CUSTOMER RELATIONSHIP MANAGEMENT PROGRAMS IN BANKING: THE MANTRA TO SURVIVE

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INTRODUCTION

In the modern times, the existence of the civilized world can not be imagined without banks. The banking activities have become not only an integral part of the human civilization but also have directed the flow of progress over the lifetime of human civilization so far.

The word "bank" reflects the origins of banking in temples. According to the famous passage from the New Testament, when Christ drove the money changers out of the temple in Jerusalem, he overturned their tables. The first 'banks' of the world were the merchants of the ancient world that made loans to farmers and traders that carried goods between cities. However, banking, in the modern sense of the word, can be traced to medieval and early Renaissance Italy where it rose in the rich cities in the north Italy. The development of banking spread through Europe and a number of important innovations took place in Amsterdam during the Dutch Republic in the 16th century and in London, United Kingdom in the 17th century. During the 20th century, developments in telecommunications and computing resulting in major changes to the way banks operated and allowed them to dramatically increase in size and geographic spread. The Late-2000s financial crisis saw significant number of bank failures, including some of the world's largest banks, and much debate about bank regulation.

The first decade of the 21st century also saw the culmination of the technical innovation in banking over the previous 30 years and saw a major shift away from traditional banking to internet banking.

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The Late-2000s financial crisis has caused significant stress on banks around the world. The failure of a large number of major banks resulted in government bail-outs. The collapse and fire sale of Bear Stearns to JP Morgan Chase in March 2008 and the collapse of Lehman Brothers in September that same year led to a credit crunch and global banking crises. In response governments around the world bailed-out, nationalised or arranged fire sales for a large number of major banks. Starting with the Irish government on the 29 September 2008, governments around the world even provide wholesale guarantees underwriting banks to avoid panic and systemic failure the whole banking system.

Customer relationship management (CRM) is a widely implemented strategy for managing a company's interactions with customers, clients and sales prospects. It involves using technology to organize, automate, and synchronize business processes—principally sales activities, but also those for marketing, customer service, and technical support. The overall goals are to find, attract, and win new clients, nurture and retain those the company already has, entice former clients back into the fold, and reduce the costs of marketing and client service. Customer relationship management describes a company-wide business strategy including customer-interface departments as well as other departments. Measuring and valuing customer relationships is critical to implementing this strategy.

One of the largest challenges that customer relationship management systems face in banks is poor usability. With a difficult interface for a user to navigate, implementation can be fragmented or not entirely complete. Building and maintaining a strong business reputation has become increasingly challenging for banks in the current chaotic business environment. CRM systems for marketing departments in banks help the enterprise identify and target potential clients and generate leads for the sales team. A key marketing capability is tracking and measuring multichannel campaigns, including email, search, social media, telephone and direct mail. Metrics monitored include clicks, responses, leads, deals, and revenue.

In a web-focused marketing CRM solution, banks create and track specific web activities that help develop the client relationship. These activities may include such activities as free downloads, online video content, and online web presentations.

CRM provides a bank with the ability to create, assign and manage requests made by customers. An example would be Call Center software which helps to direct a customer to the agent who can best help them with their current banking problem. Recognizing that this type of service is an important factor in attracting and retaining customers, banks across the world, are increasingly turning to technology to help them improve their clients' experience while aiming to increase efficiency and minimize costs. CRM software can also be used to identify and reward loyal customers which in turn will help customer retention.

Creating and scheduling appointments with customers is a central activity of most customer oriented businesses, including banks. Sales, customer support, and service personnel regularly spend a portion of their time getting in touch with customers and prospects through a variety of means to agree on a time and place for meeting for a sales conversation or to deliver customer service. Appointment CRM is a relatively new CRM platform category in which an automated system is used to offer a suite of suitable appointment times to a customer via e-mail or through a web site. An automated process is used to schedule and confirm the appointment, and place it on the appropriate person's calendar. Appointment CRM systems can be an origination point for a sales lead and are generally integrated with sales and marketing CRM systems to capture and store the interaction.

Relevant analytics capabilities are often interwoven into applications for sales, marketing, and service. These features can be complemented and augmented with links to separate, purpose-built applications for analytics and business intelligence. Sales analytics let companies monitor and understand client actions and preferences, through sales forecasting and data quality.

Marketing applications generally come with predictive analytics to improve segmentation and targeting, and features for measuring the effectiveness of online, offline, and search marketing campaigns. Web analytics have evolved significantly from their starting point of merely tracking mouse clicks on Web sites. By evaluating "buy signals," marketers can see which prospects are most likely to transact and also identify those who are bogged down in a sales process and need assistance. Marketing and finance personnel also use analytics to assess the value of multi-faceted programs as a whole.

