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Electronic CRM and ICT-Based Banking Services: An Empirical Study of the Attitude of Customers in Kerala, India

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Abstract: Fast advances in the field of ICT (Information and Communication Technology) is making rapid penetration into all aspects of commercial banking. The traditional concept of CRM (Customer Relationship Management) is giving way to Electronic Customer Relationship Management (e-CRM). In the realm of e-CRM the nature and extent of services are on the rise day by day because of the ever growing nature of ICT. Because of the fierce competition in the industry in the ongoing era of financial sector reforms in India the concept of CRM (particularly e-CRM) has become an imperative for survival and growth of banks rather than just a choice. This paper makes an empirical study of the customer attitude towards e-CRM and other ICT-based banking services, and suggests strategies for effective delivery of such ICT-based services for enhanced competitiveness of banks.

Keywords: ICT, CRM, e-CRM, Globalization, Customer Attitude

I. INTRODUCTION

As the pressures of globalization are sweeping across the world including India, there is fierce competition in the banking sector and the same is growing day by day. Battle among the banks to gain a greater slice of the market share has is on the rise in India. It is quite difficult for banks to meet the ever-increasing customer expectations. To improve their profits banks are looking at ways of achieving organic growth through acquisition of new customers and retaining existing customers. In this context Customer Relationship Management (CRM) is fast gaining significance as an effective management tool to withstand competition, and also to attract and retain customers. Banks growingly adopt the fast advances in ICT (Information and

Communication Technology) for providing better customer service and for cost savings. ICT offers the benefit of ‘anytime, anywhere, any communication medium’. So, banks are fast migrating from CRM to Electronic CRM (e-CRM / E-CRM, in short).

II. RELEVANCE AND SIGNIFICANCE OF THE STUDY

Customer satisfaction is of utmost significance in today’s business and so also their sustained patronage. Then only business competitiveness can be ensured on an ongoing basis. Customer-centricity forms the basis of all business strategies, particularly in service industries like banking. As such banks should learn as to who their customers are, which customer group produces higher profits and what factors keep them happy and influence their loyalty. In fact, branches of banks as well as their customers increase exponentially, and so is the case with the variety of banking services. Customers are easily switching banks whenever they find better services and products as switching costs are declining very fast. Hence, banks are finding it very difficult to attract new customers, and moreover, to retain existing customers. The situation in India in the ongoing globalized regime is no exception in this regard. In this context, CRM becomes a vital management tool for all banks, particularly its latest variant viz. Electronic CRM or e-CRM in short. As customers determine the success of any bank, only those banks which can succeed in managing their customer relationship most effectively and in the quickest time can emerge as winners (Mylonakis, 2009) [13]. This situation points to the need for a systematic assessment of customer preferences towards e-CRM and other ICT-based services of banks for the purpose of formulating suitable business models and strategies for attracting and retaining customers.

III. LITERATURE REVIEW AND RESEARCH GAP

Peter Drucker has remarked, “A business exists to create a customer”. But, in reality, companies are yet to find a fit between business activities and customer needs. Because, businesses use one off promotions to attract customers but do nothing strategically to retain customers. One approach adopted is to adopt CRM to get a better slice of customer data. CRM epitomizes a marriage of relationship marketing with emerging ICT practices. It is noted that CRM is fast becoming a valuable management tool. Levesque (1996) [7] has done a study to confirm and also reinforce the fact that unsatisfactory customer service would lead to a decline in the satisfaction of customers, and hence the willingness to recommend the service to another. This would, in turn, lead to an increase in the rate of switching by customers. In one of the pioneering papers on CRM experience of corporates in *Harvard Business Review*, “Avoid the Four Perils of CRM”, Reichheld, F. F., Scheffer, P. & Rigby, D. K. (2002) [16] have warned about four possible perils that one need to be vigilant about while implementing any CRM initiative viz. (i) Implementing CRM before creating a CRM strategy, (ii) Rolling out CRM before changing your organization to match, (iii) Assuming that more CRM technology is better, (iv) Stalking, not wooing customers. In a macro level study on the prospects of retail banking in India, Manoj P. K. (2003) [8] “Retail Banking: Strategies for Success in the Emerging Scenario” published in *IBA Bulletin*, the author has pointed out the potential of retail loans, particularly housing loans in rapid economic development of the nation in times of recession. Linkage effect and its positive effect in increasing economic activities, the need for promotion of retail loans particularly in recession times etc, are discussed. Ten strategies for the successful promotion of retail banking products, including the need to ensure ‘Human Factor’ (human touch) in banking service delivery are pointed out.

