THINK INDIA JOURNAL

ISSN:0971-1260
Vol-22-Issue-10-November-2019

A Study On Customer Relationship Management In The Banking Industry

Mrs. Sohini Gupta

Author Reference: Mrs Sohini Gupta, Assistant Professor, PG Department of Management Studies, M.B.A Dept, Ramaiah College of Arts, Science and Commerce, Bangalore.

The operating environment of the Banking Sector is difficult and competitive and is changing dramatically since their focus is on the steady growth of the profit as well as consumer demand which are in a constantly changing trajectory. Therefore, banks are increasingly focused on identifying customer needs, pulling and storing them. Customer Relationship Management is a process that provides banking business with the opportunity to create and maintain long-term relationships with customers. This concept allows the bank to identify, segment, communicate and build long-term relationships with customers on an individual basis regarding their needs for banking products and services as well as value added services. Using modern technologies, Customer Relationship Management has come to an effective strategy to maintain the existing structure and develop a high-quality customer base within the Banking Industry.

One of the unique challenges of business banking in a digital world is meeting customer expectations. You can’t just have a great checking account or lending terms, as you can with most retail customers. You must offer sound financial advice and in the information age, that means having in-depth knowledge of each customer’s industry, taking a tailored approach, and doing it all faster than ever before. Your corporate customers want goal-based planning, proactive insights, personalized outreach, and more.

With all that’s expected of banks, a Customer Relationship Management (CRM) solution is no longer optional. It’s critical to a Bank’s success. A Great CRM can help any Bank to market to new customers, close the deal, and provide excellent customer services which are very essential for successful functioning of the Banking Industry.

BACKGROUND OF THE STUDY

Managing client relationships is a strategic platform that has its origins in relationship marketing. Marketing of relationships is considered one of the main areas of modern marketing development, which has generated great research interest for years. After the 1990s, CRM increased the ability of banks to better understand the actual needs of their clients and also

ISSN:0971-1260
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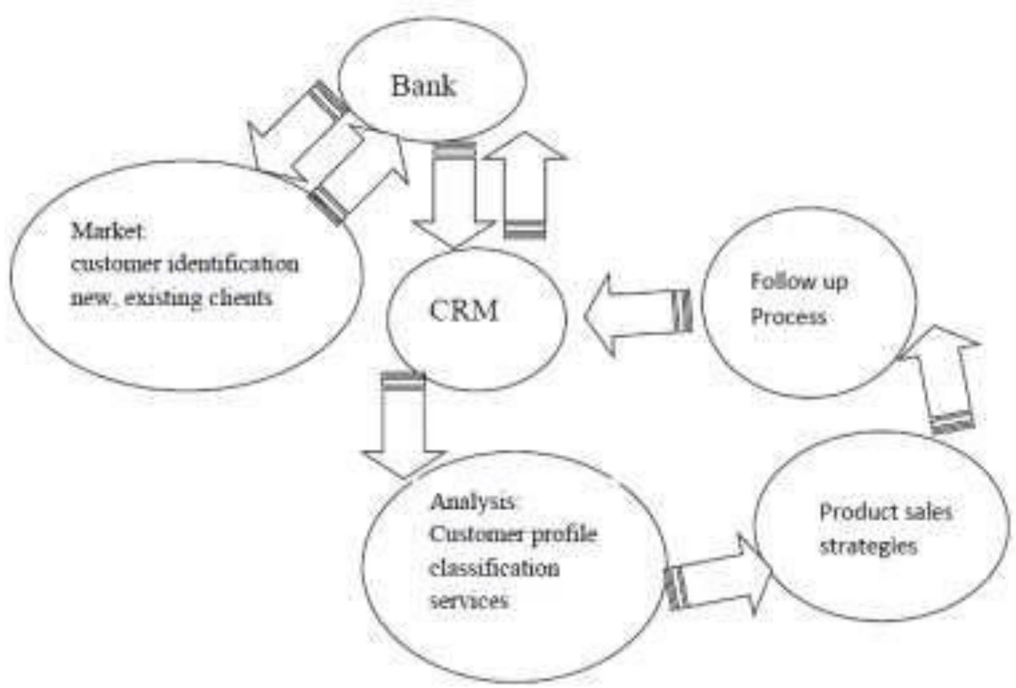
helped them develop strategies for meeting their benchmarks. CRM as a strategy offers companies (banks) the attributes to compete with them for a limited number of customers in order to absorb more and more of the market segment. In seeking the current trend of the globalizing economy, competition from substitutes and from entirely new off-the-shelf offers or packages is becoming increasingly harsh. In today's developments, customers are the key assets for an organization, and customer relationship management is equally critical for organizations. Customer Relationship Management (CRM) from a financial institution perspective is a sound strategy to identify clients and the bank's most lucrative prospects and takes time and attention to expanding account relationships with those clients through individualized marketing, repricing, decision making - discretionary and customized service - all offered through various sales channels used by the bank. The overall success of the organization depends on customer satisfaction and customer satisfaction cannot be achieved without being managed Relationships with clients. CRM aims to coordinate all customer-related business processes and includes collecting, comparing, and interpreting customer data to determine purchasing behavior models that can be used to support effective marketing programs. Being competitive and the products are easily capable; many companies (banks) are trying to gain a foothold over the competition through customer relationship management policies. In this situation, consumer behavior is volatile as they have a wider choice of products that are often less distinct and they are much more informed. For many bids, the balance of power moves toward the customer that raises their expectations of how companies should look after them. The tendency to develop a strong relationship between customers and a company can prove to be an important opportunity for competitive advantage. CRM has focused on assessing critical dimensions of satisfaction and defining customer groups with preference and distinctive expectations in the private sector of banks. CRM helps companies improve their profitability with their clients while at the same time making interactions seem friendly through individualization. Customer Relationship Management (CRM) is therefore evolving and involves interaction between the organization and its clients normally referring to a customer. CRM can also mean holding or raising the client base of the company as managers can now walk by talking to clients and thus build up a strong Banking Base.

