify areas of marketing, adequate resources should be developed, these resources must be converted into effective and efficient services and distribute those services to satisfying the needs of the customers. In accordance with the availability of different categories of the customers, CRM enables customer segmentation, which able to customize banking products and services. Customer relationship management includes all the interactions and business with their customers in its broadest sense. The banking industry acquires customers, provide best customer service and retain valued customers all these are allows by a good customer relationship management.

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