

Customer Relationship Management AND Sustainability In Banking Sector

YASHODA AGGARWAL

Assistant Professor, Department of Commerce
S.D. (PG) College, Panipat

ABSTRACT

Customer Relationship Management is becoming an important factor in Indian banking sector. Now each and every bank is realizing the significance of relationship with customer to survive in the competitive world. So, in this paper, we have discussed the Role of Customer Relationship Management (CRM) in the Indian banking Sector. In this day and age, customers are regarded as an article of trade. With the growth of Service Marketing, Customer Relationship Management (CRM) advanced and became popular in India. CRM became crucial to cope up with exceeding competitive global market. (CRM) in a bank bring about important phases such as incorporating the communication tools to meet the needs of customers, referring each customer as individuals, and making the customer relationship an impressive and long-lasting experience.

Nowadays, 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. 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.

Keywords: CRM, Banking, Customer, Relationship, *Management*

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.

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, repricing, 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 model developed here answers what the different customer segments are, who more likely to respond to a given offer is, which customers are the bank likely to lose, which most likely to default on credit cards is, what the risk associated with this loan applicant is. Finally, a cluster profile analysis is used for revealing the distinct characteristics of each cluster, and for modeling product propensity, which should be implemented in order to increase the sales.

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.

CRM DEVELOPMENT

To be prepared to the changing economic conditions and, in particular, to a rapidly decreasing inflation rate scenario Garanti Bank has started timely to focus on developing a customer relationship management (CRM) system. The total number of customers is presently around two millions, but an increase to roughly three millions is foreseen as merging with Osmanli Bank and Koferzbank are achieved and the present growth targets are reached.

The importance for the bank of managing the relationships with their customers has been the drive of the joint projects that have been developed with IBM in the last three years. During the projects a number of crucial technological and architecture choices have been made to implement the entire process. Realizing the importance of customer information availability the first of these projects has focused on the problem of routinely collecting and cleansing data. The project has been undertaken by the bank with the spirit that has characterized the whole CRM development. The project has promoted a massive involvement of the branches, namely of the portfolio managers and campaigns have been launched for popularizing among branch staff the importance of gathering and maintaining reliable customer data. Another set of methods have been tested for customer not included in portfolios (pool customers), such as mailing or distributing questionnaires in the branches or using automatic teller machines (ATM) and the call center. Methods for data checking and testing have been developed to be routinely employed by the bank's staff. Results obtained are very good: for portfolio customers data available are

respectively 98% for the commercial ones and 85% for the retail ones. For pool customers availability goes down to 65%: this is a well-known phenomenon due to the loose relationship with the latter customers.

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 Garanti 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 Garanti 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 has 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 chartered 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 main 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 Panipat District of Haryana. 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 Panipat District. 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 District.

SAMPLING DESIGN

The researcher followed multi-stage sampling in the selection of sample. Public and Private sector banks operating in Panipat of Haryana. 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, IOB 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 Panipat District.

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 from 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 sector banks and the public sector banks are well interactive with their customers perception of customer retention management practices in public and private sectors is almost the same.

SUGGESTIONS

The customer's 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, and 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.

REFERENCES AND NOTES

1. Berry, M.J.A. & Linoff G.S., Mastering Data Mining: The Art and Science of Customer Relationship Management, John Wiley & Sons, Inc.
2. Cabena, P., Choi H.H., Kim I.S., Otsuka S., Reinschmidt J. & Saarevirta G., Intelligent Miner for Data Applications Guide, IBM Redbooks, SG24-5252-00.
3. Cook, W.D., & Hababou, M., 2001, Sales Performance Measurement in Bank Branches, Omega, 29, 299 –307.
4. Mihelis, G., Grigoroudis, E., Siskos, Y., Politis, Y., & Malandrakis, Y., 2001, Customer Satisfaction Measurement in the Private Bank Sector, European Journal of Operational Research, 347-360.
5. Peppard, J., 2000, Customer Relationship Management (CRM) in Financial Services, European Management Journal, Vol. 18, No. 3, pp. 312–327,

6. Peppers, D., & Rogers, M., A New Marketing Paradigm, *Planning Review*, 23(2), 14–18.
7. Ryals, L., & Knox, S., Cross-Functional Issues in the Implementation of Relationship Marketing Through Customer Relationship Management, *European Management Journal*, Vol. 19, No. 5, pp. 534–542.
8. Yli-Renko, H., Sapienza, H.J., Hay, M., The Role of Contractual Governance Flexibility in Realizing the Outcomes of Key Customer Relationships, *Journal of Business Venturing*, 16, 529–555.
9. Yuan, S.T., & Chang, W.L., Mixed-Initiative Synthesized Learning Approach for Web-Based CRM, *Expert Systems with Applications*, 20, 187-200.