Ledingham, D. & Rigby, D. K. (2004) [6] in their paper, “CRM Done Right” in *Harvard Business Review*, have pointed out that there has been rapid increase in the number of executives supporting CRM as it increased drastically to 82 per cent in 2003 from just 35 per cent in 2000. In a paper on bank marketing by Manoj P K (2006) [9], ‘Success Strategies for Marketing of Bank Products’ the need for aggressive marketing of bank products for the survival and growth of banks in the reforms era in India is highlighted. Strategies for effective bank marketing in the Indian context are suggested. Banks are slipping on every measure of relationship quality (Mishkin, 2001) and the so CRM could be justified on these grounds: (i) If the relationship is longer the bank can better understand customer needs, (ii) greater chances to cross-sell products and services; (iii) Customers feel more comfortable with the service, if they are in long-term relationship; (iv) Long-term customers are more likely to become a referral source; and (v) Determining which products and services should be sold to profitable client.

Neeraja James and Manoj P K (2014) [14] in their paper ‘Relevance of E-Banking in the Rural Area – An Empirical Investigation’ have analyzed the significance of E-banking services with reference to a typical rural area in Kerala and have suggested measures for better reach of banking in rural areas. William George A. J and Manoj P K (2013) [18] in their study “Customer Relationship Management in Banks: A Comparative Study of Public and Private Sector Banks in Kerala” have noted the utmost significance of CRM for Kerala-based banks in view of the ever growing competition and the authors have noted that private sector banks in Kerala are much ahead of their public sector counterparts in respect of CRM adoption. In an empirical study on e-CRM by Manoj P K, Jacob Joju & Vasantha (2014) [10] “Impact of E-CRM on Commercial Banking: An Empirical Investigation with Reference to Private Sector Banks in Kerala” published in *International Journal of Applied Financial Services & Marketing Perspectives (IJAFSMP)* the authors have observed that majority of the customers of private sector use CRM and other ICT-based services. Also, vast majority of the bank customers and bank staff prefer e-CRM and other ICT-based services, as well as bank marketing efforts by banks. In an empirical study on e-CRM by Jacob Joju, Vasantha S., & Manoj P. K. (2015) [4], “E-CRM: A Perspective of Urban and Rural Banks in Kerala” published in *International Journal of Recent Advances in Multidisciplinary Research*, the authors have compared the acceptance of e-CRM among the urban and rural customers. It has been noted that e-CRM is more accepted among the urban customers, and also that rural customers have more inclination towards ‘human factor’ in banking services than their urban counterparts. In a paper on e-CRM in the Indian context based on an empirical study of bank customers by Jacob Joju, Vasantha S., & Sony Joseph (2016) [5] entitled “E-Leveraging e-CRM for Future” in *Indian Journal of Science and Technology* the authors have pointed out the need for leveraging e-CRM in today’s competitive scenario for survival and growth of banks.

In another recent paper by Shih, C. (2016) [17], “Customer Relationship Automation is the New CRM” in *Harvard Business Review*, the author has observed the future of CRM lies in automation and digitization and hence saving time required for manual data entry, refining data etc. In recent paper on Bank Marketing by Manoj P. K (2016) [11], “Bank Marketing in India in the Current ICT Era: Strategies for Effective Promotion of Bank Products” published in *International Journal of Advance Research in Computer Science and Management Studies (IJARCSMS)* the need for adoption of ICT for effective delivery of bank products is highlighted. Of the six major strategies suggested for marketing of bank products, the sixth strategy is about the effective use of e-CRM.

Though there are many CRM studies including some in the Kerala context, studies for assessing the attitude of customers towards ICT-based services like Electronic CRM (e-CRM) and allied ICT-based banking services are scarce. This paper seeks to the research gap by making an empirical study of the e-CRM customers of the Kerala-based banks.

IV. OBJECTIVES OF THE STUDY

- (i) To study the customer preferences towards various ICT-based CRM services of banks;
- (ii) To study the necessity for e-CRM services as perceived by customers, and the nature and extent of such services being used by them;
- (iii) To suggest strategies for effective use of e-CRM by banks for enhanced customer service.

