

CUSTOMER RELATIONSHIP MANAGEMENT MODEL FOR BANKS

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Abstract: Objectives: *The present study attempts to identify the effectiveness of CRM and to determine the lacunae in the process of CRM by establishing an empirically tested CRM model.*

Mehtods/Analysis: *Analytical and descriptive type of research has been carried out for the purpose of the study. The majority of the study is conducted using primary data. Simple Random Sampling Method is used to gather the primary data. The sample for the research study is selected scientifically. Two sets of questionnaires have been used for the study to collect information from Customers and Bank Employees.*

Findings: *The average mean scores of six elements of CRM of customers and employees are 21.23 and 24.53 respectively. This parametric yield is a perfect projection of customers and employees perception. Since, the services/facilities are offered by the banks, it is considered to be 100% for CRM effectiveness. The total mean scores of the employees are considered as the effectiveness of CRM in customers' perceptions. The percentage difference would reveal the effectiveness side of CRM as well as the lacunae in the process. The model concludes that the customers' perception of the CRM elements is effective at 86.55% ($21.23/24.53 \times 100$) level and the lacuna is 13.45%. The banks have to employ specific strategies to fulfill the lacunae in the process of CRM and to obtain the full effectiveness of CRM. The study has given a clear message that the real challenge before the banks is to translate sentiments into dealings, and a dealings-based relationship into a psychologically linked and dedicated one within a time period.*

Novelty: *The study has developed an empirically tested CRM model for the banks to acquire new customers and retain the existing ones.*

Keywords: *Customer Acquisition, Customer Retention, Customer Satisfaction, Customer Loyalty.*

1. INTRODUCTION

The quintessence of the knowledge revolution and the world wide usage of internet has enabled the businesses to establish a better relationship with their respective customers when compared to the past. The present day organizations have great scope and wide opportunities to service their customers in the best possible manner. Customer acquisition and retention can be practiced by the firms in a well established manner than ever before. The primary goal is to convert these relationships into superior productivity by multiplying the purchase rates and also by decreasing

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the cost of acquiring new customers. This insurgency in Customer Relationship Management (CRM) is considered as the new “mantra” of marketing. Originally, marketers were concentrating more on acquiring new customers for the products and services offered by them. This was made possible through huge investment on advertising and sales promotion activities. But nowadays, there is a paradigm shift from customer acquisition to customer retention. The focus is shifted from acquiring new customers to retaining the existing ones. New sets of plans and policies have to be adopted to carry out the same.

1.1. Customer Relationship Management

CRM is a primary business of each venture and it demands a overall tactic and course of action to make it victorious. (Jagdish N Sheth 2001)¹. CRM is a complete movement which offers flawless amalgamation of each every aspect of business that establishes a contact with the customer viz., advertising, sales, consumer service by combining men, materials and methodology with the help of the internet.

1.2. Customer Relationship Management in Service Industry

CRM is recognized as the principal goal of marketing and the primary objective of any business. Particularly, in service industries, it is specifically stressed as the cost of maintaining an existing customer is much less than acquiring a new customer in a service transaction. It is a well accepted fact that associations with the customers prosper when marketers take the extra effort to reach the customers and to satisfy their unsatisfied needs and expectations. Service industry has been the forerunners in implementing CRM practices. (Shainesh and Ramneesh 2001)²

1.3. Customer Relationship Management in Banks

The instigation of financial sector reforms has led to swift progress in the banking industry in India. The influence of financial sector transformation aimed to increase the effectiveness and the competitiveness of the monetary structure. The establishment and the functioning of new generation technology driven banks have given a new face to the Indian Banking industry. CRM is a vital factor to improve the performance of the banks. (Sugnadhi 2003)³ In order to excel in their services, the present day banks have shifted their focus from the twin functions of accepting of deposits and lending of loans to Anytime and Anywhere Banking.

Customers are considered as the fundamental non- core financial asset by the banks across the globe in the present day scenario. Courteousness, correctness and rapidity are the imperative factors in the efficient running of a bank. A highly satisfied customer will market for the bank and bring in more new customers to increase the business of the banks. (Bhaskar 2004)⁴

The banks should adopt novel strategies and policies to decide on what to offer, whom to be focused, when to approach, how to promote and be unique in product and service offerings to increase their profitability. Banks need to make a difference in them by offering general products to meet the general demands of the customers and to offer customized services for the specific requirements of the customers.

