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Customer Relationship Practices in Public and Private Sector Banks –Customers' Perspective

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Abstract

Inthe present era banking scenario, there is fierce competition amongst banks for increasing customer base. To cope with this situation, banks are bringing new instruments, products and exploring fresh avenues for business growth. Keeping in view, the market perception and needs of the customers, banks are coming up with new products and services. In other words, the customersare the focus now and strategies are being formulated to acquire, develop and retain the customers. The customers want that their banks should help them, treat them in a personal and caring way. The focus is therefore, shifting from *customer acquisition* to *customer retention.* CRM is purely a good business sense and it is also a means of survival. Because of limited possibilities of product differentiation, the banks have started realizing to satisfy and retain their existing customers as a critical factor for their profitability and their survival. There is a dramatic effect of the improved customer retention on business profitability, where technology plays an important role. The developments in the IT industry are being utilized to know the customer needs and subsequently to design and develop the services accordingly. CRM allows banks to gather and access information about customer's buying histories, preferences, complaints and other data, so they can better anticipate the customer wants. The goal is to instill customer loyalty.

Introduction

CRM is a disciplined application of customer information profitable customer relationships through:

- Continually refining insights into customer needs, behavior and economics,
- Developing targeted and tailored value propositions based on those inputs,
- Strategically focusing business sources on activities that build long term customers and economic value.

CRM is also known as Relationship Marketing and Customer Management and is concerned with the creation, development and enhancement of individualized customer relationships with carefully targeted customers and customer groups resulting maximizing total customer life-time value. Relatively few organizations have adopted relationship marketing & CRM approaches to effectively harness the tools of marketing to deliver real increased value and with the help of technology, developing appropriate long-term relationships with the customers. CRM recognizes that marketing starts after the sale is over, not when the sale is completed. CRM initiatives result in reduced costs and increased profits. Loyal customers are typically less sensitive to price and therefore yield upwards rather than diminishing value. Marketing to loyal customers is also far more cost effective than acquiring new ones.

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Research has shown that identifying new customers is between 4-10 times costly than retaining the existing ones. Other benefits include:

- Faster response to customer enquiries
- Increased efficiency through automation
- Deeper understanding of the customer
- Increased marketing and selling opportunities
- Identifying the most profitable customers
- Receiving customer feedback that leads to new and improved products or services
- Obtaining information that can be shared with business partners

Personalization need not to be limited to the high value customer segments. The availability of electronic channels such as internet and use of mass customization techniques provide the means of personalizing service for the masses without incurring heavy overheads or developing personal one to one relationship for large number of people.

CRM focuses on 3 imperatives of customer relationships:

1. Customer Acquisition
2. Customer Development
3. Customer Retention

Means of achieving these goals are:

- Understanding customer value and lifestyle to prioritize marketing and service resources.
- Understanding customer information to target promotional offers and cross selling activities effectively
- Using customer information in the design and development of products and services
- Recognizing customers as individuals at all customer points
- Offering personalized services or mass customized service
- Utilizing multiple alternate channels for marketing, sales and service transactions in order to improve service and reduce cost

CRM will be by far greatest source of competitive advantage in the future, with only a 5% increase in retention resulting in a profit increase of up to 125%. It helps a company to run the business, cut costs create and retain customers. It is a methodology for creating golden customers through the analysis of cost of customer acquisition vs cost of retention that it can cost 4 to 7 times more to replace a customer than it does to keep one.

Review of Literature

Jasmine Kaur (2018) Customers are known to be always right and they can effortlessly switch to different banks on account of any negative experience if they come across.

Shailja Paul (2018) CRM create a competitive advantage in terms of understanding, communicating, delivering and developing existing customers and creating new customers. Banks are required to design strategies in term of customer acquisition, customer retention and contact management and employee’s behavior.

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Gayathry S (2016) In the ongoing era, unbeaten accomplishment of CRM calls for a calculated approach. It includes designing customer focused strategies, proper implementation of technology and tools, empowerment of employees and enhancing the knowledge levels of customer.

Selva Kumar MarimuthuRamarLakshnan (2016) Today bank officials must distinguish themselves by meeting the needs of their customers better than those of their competitors. Bank officials should prepare service plans that include decision on target customers, product and services and service atmosphere. Thus, a general agreement that a basic banking strategy for creating competitive advantage is the delivery of high service quality.

Mishra &Vathianathan (2015) also supported the fact that "it costs less to retain a customer than acquire a new one" and therefore underlined the philosophy of importance of enhancing customer lifetime value, generate customer loyalty instead of implementing traditional short-term transaction- oriented marketing activities.