V. MATERIALS AND METHODS

The study is descriptive-analytical. Data are collected from both primary and secondary sources. Primary data are collected from the customers of both Public Sector Banks (PSBs) and Private Sector Banks (PRBs). PRBs selected include all the four Old Private Sector Banks (OPBs) that are Kerala-based (i.e. registered in Kerala state). These four Kerala-based OPBs (KOPBs, in short) are the following: (i) Federal Bank Ltd. (ii) South Indian Bank Ltd. (iii) Dhanalakshmi Bank Ltd. (iv) Catholic Syrian Bank Ltd. Four Public Sector Banks (PSBs) with good network in Kerala viz. (i) State Bank of Travancore, (ii) State Bank of India, (iii) Canara Bank, and (iv) Union Bank of India are also chosen. A sample of 150 respondents is selected based on random (lottery) sampling technique. The sample members represent diverse socio-economic status, occupational and educational profile etc. and they fall under different age groups also. Of these 150 respondents 75 customers represent PSBs while the rest 75 customers represent PRBs – four KOPBs. From this sample, primary data are collected using a carefully designed, pre-tested and structured questionnaire. Customers' views about the nature and extent of their use of e-CRM services are obtained. Using a five-point scale (Table I) scores are assigned to their feedback. Secondary data are collected from authentic sources like Reserve Bank of India (RBI) publications, publications of the Government of India and Government of Kerala, Official websites of various Department etc. Popular statistical tools are used for data analysis and interpretation.

Table I
Five-point Likert Scale and Scores

<i>Points of Scale</i>	<i>Score</i>
Very Satisfied	5
Satisfied	4
Neutral	3
Dissatisfied	2
Very dissatisfied	1

VI. RESULTS AND DISCUSSIONS

(A) Types of ICT-Based Banking Services Used

The e-CRM services used by the respondents included use of e-channels like ATM, credit cards, debit cards, tele-banking, mobile banking, online (internet) banking, smart cards, on – line bill payments and

download bank forms. Use of ATMs for depositing or withdrawing cash, use of internet for requesting cheque book, paying utility bills, transferring funds, checking balance etc. are the common services. The mobile banking uses are balance enquiry, request cheque book, know last few transactions, and payment of bills. The main services of internet banking are know about new bank products, check balance, transfer of funds, purchase bank products, order cheque book, change password and download bank forms. Figure I shows the major services availed. Ninety six percentage of the customers use ATM services, while 32.7 per cent use Debit cards, 18.0 per cent use Credit cards and 24 per cent download various forms. (Figure I).