Banks should identify right type products for the right type of customers. This would help the banks to serve the customers in the with utmost cost efficiency. This will lead the banks towards customer satisfaction and customer loyalty.

1.4. Statement of the Problem

There is a revolution happening in the banking industry. The customers are occupying the centre stage outshining other factors. The customers are flooded with lot of information and becoming more tech savvy. This has increased the competition among the bankers. The competitive forces over the years are compelling the banks to concentrate more on increasing the number of customers and in providing better service quality. In other words CRM has become a major focus for the banks.

The banks in the present era are facing stiff competition and they are struggling to find a place in the industry. They have realized the fact that CRM is a powerful tool to achieve success in their business. CRM is an effective tool for the bankers to acquire new customers and to retain the existing ones. CRM in the banking sector is of strategic importance. (Evangelia and Michalis 2006)⁵

1.5. Need and Importance of the Study

The present study concentrates on the various issues of CRM practices of the Public Sector, New Private Sector, Old Private Sector and Foreign Banks.

The banks are confronting numerous problems in attracting new customers and in maintain the existing customer base. The technology advancement has led to knowledgeable customers and as a consequence, the customers' loyalty is facing a down trend.

Two strategies are identified for increasing a bank's market penetration; one is to concentrate on acquiring new customers and the other is to maintain the existing customers. In spite of applying the above strategies, not all the customers are retained and as a result, the organization's need to identify those customers at risk of leaving in order to reduce defections becomes vital. (Ellie and Malcolm 2000)⁶

Implementation of CRM poses a greater challenge to the banks after acquiring the customers. The various ways and means through which CRM is implemented by the banks determine the success or failure of the entire concept.

The banks should concentrate highly on the valid elements of their CRM strategy for generating customer satisfaction and customer loyalty. This will be possible only with the help of effective and efficient communication with the customers. Effective interaction between the bankers and the customers will help the banks to implement CRM in the best possible manner. (Kalyani and Aidan 2007)⁷

Any concept which is implemented would yield better results only when the same is maintained over a period of time. CRM is not an exception to this rule.

A Customer Information System (CIS) is very important in disseminating the customer data to the managers. There exists a wide plays the role of boundary spanning that manages and distributes customer information. But the space between marketing and Information Technology affects the effective implementation of CIS. The CIS must be modified in order to establish a better communication system between the customers and the business. (Chung and Young 2003)⁸

The banks cannot be assured of the fact that their customers would continue to transact with them once the relationship is established. With many financial institutions now offering multi-channel access, customer relationships are becoming more complex to handle.

CRM can be used as the best tool for information tracking about the previous interaction of the customers with the business. CRM can generate a comprehensive report about the total customer interaction. CRM can supply data to all the departments to deliver better service quality. CRM is a powerful tool in the hands of the businessmen to survive in today's competitive world. (ThuyUyen, Joseph and Michael 2007)⁹

The success of the entire concept of CRM depends on its ability to generate customer satisfaction. A highly satisfied customer will continue to find ways to strengthen the relationship with the banks.

The banks should collect information relating to the present levels of customer satisfaction and their vital determinants. This would help them to narrow down their efforts to work more towards customer satisfaction. The location of the branch, the courteous and friendly attitude of the bank employees are the key determinants of customer satisfaction in the banking industry. (Anita)¹⁰

The pinnacle of success of CRM applications would be reached if the bank is able to generate customer loyalty. Loyalty is considered to be the ultimatum as far as CRM is concerned.

Total Customer Experience (TCE) is essential to maintain Lasting Customer Loyalty (LCL) taking into consideration the impact of Liberalization, Privatization and Globalization in the developing and developed countries. TCE is portrayed in the form of physical, emotional and value chain moments. (Oswald, Ram and Michael 2006)¹¹

In the modern competitive era, the financial institutions particularly public sector banks need to develop their service quality, to gain competitive advantage, based on the knowledge discovery from the old data bases by adopting new technologies to improve their service quality for retaining the existing customers as well as to increase the domain of new customers. But, the adoption of new technology in such financial institutions becomes a challenging task due to different internal, external as well as technological uncertainties faced at the primary stages. (Priyaranjan Dash et al 2016)¹²

The present study has also made an earnest attempt to develop an empirically tested Customer Relationship Model which could be used by the banks to enhance the effectiveness of CRM.

1.6. Objectives of the Study

- To examine the effectiveness of CRM in banks with respect to CRM elements
- To identify the effectiveness of CRM and to determine the lacunae in the process of CRM by establishing an empirically tested CRM model.