Dr. H. Balakrishnan & R. Krishnaveni (2014) The scope of CRM is very wide including different aspects like customer satisfaction, service quality, relationship quality, market orientation, trust, loyalty, commitment, customer retention etc. To be successful banks need to be not just high tech but high touch as well.

Love Kumar Patwa & Kush Kumar Patwa's (2014) examines the relative CRM performance and evaluate its collision on customer retention behavior in private and public sector banks. They considered 2 Public (UBI & OBC) and 2 Private (Axis &Ingvysya) for study and found that the private sector banks had been able to implement CRM practices more effectively when compared to their public sector counterparts. Private banks have been more innovative in understanding their customers and in building good relations with them. The analysis of results received suggests that the banks are equally affected by the kind of CRM initiatives they undertake.

Sanjay Kantidas (2012) CRM is a sound business strategy to identify bank's most profitable customers and prospects. Successful CRM focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes.

Chary T Satyanaryana&Ramesh.R. (2012) Any financial institution seeking to adopt a customer relationship model should consider 6 key business requirements and they are: create a customer focused organization & infrastructure, gaining accurate picture of customer categories , access the lifetime value of customer relationship, maximize the profitability of each customer relationship, understand how to attract and keep best customers, and , maximize rate of return on marketing campaigns.

(Rangarajan 2010 and Shibu 2011).CRM is developing into a major element of corporate strategy for many organizations

Girdhar (2009) observed that by satisfying the internal customers and building good relationship with them, the relationship with external customers can also be retained and satisfied by the banks.

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Rootman et al (2008) investigated the variables that influence the effectiveness of CRM strategies in banks viz attitude, knowledgeability and two-way communication related to bank employees.

(Bansal & Sharma 2008)A clear vision of CRM along with appropriate strategies if applied in banking sectors found out that it is beneficial in ascertaining the customer service quality, customer satisfaction and retention which ultimately leads to the growth of the organization and profitability

Statement of Objectives

1. To study the customer relationship management practices adopted by the public as well as private sector banks in India.
2. After the judicious study of the responses of customers of the selected banks, to identify the problem areas in the CRM practices in the bank.
3. To give certain and specific suggestions on the basis of findings of the study so as to improve customer satisfaction and customer retention.

Research Methodology

The study is based on the primary data collected from a sample of 60 customers of 4 major banks namely, State Bank Of India, Punjab National Bank, Indusind Bank Ltd and HDFC Bank Ltd. The survey has been conducted by holding personal interviews of the randomly selected 60 respondents through a structured questionnaire containing likert scales, open and closed ended questions. The CRM practices adopted by the banks are examined, evaluated and commented upon the basis of the responses of the 15 customers of each bank.

Analysis and Interpretation

While selecting the customers to be interviewed, their education, occupation, income and the usage of bank's products and services is considered.

Factors that influenced the customers to open an account in their respective banks

(Out of 60)Table No.1

Factors	Indusind	HDFC	PNB	SBI
1.Family members	5	6	9	9
2.Promotion	1	1	0	0
3.Advertisement	5	2	0	2
4.Bank Representative	2	3	0	0
5.Direct Mail	0	1	0	0
6.Business reasons	1	2	2	3
7.Promotional offers	1	0	4	1

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The most influencing bank products' features Table No.2

Factors	Indusind	HDFC	PNB	SBI
1.Convenience	44	44	47	43
2.Rate of Interest	31	30	30	36
3.Prompt service	43	45	39	38
4.Extended working hours	38	28	33	36

(Numerical values are assigned to arrive at weightage)

Satisfaction level regarding the personalized services(Out of 60)Table No.3

Response	Indusind	HDFC	PNB	SBI
Highly Satisfied	3	4	2	1
Satisfied	8	7	8	8
Neutral	4	4	5	6
Dissatisfied	0	0	0	0
Highly Dissatisfied	0	0	0	0

Service processes are customer centric(Out of 60)Table No.4

Service Processes	Indusind	HDFC	PNB	SBI
Highly customer centric	0	0	0	0
Customer centric	10	6	7	6
Neutral	5	4	7	4
Less customer centric	0	5	1	5
Very less customer centric	0	0	0	0

Customers' experience about the consistent service quality

41 out of 60 customers experience the consistent service quality (11 each of Indusind& HDFC, 10 of SBI, 9 of PNB. Whereas 19 do not (6 of PNB, 5 of SBI, 4 each of Indusind& HDFC)

Value for money

43 out of 60 customers are getting value for their money (12 of Indusind, 11of HDFC, 10 each of PNB & SBI), however 17 are not getting value for their money (5 each of PNB & SBI, 4 of HDFC & 3 of Indusind)

