

Customer Service: A Study Of Private Banks In India

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ABSTRACT: Customer service is the life of any business and when customers are not happy, the life of any business is threatened. The way a customer is treated goes a long way in projecting brand image. Banking industry also is no exception to it. The financial services industry heavily depends on high-quality customer service, as customers need to feel secure that their money is in the right hands. This paper tries to project the importance of customer service, its impact on customer satisfaction. This is a descriptive paper and author has used secondary sources to collect information. Also an attempt has been made to identify some customer service strategies of banks and its effect on the overall brand image of banks.

KEYWORDS: Customer Service, Customer Satisfaction, CRM, Data Mining.

INTRODUCTION: Several companies across the globe consider customer care/service as an important component of their business model. However, Rushton et al (2006) state that not all of these companies understand the meaning of customer service. These companies focus on assumptions of what customers want on a broad scale, rather than acknowledging their real needs and perceptions.

CUSTOMER SERVICE:

Ian Roberts (2001), "Customer service involves putting the customers and their needs at the heart of an organisation's policies and methods. It can be seen as the front-of-house delivery of marketing. It is the business of ensuring that the customers get exactly what they want". According to Roberts, it consists of two most crucial elements: Staff/employees and their behavior and attitude towards the customer Design of facilities and systems to help the customer.

The importance of customer service too differs as regards industry and company. For instance, most retail stores have a separate desk handling customer issues like returns, complaints or exchanges; whereas in the banking industry, phone banking and internet banking have taken the customer service department by a storm. Customer service delivered through the internet

is a type of self-service. It is important for companies to deliver the best possible service at sustainable rates. This is because if the customer is not satisfied with the company, they will switch to a rival in no time. Much of a company's revenues depend on repeated sales, hence it is vital to keep them satisfied. In this part, customer satisfaction plays a crucial role.

CUSTOMER SATISFACTION:

Customer Satisfaction, a term often used in the marketing context, is a measure of how well a product or service offered by an organisation has met or surpassed customer expectations. It is the primary indicator of the performance of the product in the market, and is also a component of the Balanced Scorecard. In the advent of increasing competition in the marketplace, customer satisfaction has become the key differentiator and an essential element of any business strategy. Companies are increasingly looking up to customer satisfaction, fuelled by increasing competition and shrinking markets. More and more importance is being given to customer satisfaction as a means of retaining customers for a longer period, rather than simply investing capital in finding new customers. The main factor driving the growth for customer satisfaction and retention is the belief that it costs organisations five to eight times as much to gain new customers than to retain old ones. Measurement of customer satisfaction is the key to not only survive, but also grow in the market. It is only through customer satisfaction are organisations coming to understand the mindset of consumers and frame better strategy to attract them.

IMPORTANCE OF CUSTOMER SERVICES:

Banking sectors also emphasis on providing the best customer services as they face a lot of competition and always need to provide the best solutions in order to retain their customers. If the customer gets a bad service experience then that would result into the low balances of the banks. Hence the banks always try to provide the best of services and mostly attract the customer through their Fast, deliberate and sincere services, thereby gaining the trust and overall satisfaction of the customer. Retail Banks have started taking innovative customer service approach. At times the banks when introduce new products fail as they fail to put the customer's first and focus on them. A lot banks have the tendency to maintain the customer service feedback and other data and save it as well. Now the banks use such data in order to

learn from their mistakes, meet the customer needs and wants that they could not do before and to come up with some new insights from the already existing data of their customers. A lot of banks have grown and succeed because they tried to look at the things from the customer's point of view in order to solve the problems. Bad customer service creates perception problems for the brand in question because word of mouth goes a long way in either building or destroying a brand. Good customer service is all about bringing customers in and about sending them away happy - happy enough to pass positive feedback about your business along to others, who may then try the product or service you offer for themselves and in their turn become repeat customers.

ROLE OF CUSTOMER SERVICE EXECUTIVES IN CUSTOMER SATISFACTION:

Customer service personnel are important in developing a long-term bond with the customers. Service situations with the customer have many a times been found to be an important determinant of customer satisfaction (Surprenant and Solomon, 1987). Such a person also epitomizes the service delivered to the customer (Lewis and Entwistle, 1990; Booms and Nyquist, 1981).

IMPACT OF CUSTOMER SERVICE ON CUSTOMER SATISFACTION:

It can be understood that the customer services is the "input" that the companies implement and customer satisfaction is the expected "output". Hence if the customer services are implemented properly then the customer satisfaction would be higher and at times maximum, but if the customer services are not up to the mark then the customer satisfaction would be less and at times negligent. Customer feedback is very important as the entire company or people who are involved in the process of providing a better product or service gets chance to understand the end user/customer in a direct and indirect manner.

IMPACT OF MARKETING STRATEGIES ON CONSUMER BEHAVIOR:

Marketing strategies affect the daily lives of the consumer significantly: they act as the source of information for new products/ services available in the market, influence the way they think and perceive their beliefs, thoughts and attitudes and lastly, their buying decisions. Promotional activities are mostly successful in changing negative approaches to positive. For instance, if a

consumer is loyal to a particular brand, advertisements may change their frequency of purchase.