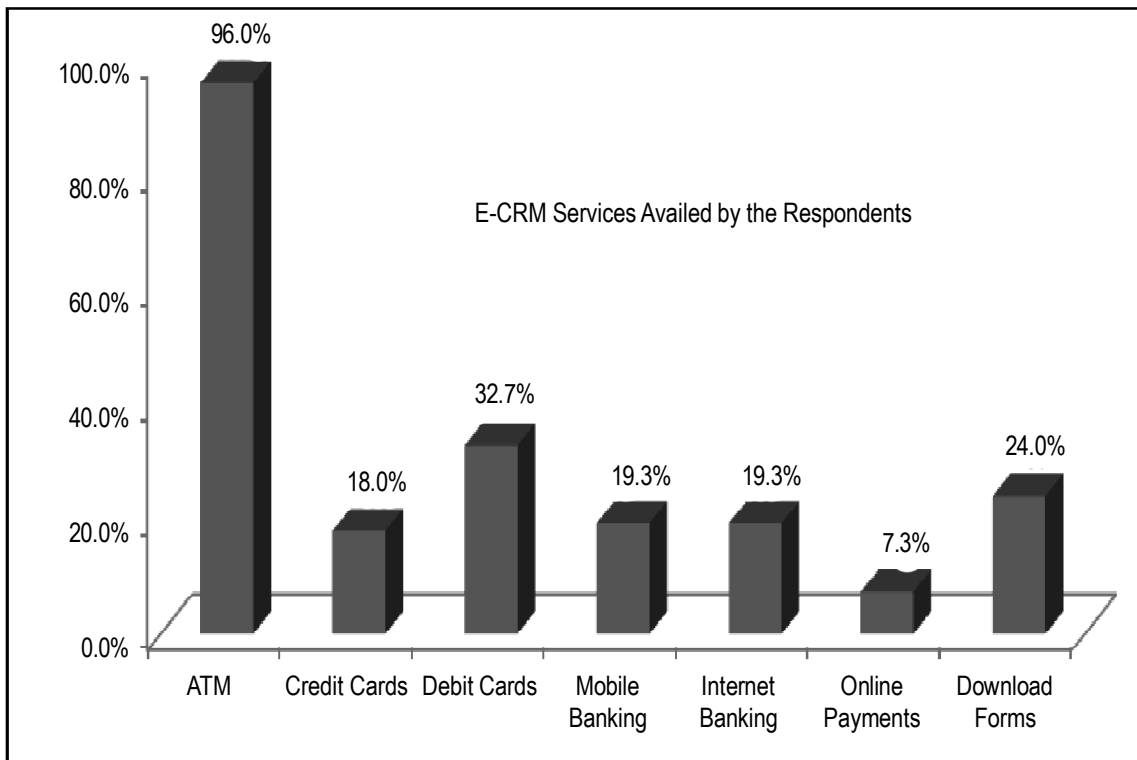


Figure I: Various e-CRM services used by the Respondents

Source: Field Survey

(B) Attitude towards ICT-Based Banking Services Offered

It is noted that as high as 19.3 per cent customers have felt that e-CRM and other ICT-based banking services as vital while for another 30.7 per cent of them have found it essential. To 36 per cent of the customers it is desirable. It is noteworthy that only 14 per cent of the customers have opined in a neutral manner (“Can’t say” reply). Thus, there is high level of acceptance towards e-CRM and other ICT-based services among the customers surveyed. The use of ATMs is very common among the customers. (Figure II).

(C) Duration of Use of the ICT-Based Banking Services

The duration of using e – banking services is noted to be between 2 to 3 years for 32.7 per cent of the customers while it is over 3 years for 28.7 per cent of the customers. While 15.32 per cent of the customers

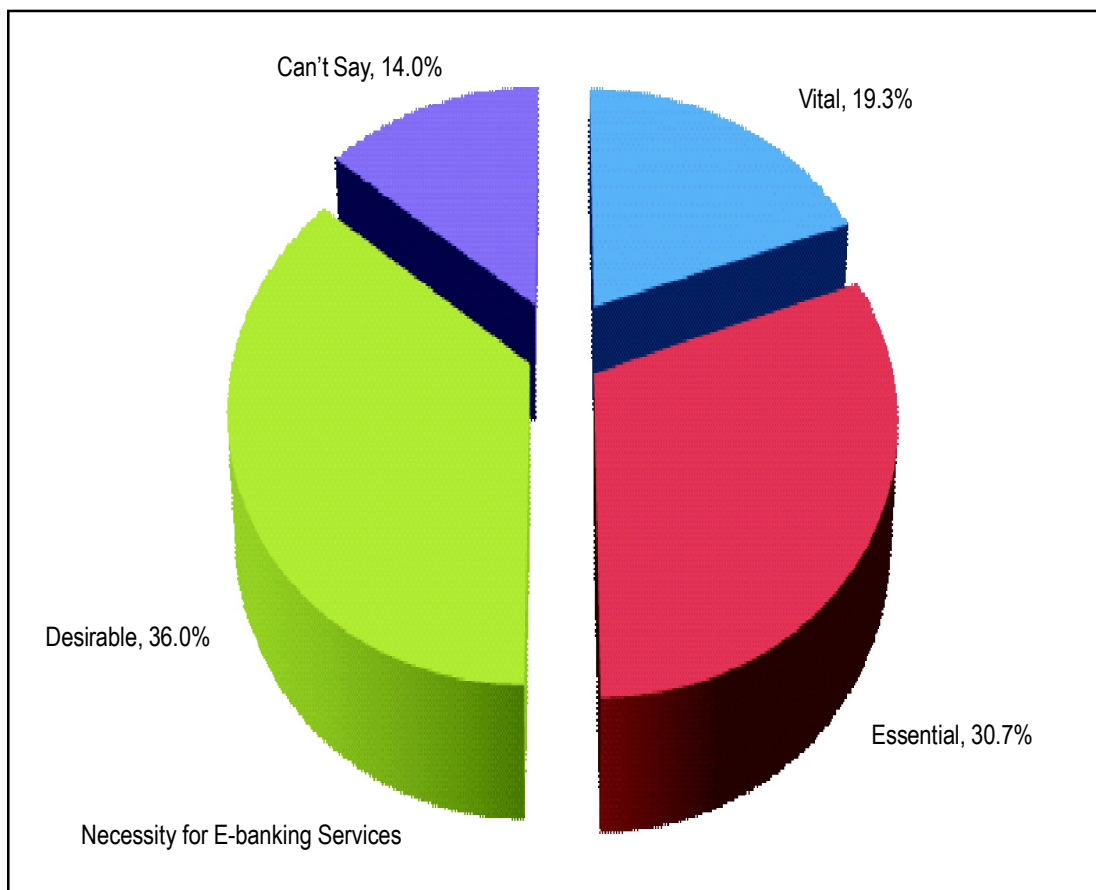


Figure II: Customers' Attitude towards ICT-Based Services

(Source: Field Survey)