1.7 Limitation of the Study

- The study has been conducted only in the sample area.
- The study is based on the perceptions of customers and the views of the bankers based on the current scenario, which might change in the future.

2. MATERIALS AND METHODS

2.1. Research Design

Analytical and descriptive type of research has been carried out for the purpose of the study. The majority of the study is conducted using primary data.

2.2. Sources of Data

The Primary data for the purpose of the study has been gathered from the Customers and the Executives of the Nationalized Banks, old and New Private Sector Banks, and Multinational Banks.

Secondary data has been collated from a range of print and online sources.

2.3. Sampling Technique

Simple Random Sampling Technique is used to gather the primary data. The sample for the objective of the study is selected scientifically.

2.4. Questionnaire

Two different varieties of questionnaires have been utilized for achieving the objective of the study which were gathered from

- Customers
- Bank Executives

3. RESULTS AND DISCUSSION

3.1. Effectiveness of CRM in Banks with Respect To CRM Elements

The effectiveness of CRM is determined through matching opinion of customers and bank employees with respect to the six CRM elements. The following elements of CRM are identified for the purpose of study:

1. Customer Acquisition
2. Implementation of CRM
3. Maintaining CRM through General Policies
4. Maintaining CRM through Specific Strategies
5. Customer Satisfaction
6. Customer Loyalty

Table 1
Effectiveness of CRM in Banks With Respect To CRM Elements

CRM Elements	Mean		Standard Deviation		Z-Statistic	P-Value
	Customers	Bankers	Customers	Bankers		
Customer Acquisition	3.88	4.20	0.56	0.49	6.8843	0.000
Implementation of CRM	3.37	3.92	0.62	0.63	10.2508	0.000
General Policies of CRM	3.55	4.10	0.56	0.52	11.6286	0.000
Specific Strategies of CRM	3.03	3.90	0.72	0.61	14.3415	0.000
Customer Satisfaction	3.73	4.23	0.67	0.56	8.8785	0.000
Customer Loyalty	3.67	4.20	0.63	0.56	10.0761	0.000

The table clearly shows that there is significant difference between the perceptions of the customers and the views of the bank employees as far as customer acquisition is concerned. The efforts taken by the banks to acquire more number of customers are not sufficient to expand the customer base. The customers are not very much appreciative about the initiatives taken by the banks in acquiring customers. In comparing the mean value of Customer Acquisition it is found that the bank employees possess high mean value 4.20. This clearly indicates that the bank employees are highly confident in expressing their opinion about customer

acquisition process. But the customers slightly differ from the perceptions of the bank employees in this context. Therefore, it can be concluded that the strategies employed by the banks in acquiring the customers do not reach the customers as desired. It needs more strategic efforts on the part of the banks to please the customers over the customer acquisition process.

The table further indicates that there is significant difference between the observations of the customers and the outlook of the bank employees as far as implementation of CRM is concerned. The initiatives of the banks to implement CRM into practice are not sufficient. The customers are yet to give a serious look into the concept of CRM. In comparing the mean value of Implementation of CRM it is found that the bank employees possess high mean value 3.92. This clearly indicates that the bank employees are very positive in stating their outlook about implementation of CRM. But the customers faintly differ from the views of the bank employees in the same context. Therefore, it can be concluded that the tactics utilized by the banks in implementing CRM do not accomplish the purpose as preferred. It needs more deliberate efforts on the part of the banks to convince the customers over implementation of CRM.

The table points out that there is significant difference between the awareness of the customers and the attitude of the bank employees as far as maintaining CRM through general policies are concerned. The enthusiastic efforts of the banks to maintain CRM are not very well appreciated by the customers. The customers are slightly reluctant in accepting the same. In comparing the mean value of Maintaining CRM through General Policies it is found that the bank employees possess high mean value 4.10. This clearly indicates that the bank employees are very positive in mentioning their views about maintaining CRM through general policies. But the customers slightly differ from the views of the bank employees in the same context. Therefore, it can be concluded that the policies employed by the banks in maintaining CRM do not achieve the purpose as preferred. It needs more conscious efforts on the part of the banks to persuade the customers over maintenance of CRM.