CRM PROCESS IN BANKING SYSTEM

ISSN:0971-1260
Vol-22-Issue-10-November-2019



CRM Process is the strategy for building, managing and strengthening loyal and long-lasting customer relationships. CRM is a customer centric approach based on customer insight. Its ultimate objective is toward 'Personalized' handling of customers as distinct entities through the identification and understanding of their differentiated needs, preferences and behaviour. A few more definitions which clarify CRM concept are –

According to **Philip Kotler**, CRM is the process of carefully managing detailed information about individual customers and all customer 'touch points' to maximize customer loyalty.

It can also be described as a business strategy comprised of process, organizational and technical change to better manage business around customer behaviour.

TYPES OF CRM

Broadly, three types of CRM are adopted by banks:

1. Operation CRM – In this, CRM software packages are used to track and efficiently organise inbound and outbound interactions with customers including the management of marketing campaigns and call centres. Operational CRM supports frontline processes in sales, marketing and customer service, automating communications and interactions with the customers. They record contact history and store valuable customer information to ensure a consistent picture of

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customer's relationship with the bank that can be retrieved by staff as per requirement. The major benefits of operational CRM to banks are:

(a) Sales Force Automation

(b) Customer Service and Support

(c) Enterprise Marketing Automation

2. Analytical CRM – It is about analysing customer information to better address marketing and customer service objectives and deliver the right message to the right customer at the right time through the right channel. It involves the use of data analysis to extract knowledge for optimising customer relationships.

The major benefits of Analytical CRM to banks are:

- Customer Retention

(b) Fraud Detection

(c) Optimising marketing efforts as per customer life time value

(d) Credit Risk Analysis

(e) Segmentation and targeting

(f) Development of customised new products matching the specific preferences and priorities of customers.

3. Collaborative CRM – These involve systems facilitating customers to perform services on their own through a variety of communication and interactive channels. It brings people process and data together and enables channelling of data and information appropriately to bank staff for proactive decision making and enhanced informed customer service and support activities. It provides a means of information sharing to all concerned in timely manner and includes customer as a creator of service. The major benefits of collaborative CRM to banks are

(a) Providing efficient customer communication across a variety of channels

(b) Online services to reduce customer service costs

(c) Providing access to customer data while interacting with customers.

Thus, CRM can be understood as a catalyst enabling transformation of Banking from

ISSN:0971-1260
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traditional ‘Transactional banking’ to ‘Relationship Banking’ by use of technology.

CRM in Banking: Global scenario

Worldwide banks have explored and realised the benefits of CRM in a variety of ways. Different banks have implemented the philosophy in their own different way. A few illustrations will give a glimpse of the global scenario with respect to CRM in Banking.