Reasons for not getting value for money(Out Of 17) Table No.5

Reasons	Indusind	HDFC	PNB	SBI
1.High rate of interest	0	1	0	0
2.High entry cost	0	1	0	0
3.Slow & inefficient service	0	2	2	1
4.Less cooperative	0	0	1	2
5.Others i. Not provide statement	2	0	0	0
ii.Congested atmosphere	0	0	0	0
iii.ATM say sorry	1	0	0	0
iv.Low rate of interest on savings	0	0	2	2

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HDFC Bank customers are not getting for their value for money due to high rate of interest on loans, high entry cost & slow service due to heavy rush. PNB, SBI customers are dissatisfied with the slow/ inefficient service, less cooperative attitude of the employees and low rate of interest on savings. Whereas Indusind customers are facing problems in getting statement of accounts and failure of ATMs.

Reasons of getting value for money(Out of 60)Table No. 6

Reasons	Indusind	HDFC	PNB	SBI
1.Personalized service	1	2	5	7
2.Better atmosphere	0	4	0	0
3.Prompt service	4	2	3	3
4.Extended working hours	5	3	1	1
5.Rate of interest	0	0	5	3
6.Convenience	0	0	1	1
7. Augmented services i. ATM	5	1	0	0
ii. E-Banking	0	0	0	0
iii. Phone Banking	0	1	0	0
iv. Mobile Banking	0	1	0	0
8.All augmented services (i, ii,iii,iv)	0	1	0	0

Customers of Indusind& HDFC are getting value through personalized service, better atmosphere, prompt service, extended working hours and value-added services like ATMs. While customers of PNB & SBI are getting value through personalized services, prompt service, ROI, extended working hours & convenience, however they are not getting value for money from augmented services at all.

Customers' perception about the bank employees(Out of 900)Table No.7

Parameters	Indusind	HDFC	PNB	SBI
1.Employee knowledge about i. Bank schemes	62	66	58	67
ii. Banking Industry	75	38	73	71
iii. Customer's Business	60	30	60	58
2.Prompt Service	68	51	53	58
3.Competence	70	71	76	59
4.Courtesy	63	71	70	59
5.Responsive	59	55	61	73
6.Personal Care	61	56	54	71
7.Enquiry Handling	59	63	66	49
8.Consistent Performance	63	67	60	76
Total	640	568	631	641

(Numerical values are assigned to arrive at weightage)

Majority of the customers of SBI feel that the knowledge of the employees about thebank schemes is satisfactory followed by HDFC, Indusind& PNB. The employees of Indusind, SBI & PNB have sufficient knowledge of banking industry. Indusind& PNB employees have fair knowledge about the business of their customers. The customers of Indusind bank are fairly satisfied by the bank's prompt service followed by SBI, PNB & HDFC. The banking

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transactions are being done with a high degree of precision and competence at PNB followed by HDFC &Indusind. Customers feel at home at HDFC & PNB. SBI employees in particular are very responsive to the problems of their customers followed by PNB. Customers are receiving personal care at SBI followed by Indusind. The customers' enquiries are being satisfactorily attended at PNB & HDFC. Customers of SBI & HDFC find the performance of their banks' employees as consistent and standardized. The attitude of incumbent incharge is cooperative at PNB followed by SBI, HDFC &Indusind.

Promotion (Out of 450) Table No.8

Parameters	**Indusind**	**HDFC**	**PNB**	**SBI**
1.Bank provides latest information to customers	56	61	50	55
2.Relationship Building	59	45	44	41
3.Free Bies/ Gifts	40	29	46	20
4.Bank employees visit customer i. at bank	64	46	47	46
ii. At home	31	25	32	27
Total	250	206	219	189

(Numerical values are assigned to arrive at weightage)

HDFC leads in providing information to customers followed by Indusind. Indusind is ahead in relationship building followed by HDFC & PNB. PNB has been distributing free gifts followed by Indusind. Indusind properly attends and listens to its customers at branch. PNB &Indusind pay occasional visits at home of their customers followed by SBI & HDFC.

Overall satisfaction of the customers(Out of 60)Table No.9

Responses	**Indusind**	**HDFC**	**PNB**	**SBI**
1.Highly Satisfied	5	0	2	5
2.Satisfied	6	5	6	2
3.Neutral	0	10	5	5
4.Dissatisfied	2	0	2	3
5.Highly Dissatisfied	2	0	0	0

Complaints / Grievances and their redressal

13 out of 60 customers reported of having complaints against the banks (5 of HDFC, 4 of PNB & 2 each of Indusind& SBI). 47 have no complaints against their banks (13 each of Indusind& SBI, 11 of PNB & 10 of HDFC.