MARKETING STRATEGY & ITS IMPACT ON CONSUMER BEHAVIOR (SOURCE: HAWKINS (2006); “CONSUMER BEHAVIOR”)

Marketing Analysis:

- Company
- Competitors
- Conditions
- Consumers

Market Segmentation:

- Identify product-related need sets
- Group customers with similar need sets
- Describe each group
- Select attractive segments to target
- Use
- Evaluation

Consumer Decision Process:

- Problem recognition
- Information search
- Alternative evaluation
- Purchase
- Use
- Evaluation

Marketing Strategy:

- Product, Price, Distribution, Promotion, Service

Outcomes:

- Individual
- Firm
- Society

IMPACT OF CUSTOMER SERVICE ON BRAND LOYALTY: Brand Loyalty is moreover understood as repurchasing a particular brand. A customer repurchases the brand when he perceives the product to be the appropriate for him and trusts it. Customer service also helps in forming the brand loyalty among the consumers. If a Customer is happy with the services and satisfied then he would like to buy that or brand again and again. It also helps to reduce the brand switching and enhances retaining. Brand loyalty helps the companies to uphold a lasting position in the competitive world. Brand loyalty is also considered to be a deliberate asset of a company. To create Brand loyalty companies try to break the existing habit of the consumer, instigate new habits through advertising, promotions etc. and form new habits in order to make the new brand more acceptable and then creating the loyalty towards their brands. Providing best customer services is one such way of creating brand loyalty.

CUSTOMER SERVICE STRATEGIES OF BANKS: There are various instruments through which banks help customers directly and indirectly by providing their services. They are as follows:

a) ONLINE BANKING/ INTERNET BANKING: Helps customers to execute the financial transactions through their website which is functioned by the retail or virtual bank, credit union as well as building society. Some online banking services provide the account aggregation which allows customers to observe and monitor all of their financial records, accounts etc. in one place.

b) MOBILE BANKING: It is also termed as M-Banking, m-banking and SMS Banking Such services are meant for performing various financial transactions through mobile phones. The medium of mobile banking are SMS as well the Mobile Internet. Easy Accessibility and security lure people to mobile banking.

c) AUTOMATED TELLER MACHINES (ATM): It is also termed as ABM i.e. Automated Banking Machine, Cash machine as well as Cash Point. ATM helps customers to access their bank accounts for various purposes like making cash withdrawal, credit card cash advances, as well as check the account balance. Most of the banks in India have ATM services that provide customers with best and quick withdrawal and other benefits. There were times when customers had to stand in line and make applications for getting a cheque book or similar other needs. With the help of ATM's it is just a click away.

d) PHONE BANKING: Most of the people do not have adequate time to go to the bank and deal with the banking transactions. Phone banking provides customer to perform their financial transactions through telephone. For security reasons, customers are first authenticated over a numeric or verbal password as well as security questions asked by the bank representative. Along with the provision of cash withdrawals as well as deposits, phone banking offers almost all the features of an ATM like the account or balance information also a list of latest transaction and bill etc.

e) MOBILE VAN/BANKING MOBILE ATMs: Mobile vans also called as banking mobile ATM is a movable banking service executed and initiated by some of the banks as a pilot project which would help to extend the banking services and offerings in the rural areas. These services help to enhance trust and are also meant to be proceed as postman regular coverage of few location.

f) BUSINESS CORRESPONDENTS: They are the retail agents affianced by banks to provide banking services at various different locations apart from a bank branch or an ATM.

There are number of ways to attract customers like use of promotional gifts and attractive short-term interest rates. Once a customer comes to a bank good customer service can ensure brand loyalty for a long term relationship. Banks must also keep in mind the factors considered by customers while selecting a bank like: Convenience of location, Online resources for example online banking sites to find if they're user-friendly and offer a wide range of services, Products and services, Cost of services and Overall satisfaction of a customer with its services.

DATA MINING IN CRM OF INDIAN BANKING INDUSTRY FOR BETTER CUSTOMER SATISFACTION AND BRAND IMAGE: Data Mining is the process of extracting previously known information, typically in the form of patterns and associations, from large databases (Bhasin, 2006). It allows the extraction of the most crucial information from the historical data to predict a future outcome. Bhasin (2006) asserts that it helps optimize business and strategic decisions, increase the value of every customer and effectively enhance customer satisfaction. It helps organisations gain a competitive edge over its competitors. Data mining has in the banking

industry become a very important tool for decision making process of the management. Kaptan (2003) states that with the help of data mining technologies, banks have not only been able to retain old customers; but also acquire new ones. Muralidharan (2009) uses two terms to explain that data mining in CRM can help banks improve customer satisfaction:

- 1. Data warehousing:** It helps in providing better transaction experiences for customers over different transaction channels, by bringing all the transactions from different channels come under one roof.
- 2. Data mining:** It helps banks analyse and measure customer transaction patterns and behavior. Helps in improving customer service quality and exploring new business arenas. Data mining in banks can be used for the following purposes:
 - **Card marketing:** By classification and identification of customer segments, banks issuing cards and similar products can enhance profitability through targeted product development, accurate acquisition and retention strategies and customized pricing
 - **Cardholder Pricing/Profitability:** Data mining technology can be used by banks to price their products and services in a way that profits are maximized and loss of customers are minimized. This also comprises of risk-based pricing
 - **Fraud Detection:** This is extremely expensive. Banks can synchronise past transaction data that turned out to be fraudulent to identify future patterns
 - **Life-Cycle Management:** Data mining helps banks predict every customer's LFV (Life time value) and to give every class of customer dignified, customized service (example, offering discounts and special deals to regular customers).