Royal Bank of Canada utilised CRM to develop models of assessment of customer profitability and life time value. These were then included in determining customer decisions like – Customised Marketing campaign, establishing service levels, segmentation, targeting, product design and pricing. Customer’s vulnerability to attrition also is analysed and the most valuable are flagged before they defect, in order to take preventive action in a focused and effective way.

Wells Fargo Bank renowned for leadership in service and convenience to varied customer segments focused on customer service through CRM. Application of CRM enabled better integration of customer information and service applications to assist representatives of customer sales and services to easily provide a one-stop-shop for any banking service or transaction. Using CRM, Wells Fargo takes full advantage of available customer information to offer customer the choice, convenience and price benefits so that they give the Bank, all their business.

Wachovia Bank uses customer transaction data to support modelling processes that evaluate each branch’s current and long term profitability. In Atlanta Bank’s largest market, significant performance improvements were attained when it used the output of modelling process as a basis to decide which of its 96 branches to close and which location to open new ones.

OPPORTUNITIES IN THE CRM SEGMENT FOR BANKS

Bankers can segment customers, communicate with them on the channels they prefer, align products to financial goals and more. By using a CRM to put customers at the center of the business, banks can get better anticipate their needs and engage with customers at the right time throughout their financial life journey.

1. **Cross-Selling Opportunities**

In many cases, consumers can benefit from complementary solutions to the ones they are already

ISSN:0971-1260
Vol-22-Issue-10-November-2019

utilizing. With On Contact CRM, cross-selling is simplified with a centralized database and easily-accessible customer historical data.

2. Up-Selling Opportunities

A Customer relationship management solution will provide greater resources for tracking renewal periods and give reps an inside look at website traffic. With valuable data, up-selling becomes more practical for a bank and useful to a customer.

3. Manage Centres of Influence

Managing centres of influence require consistency and a structured relationship building and retention process. CRM provides the resources needed to consistently stay in touch with key influencers.

4. Sales Forecasting and Visibility

Like any industry, forecasting and pipeline visibility are crucial to successful sales and company growth. Having tools like pipeline tracking and total funnel visibility and reporting make it easy to track sales, forecast and create sales goals, and know where your leads are in the funnel.

5. Manage Commercial Lending Products

When it comes to commercial lending products, complex risk calculations and regulatory compliance requirements often come into play. Commercial lenders utilize CRM software to automate compliance and provide visibility into the complex regulations and loans that they handle.

6. Schedule Follow-Ups

Without a customer management solution, bankers must manually remember to follow up with customers and track the progress of a relationship. With one, they're able to set up notifications and visualize conversations and touch points with the customer.

7. Marketing Management Tools

Email marketing and website visitor tracking can play crucial roles in making your financial institution stand above the rest. On Contact CRM comes fully-equipped with features like email

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designer and lead tracking forms to help your bank grow and retain its customer base.

8. Segment Commercial and Consumer Data

Financial institutions aren't just working with one audience—in most cases, banks deal with a variety of areas, including commercial, consumer, mortgage, and more. With CRM, you can segment these key audiences into their own groups, ensuring the two are distinct, important customer data is kept unique, and reps have targeted lists to work with.

9. Increased Customer Touches

When it's easier to reach out to a customer and know the status of a customer relationship, you're bound to do it more often. CRM increases the likelihood your reps will reach out to customers, whether that's to up-sell, cross-sell, send marketing materials, or simply stay in touch. These touch points will help keep customers happy over time.

10. Customer Retention

No industry relies more on the power of customer and client retention than banking. Retention is often a major reason why businesses seek out sales, marketing, and customer service automation solutions. For a bank, it's common sense. You want to retain profitable customers, and a CRM system gives you the tools you'll need to do so.

CONCLUSION

Banks should use CRM as a principle of growth and adopting a customer relationship management strategy effectively addresses three key areas:

1. Customers

2. Processes

3. Technology

CRM provides an indispensable tool for banks to increase customer relationships and make banks the effect of loyal customers. Banks should also undertake such actions as recognition and delegation of work, improvement of logistics to handle customer complaints and approval by management to make decisions according to situations. Second-tier banks are more valuable than

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the first-tier banks, as they interact well with the perception, identification and fulfilment of their customers' needs. According to the results of the study, the perception of customer service quality is lower in the least experienced banks in the market. Therefore, it is suggested that the least experienced banks in the market (the second group) can take steps to improve service quality management, management strategies, and customer interaction management strategies.

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