Reaction of banks towards complaints(Out of 13) Table No.10

Responses / Reactions	**Indusind**	**HDFC**	**PNB**	**SBI**
1.Promptly responded & handled satisfactorily	0	1	1	0
2.Responded & handled satisfactorily	1	3	2	2
3.Responded but not handled satisfactorily	1	1	1	0
4.Niether responded nor handled satisfactorily	0	1	0	0

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Customer's loyalty with the banks / branches (Switch over response of customers)

(Out of 60)Table No.11

Responses	Indusind	HDFC	PNB	SBI
1.Very likely	3	0	0	0
2.Likely	0	3	0	1
3.Neutral	2	2	2	3
4.Not likely	3	7	7	6
5.Not very likely	7	3	6	5

Out of 60 customers interviewed, 44 are observed to be loyal to their respective banks and loyalty of the customers towards their respective banks is steadily growing.

Conclusion

The sample was educationally enlightened, majority with business background. SBI & PNB being old banks have long association with their large number of customers and have been able to build relationship with them and as such are attracting customers with the **word of mouth**of their old customers. Both Indusind& HDFC banks comparatively being new entrants are attracting the customers through promotional offers, direct mails, personal visits in addition to the word of mouth of their existing customers.

The customers of the bank in question have been influenced to open an account by the product / servicefeatures as under:

Rate of interest :SBI

Prompt service : HDFC

Extended working hours :Indusind

Convenience : PNB

Indusind& HDFC customers are more satisfied with the personalized service than that of PNB & SBI. Majority of the customers of HDFC &Indusind feel that their banks' employees are trying to build relationship with them through personalized mailings and greetings.

Nearly half of the customers of all the banks feel that the service processes are customer centric, one third are neutral on the issue and the remaining 11 customers feel that the service processes are less customer centric.

Indusind, HDFC & SBI customers consider that the technology being used by their banks is convenient and easy to understand, time saving and easy to operate. The technology is being upgraded from time to time as per the requirements of the customers.

SBI & PNB customers take keen interest in the new developments undertaken by the banks in order to get more value-added services in the form of ATMs, E-banking and that of HDFC &Indusind are risk avoiders and late adopters. They are the one who first prefer to wait and watch and then avail a service.

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Majority of the customers experience consistent service quality at HDFC &Indusind than that of PNB & SBI.

Customers of HDFC &Indusind are getting value for their money through personalized services and value-added services like ATMs, e-banking etc& the customers of PNB & SBI are getting value for their money through personalized services. The long association of these banks with their customers enables them to design the services according to the customer requirements.

Indusind& SBI customers are highly satisfied followed by PNB & HDFC.

As regards handling of complaints is concerned, the same are being promptly responded and handled to the satisfaction of the customers by HDFC followed by PNB.

As is amply clear from the foregoing conclusions all the banks under study excel under one parameter or the other.

Recommendations

Pertinent and complete data about the customers is not being collected and maintained by any of the banks. Customers are not in position to avail IT enabled services via Internet banking, mobile banking, phone banking etc. because of lack of computers, internet subscription etc. Therefore, CRM implementation in its true sense appears to be a distant dream. However, the following recommendations are being made to bring possible improvements in the present scenario.

Almost all the banks should re-examine the service processes & should redesign the same as per the requirements of the customers.

The service quality should be consistent at each customer contact point. PNB & SBI should thoroughly examine the issue and take corrective action.

SBI & PNB should promote the value-added services for the convenience of the customers so as to retain their existing customers and to attract new ones.

Employees should be adequately empowered and rewarded to ensure customer satisfaction especially at PNB &Indusind. Only 40% of the employees are satisfied in providing the services to their customers that indicate that the internal marketing in all the banks particularly in HDFC & PNB needs to be pursued in order to satisfy their internal customers first and the employees be trained frequently by all the banks to enhance their skills, change their attitude and to motivate them.

There are virtually no promotional efforts, adverts and direct mailing and bank representatives' visits, specifically pursued in any of the banks. The problem is acute.

The relationship building efforts need to be strengthened at PNB, SBI & HDFC through personal visits to the customers. HDFC has emerged as a popular bank and has been able to become a largest private sector bank. However, customers of HDFC &Indusind are not getting value for their money due to following reasons:

- High entry cost
- High rate of interest on loans

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- Inefficient / slow service
- Failure of ATMs

Whereas the customers of PNB & SBI are not getting value for their money due to the following main reasons:

- Slow & inefficient service
- Less cooperative employees
- Low rate of interest on savings
- Absence of value-added services

In order to enhance the loyalty of the customers, almost all the banks will have to introspect and identify the critical factors adversely affecting the customer satisfaction and to tackle the same within their specific constraints.

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