have started using it during the past 1-2 years' period, a high percentage of 23.30 per cent have started its use in the last one year (Table I).

Table I
Duration of using E-Banking Services

<i>Duration</i>	<i>Frequency</i>	<i>Percentage</i>
Less than 1 year	35	23.30
1 to 2 years	23	15.32
2 to 3 years	49	32.70
More than 3 years	43	28.70

(Source: Survey data)

(D) Advantages of e-CRM and ICT-Based Banking Services

The e-CRM and other ICT-based banking services have many advantages. Some of these are: availability of relevant and detailed information, convenience in managing services and finance, lesser risk and greater

security, reduced cost of banking, faster mode of banking transactions, quick movement of funds, faster internet access speed, improved service, reduced wasting cost, increased flexibility, anywhere any time banking, easy to transact from office, house, or while travelling, more easier than old banking system and it is more prestigious than queuing at the bank halls. Among the above perceived advantages by the customers, the most important ones are (i) Relevant and detailed information in seconds (44.70 per cent), (ii) Easier than traditional banking transactions (42.70 per cent), (iii) Easiness to transact from office, house, during travel etc. while the relatively less significant benefits and advantages include (i) Fastest internet access speed (07.3 per cent), (ii) Improved services/ flexibility and Reduced wastage/cost etc. Overall, there is high level of perceived benefits (Table II).

Table II
Advantages of e-CRM and ICT-Based Services

<i>Benefits of E-CRM and ICT-based Services</i>	<i>Frequency</i>	<i>Per cent</i>
Relevant & detailed information in seconds	67	44.70
Convenience to manage services and finance	63	42.00
Less risk and greater security	55	36.70
Bring down the cost of banking	49	32.70
Faster mode of banking transaction	51	34.00
Quick movement of funds	50	33.30
Fastest internet access speed	11	07.30
Better service/flexibility and low waste/cost	31	20.70
Anywhere, anytime banking	57	38.00
Easy to transact from office, house, in travel	60	40.00
Easier than traditional banking systems	64	42.70
Prestigious than queuing at the bank halls	54	36.00

(Source: Survey data)

(E) Problems in e-CRM and ICT-Based Banking Services

It is noted that ICT-based services, however, are not without issues and problems. The most common problems include security concerns (16.67 per cent), ATMs are not working properly (10 per cent), Overcrowding in websites / slow response (08 per cent) etc. However, overall, the perceived problems are quite fewer and less intense compared to the benefits (Table III). This denotes the overall trend of the customers to prefer e-CRM and other ICT-based services.

Table III
Problems in e-CRM and ICT-Based Services

<i>Problems in e-CRM and ICT-Based Services</i>	<i>Frequency</i>	<i>Per cent</i>
Security Concerns /Password theft etc.	25	16.67
ATMs not working properly	15	10.00
Overcrowding/slow response in online deals	12	08.00
No response to telephonic/online complaints	06	04.00
Others (eg.lack of knowledge, poor help etc)	09	06.00

(Source: Survey data)