The table also denotes that there is significant difference between the understanding of the customers and the approach of the bank employees as far as maintaining CRM through specific strategies are concerned. The banks are exploiting all possible sources to sustain CRM by adopting various strategies. But, the customers are taking their own time to accept the same. In comparing the mean value of Maintaining CRM through Specific Strategies it is found that the bank employees possess high mean value 3.90. This clearly indicates that the bank employees are affirmative in stating their position about maintaining CRM through specific strategies. But the customers differ from the views of the bank employees in the same context. Therefore, it can be concluded that the strategies adopted by the banks in maintaining CRM do not realize the said objective. It needs more planned efforts on the part of the banks to influence the customers over maintenance of CRM.

The table strongly points out the fact that there is significant difference between the opinion of the customers and the estimation of the bank employees as far as customer satisfaction concerned. The banks are very much concerned about delivering absolute satisfaction to the customers. But, the customers are yet to be satisfied. In comparing the mean value of Customer Satisfaction it is found that the bank employees possess high mean value 4.23. This clearly indicates that the bank employees are constructive in stating their opinion about Customer Satisfaction. But the customers differ from the views of the bank employees in the same context. Therefore, it can be concluded that the strategies followed by the banks in achieving customer satisfaction do not realize the said objective. It needs more sustainable efforts on the part of the banks to satisfy the customers.

Finally, the table brings to light the fact that there is significant difference between the estimation of the customers and the inference of the bank employees as far as customer loyalty is concerned. The banks never leave any stone unturned in the process of generating loyal customers. But, the customers have their own reasons to switch over to other banks. In comparing the mean value of Customer Loyalty it is found that the bank employees possess high mean value 4.2018. This clearly specifies that the bank employees are assured in stating their views about customer loyalty. But the customers differ from the views of the bank employees in the same context. Therefore, it can be concluded that the approach of the banks in reaching their ultimate aim of constructing customer loyalty is not as successful as desired. It needs more intended efforts on the part of the banks to generate customer loyalty.

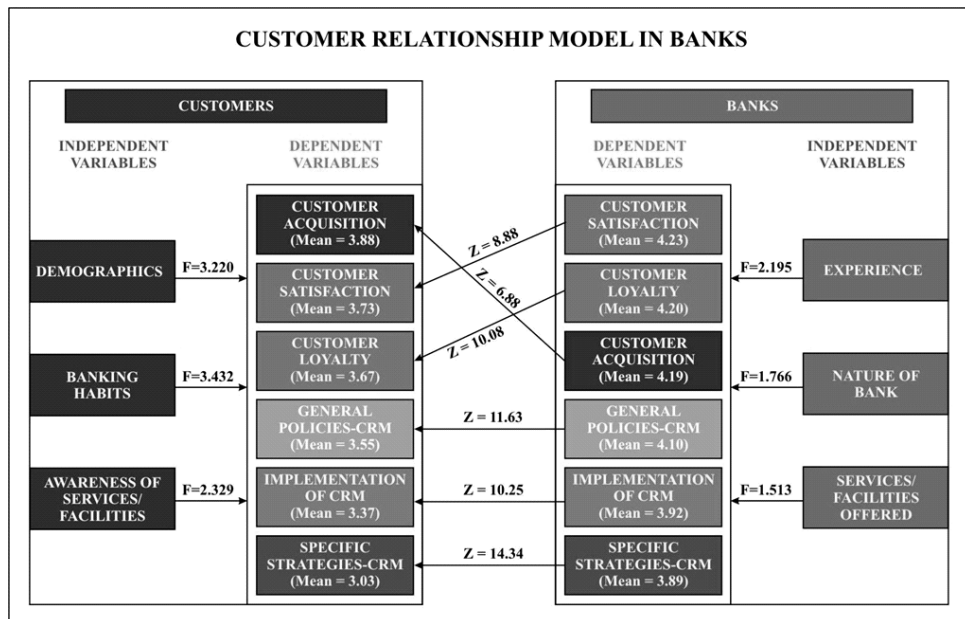


Figure 1: Customer Relationship Management Model in Banks

The present research ascertained six elements viz.,

1. Customer Acquisition
2. Implementation of CRM
3. Maintaining CRM through General Policies
4. Maintaining CRM through Specific Strategies
5. Customer Satisfaction
6. Customer Loyalty

influencing CRM in banks. Since, it is a relationship there should be a correlation between two objects namely customers and banks. In fact, banks are represented by their employees and their perceptions. The main aim of this research is to identify the effectiveness of CRM that prevails between customers and banks. During this verification process the literature reviews profoundly identified the above mentioned six elements to represent the effectiveness of CRM. The model is created to establish the relationship between the customers and the banks. The efficiency of customers and their behavioural aspects are widely segmented based on the demographic variables.