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It is also very important to gain feedback from customers in respect of customer service. This helps the brand to succeed and retain a strong pedigree. Effective listening helps in knowing

and identifying the needs of the customers. When customers are listened to, it creates an atmosphere of trust and ultimately, builds loyalty for the brand. This is also important as customers feel important and appreciated.

EFFECT OF CUSTOMER SERVICES ON BRAND IMAGE WITH SPECIAL REFERENCE TO BANKING

INDUSTRY: A bank's image is based upon a customer's unique experience. And the customer experience, in turn, drives his or her recommendations: both positive and negative. So, a bank literally lives or dies based upon how well it treats customers. There are various factors that contribute to the higher customer retention ratio and higher level of customer satisfaction based on the services and offerings of the banks for the potential and existing customers. Some of the factors are listed below.

a) SAFETY: Most of the customers opt to keep their money matters in the safe hands of banks. Major reason after banking being so important in India and around the world is perception of banks being a safety and a good investing solution.

b) CONVENIENCE: Lot of customers doesn't have enough time to take care of the day to day banking transactions. Hence with the avail of various banking options that are very easy to use and customers don't really need to go to bank, it helps them not only to save the time but is just a click away and call away. The mobile banking or internet banking services as well as personal representative help who himself goes to meet the customer and helps them deal with the regular banking transactions, are highly recognized and accepted by the wide segment of customers.

c) TRUST: When money matters are involved, customers need to get a sense of trust to handle their money in the safe hands. Most of the banks today try to tab the customers by winning their trust and making them feel that the money they have invested or deposited is in safe hands. When taking decisions, a reputed bank with a better and strong image is always opt by the customers.

d) BENEFITS AND ADVANTAGES: When the customers deposit their money as well invest their money with the banks they always expect to get some real good return. A lot of banks provide various luring offers to win the customers and maintain a long lasting relation with them. Besides when the customer is really happy with the services provided to him, he may also refer

it to some of the other people he may know. Hence banks also win customers through word of mouth. Providing customer services is an ongoing process. It is much more different from selling a product once.

e) CONFIDENCE IN BANKING SYSTEM: It becomes very essential for banks to provide their best services in the process of financial matters and transactions and gain utmost confidence. For banks to be able to perform their key role in this process of financial intermediation, it is obvious that customers must have the utmost confidence in the banking system. Banks and financial institutions play a vital role in the country's economic growth.

f) EXPERIENCE: When customers are provided with the best of services by the banks they are bound to get the satisfaction. Smooth functioning of transactions, easy availability of financial resources, feedback systems, time saving procedures, better responding system, good infrastructure, displaying information for different departments and even a welcoming gesture are some of the key aspects of a good experience at banks. Hence when the customers get a better experience and satisfaction he would like to opt for the same bank and its services on a regular basis.

g) RISK: Banks are perceived as most reliable and trustworthy institutions when money matters are concerned. People consider it more appropriate to hand their money in the hands of banks and transfer the risk to them. Besides it is perceived that keeping money with them (self) may involve high risk. A less risk also results into more safety. Various banks also undertake risk mitigation processes.

h) VALUE: Banks value the money of their customers. With the help of various banking facilities and financial offers the value of customer's money is not only secured but increases with time. Hence the banks which provide better customer and financial solutions have a positive image in the minds of a consumer.

i) BETTER INFRASTRUCTURE: Banks provide easy access of financial transactions i.e. anywhere and anytime processing of transactions which makes the task of financial transaction easier for the customers. Also better infrastructure makes the entire banking process more smooth and

comfortable as compared to the previous years when customers had to wait in lines for long time. A better infrastructure also helps in a contented information exchange between the customers and the bank employees.

j) SECURITY: Banks enhance a secure access to customer history and transactions with higher security and confidentiality. Also the customer can access the previous financial transactions whenever he wishes. Banks keep the past records in a more secure way.

k) TECHNOLOGY: Banks provide customers with better technology and expertise in order to create higher customer satisfaction. Sometimes even the self-service technology is a unique way to attract customers.

CONCLUSION: Providing exceptional customer service is essential to maintaining long-term customer relationships and a positive brand image. The first step to good customer service is to know the customer. When you know the customer, you build a relationship and the customer becomes a fan of the brand. There should be a Customer Value Proposition for any service, product or brand. There should be a database that provides useful information about your customers, wedding anniversaries, and birthdays among others. Building relationship with customers will sustain brand loyalty.

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