VII. SUMMARY OF MAJOR FINDINGS

- Almost all the ICT-based services (eg. ATM, credit card, debit card, mobile banking, internet banking etc.) are available more in urban areas than in rural areas.
- The main factors contributed to the ICT-based services are ease of use, reduction in work time, reduced interaction with the customers and security and privacy.
- Banks adopt ICT-based services because of their own interest and also in response to industry competition.
- All the banks under study impart employee education and staff training, simplification of rules, greater trust in staff and reduction in complexity of software
- In the opinion of bankers, the reasons for the customers not adopted e-CRM or other ICT-based services include security concerns, lack of awareness of the customers, preference given to traditional banking, the higher fees associated with ICT-based banking services etc.
- Most of the customers choose ATM as a media of providing services because of it is easy to install, not expensive among others, easy to provide services to clients and most customers demand it.
- To increase these services bankers make them cheaper by reducing charges and fees, incentives to e banking users, contacting every customer personally.
- In rural areas villages declared that at least one of the member in a family, should be join in any of the units (like, Kudumbasree). And all the village works are modernized. As a result the funds are given through banks. So every member in a family started an account, as use the ATM for withdrawing these funds. So in rural areas, ATM chooses as a media of providing services.
- The uses of ATM are depositing cash, withdrawing cash, request cheque book, pay utility bills, transfer of funds, check balance of payments etc. But in rural areas, people used ATM mainly for withdrawing cash and others have less privilege
- The uses of mobile banking are balance enquiry, request cheque book, know last few transactions, payment of bills etc. Rural people mainly used this for balance enquiry. And other functions have less than 50% percentage.
- Bank websites are used for know about new bank products, check balance, transfer of funds, purchase bank products, order cheque book, change password and download bank forms. In rural areas this website is only used for change password, order cheque book and download bank forms.
- Due to fewer banks in rural areas, the manager, staff and customers have closer relationship between each other. So the bank managers and staff inform the customers about their new products. Customers use this medium more than advertisement, website, e-mail, information from other customers and mobile messages.
- There are many advantages for e-CRM and ICT-based banking services. The main advantages are relevant and detailed information in seconds and relative easiness than old banking system. The least significant advantage is fastest internet access speed. Because, in rural areas the internet speed is very low. Most customers do not consider it as an advantage.
- The problems of ICT_based banking services are ATM not working properly, overcrowding due to few banks, and bank staff not attending phone calls etc.

- The banks in rural areas provides almost all the services, but people prefer personal contacts for registering their complaints other than through website or mobile banking. And a small number of peoples choose telephone banking as the medium
- According to the bankers the main challenges of ICT-based services are that it is too expensive, no difference in profit, customers not aware of these services and technological illiteracy. Other challenges are traditional banking still remain the best option, fear of risk, preference of face to face interaction, high bank charges, lack of privacy and some services are not adopted
- Opinion of bankers regarding the future prospects of banking points to the difficulty to implement ICT-based services due to huge investments required in the next 5 or 10 years. But, the entire banking system will change to the better. Also, there is immense scope for e-banking if the banks give proper guidance to their customers.

IX. SUGGESTIONS AND CONCLUDING REMARKS

- Because of the popularity of e-channels, maximum use of such channels be ensured. Besides, because of the convenience in the accessibility of e-channels such channels be utilized more to provide greater convenience.
- As ATMs, credit cards, debit cards and internet banking are most preferred by the customers due to time and cost utility and efficient services where other channels are not much popular. So the banks should make efforts like arrange demo fares or provide information at the counters to make the channels popular and easier to the customers.
- The banks should make the availability of ATMs and the accessibility of other services Convenient and make these channels secure from fear of lost of information by increasing the number of ATMs as these factors are most important concluded from their perceptions. They should start to introduce mobile ATMs as these are time saving and become more popular these days.
- Full information: Banks should disclose the full information to the customers to win their confidence like service charges, service tax, interest, penalty etc
- Infrastructure facilities: Every branch of bank should provide sufficient and proper vehicle parking, sitting arraignments; water and sanitary facilities etc. Posters of existing schemes should also be displayed in the proper places to attract the attention of the customers.
- Training: The employees of banks should be given training time to time to match their skill level with the requirements of changing environment at least they should make aware about all the services and also conduct camps to the customers to know about these services.
- Social support with customers: It is suggested that bank officials should make full support with the customers; this will develop a social banking environment.

From the study, it is noted that majority of the e-CRM users are highly satisfied with such ICT-based services. They prefer e-channels with time and cost utility and which provide efficient services but the problem is that they are not fully aware of such services, the operational part of availing such services, their transactional facilities etc. Based on their feedback, it is clear that the future of e-CRM is bright. It will definitely help to manage the imminent need to transform banking particularly in rural areas, with positive results. This transformation will help to initiate new economic and financial policies for the banks. ICT

plays a crucial role in creating drastic changes in the banking industry, particularly among the new private banks and foreign banks. But ICT alone will not suffice to ensure performance improvement and to get the competitive edge. Skilled manpower is required to use advanced tools. Along with ICT adoption, manpower training, attraction and retention of skilled staff, marketing of bank products etc. are equally important.

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