Income, assets, education, gender, marital status and age affect banking habits of individuals. (Jane et al 2004)¹³ The demographic variables are independent and categorical in nature and the CRM elements are dependent and continuous variables. In this context, Multiple Regression Analysis is used to establish the relationship between the independent categorical variables and the average total sum of scores of the six elements of CRM. It is found that the regression is significantly fit with F value 3.220. This implies that the awareness of CRM elements is an outgrowth of suitable demographic background.

In the present globalised economic scenario, each and every individual has frequent interaction with the banks. This leads to the level of awareness and exploitation of services/facilities offered as well as ultimate satisfaction. Since, the banking habits and awareness of facilities are categorical in nature; the same Multiple Regression Analysis is applied to deduce the influence of independent variables on the CRM elements. The F values 3.432 and 2.329 are statistically significant in explaining CRM in banks. But, the six elements and their significant difference are identified only through the parametric mean values. The total average means scores of the six elements of CRM according to customers' perception arranged them in descending order viz.,

1. Customer Acquisition
2. Customer Satisfaction

3. Customer Loyalty
4. Maintaining CRM through General Policies
5. Implementation of CRM
6. Maintaining CRM through Specific Strategies

The same type of parametric approach is performed with respect to bank employees. In this case, the experience of the employees, the nature of bank in which they are employed and the various services/facilities offered by their respective banks are independent variables with the same six elements of CRM as dependent variables. The Multiple Regression Analysis revealed the F values 2.195, 1.766 and 1.513 are statistically significant in explaining the elements of CRM. The parametric mean values of the employees' perception forces the CRM elements in the descending order viz.

1. Customer Satisfaction
2. Customer Loyalty
3. Customer Acquisition
4. Maintaining CRM through General Policies
5. Implementation of CRM
6. Maintaining CRM through Specific Strategies

The one-to-one correspondence between the customers' perceptions and the employees' views on CRM revealed a change in the descending orders of the six elements of CRM. It is also observed that the mean values of bank employees are significantly greater than the respective elements of CRM according to customers' perceptions. The Z values of the six elements viz., 6.88, 10.25, 11.63, 14.34, 8.88 and 10.08 are statistically significant at 5 % level.

The average mean scores of six elements of CRM of customers and employees are 21.23 and 24.53 respectively. This parametric yield is a perfect projection of customers and employees perception. Since, the services/facilities are offered by the banks, it is considered to be 100% for CRM effectiveness. The total mean scores of the employees are considered as the effectiveness of CRM in customers' perceptions. The percentage difference would reveal the effectiveness side of CRM as well as the lacunae in the process. The model concludes that the customers' perception of the CRM elements is effective at 86.55% ($21.23/24.53 \times 100$) level and the lacuna is 13.45%. The banks have to employ specific strategies to fulfill the lacunae in the process of CRM and to obtain the full effectiveness of CRM.

4. CONCLUSION

CRM has become an increasingly critical means of developing and maintaining customer loyalty while also helping the business, migrate to low value customer towards greater profitability. Bankers can now manage every single contact with the customer to build lasting relationships and collect data about customer's wants and their manner of purchase to customize services, which in turn would aid to generate worth for the customers and the bank. Banks should not stop their marketing activities with using the readily available CRM software. They should go beyond the usage of mere technology to satisfy their customers. The banks which implements CRM practices can excel their competitors. 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 customers. CRM is not only the technology interest; it is a business strategy to select and manage the most valuable customer relationships.

CRM facilitates enhanced performance of the business at every stage of the customer relationship. Though the CRM atmosphere is demanding to execute, direct, and promote, the business advantages are clear. Network and application suites must compliment each other in every area of this environment. In today's competitive scenario distinguished by ever changing customer ideals, banks are facing lot of difficulties to maintain their customer base to recognize extensive advantages. With all the information at his command, the customer has become very powerful. The customer demands wide range of value added products. Customer wants value, value for money, time, and effort. Change has become very common and it is the only constant thing. To meet the challenges arising out of stiff competition and technological revolution it becomes necessary to create a special bondage with the customers. This becomes possible mainly through relationship marketing. Though loyalty and relationships are not interchangeable, relationship marketing keeps the link between bank and customers intact and this would at least give a chance to the banks to convert a customer to a loyal one. Hence, the study has given a clear message that the real challenge before the banks is to translate sentiments into dealings, and a dealings-based relationship into a psychologically linked and dedicated one within a time period.

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