These types of analytics are increasing in popularity as companies demand greater visibility into the performance of call centers and other service and support channels, in order to correct problems before they affect satisfaction levels of the bank's customers. Support-focused applications typically include dashboards similar to those for sales, plus capabilities to measure and analyze response times, service quality, agent performance, and the frequency of various issues.

The development and adoption of these tools and services have also fostered greater fluidity and cooperation among sales, service, and marketing in banks worldwide. This finds expression in the concept of collaborative systems that use technology to build bridges between departments. For example, feedback from a technical support center can enlighten marketers about specific services and banking product features clients are asking for.

Thus, once thought of as a type of software, CRM has evolved into a customer-centric philosophy that must permeate an entire organization. There are three key elements to a successful CRM initiative: people, process, and technology. The people throughout a company-from the CEO to each and every customer service rep-need to buy in to and support CRM. A company's business processes must be reengineered to bolster its CRM initiative, often from the view of, How can this process better serve the customer?

However, there is more to Customer Relationship Management (CRM) than just managing customers and analysing their behaviours. Banks are well aware that their success is predominantly dependent on the CRM strategies adopted by them. Service providers have recognised that good CRM bonds customers with the organisation for a longer term, resulting in increased revenues.

With customers' expectations becoming even more competitive, banks are coming up with a wide array of novel products and services every day. The challenge is for the banks to work towards ensuring that customers prefer their products and services over that of competing brands. The key to develop and nurture a close relationship with customers is by appreciating their needs and preferences and catering to their requirements. Leveraging on IT, to appropriately analyse and understand the needs of existing customers better, to ensure customer satisfaction, and exploring the possibility of cross-selling products to gain a competitive advantage are the other issues drawing attention and interest.

The battle of the banks, for gaining a greater slice of the market share, is taking on a new dimension. In the current falling interest rate scenario, banks are finding it increasingly difficult to meet the high growth expectations. In order to bolster their top lines, banks are in pursuit of newer ways and means of achieving organic growth through strategies that enable acquisition of new customers and retaining the loyalty of the existing customers. Success of a bank's strategy towards customer acquisition will depend on its ability to develop customer insights and translate these into effective operating models. Ensuring a good customer experience at every customer touch point is the cornerstone of a successful growth strategy. A good customer experience will drive customer acquisition and promote customer retention, which translates into increased profits. This, in other words, is the hallmark of a successful CRM strategy. Emphasis on CRM arises on account of the challenges confronting retail managers managing to sustain and achieve growth and profits.

LITERATURE REVIEW

Customer Relationship Management (CRM) is no longer a new term but a reality for many organizations (International Journal of Business and Emerging Markets 2009 - Vol. 1, No.3 pp. 282 - 295). Banking is a prime candidate for CRM transformation, as competition in this sector increases; an excellence in service becomes a critical success factor.

Banks are faced with immense challenges regarding the handling and management of service quality. With this perspective, it is widely being accepted that relationship marketing has the potential of addressing the various value propositions and can enable the banks to add greater value for satisfying the needs of the customers (Roig et al., 2006).

Molina et al. (2007) argued that it is important to understand the customer's perspective regarding relationships. Customers bear no critical relationship with the organization as a whole. Nevertheless, customer has certain attachments with the different individuals involved in the service organization(Aldlaigan and Buttle, 2005). Therefore, banks can successfully fulfill the requirements and the demands of his customers through the staff members interacting with such customers. Kaynak and Harcar (2005) emphasize that customer's interactions with the employees of the bank survey as the basis for evaluating the bank on the whole. Hence, characteristics of the employees like their amiability, skills, knowledge, conviviality and sensitivity serve as the basis for creating a positive opinion about the services provided by the employees of the organization (Bergeron, 2000).

Determining the values of the customers in the context of service industry is not easy since these values are a multi-dimensional, intricate and intangible(Reichheld and Sasser, 1990; Parasuraman et al., 1991). Moreover, customers may consider financial services belonging to the group of risky services (Babakus et al., 2004). Information technology, particularly the Internet, is widely accepted as a medium for facilitating communication and interaction, thereby making it the most appropriate medium for the management of relationships (Parvatiyar and Sheth, 2001). Berry

(1995) contend that a continuous system of interactions and communication can be established through Internet, and therefore, Internet facilitates implementing the CRM systems successfully.

Butscher (2002) believes that the reasons for the present focus of marketing on issues like customer relationship management (CRM) and customer retention are competitive prices, absence of unnecessary regulation and the fickle sense of loyalty amongst customers. Xu et al. (2002) asserted that approaches like CRM with their intense focus on customer are the new mantra for contemporary businesses.

CRM IN BANKS

Bankers are conscious of the relative costs of acquiring new customers. As top management emphasizes on “delivering results”, most bankers resort to customer grabbing, rather that customer cultivation and creation, with the result that “customer churn” is the call of the day. Incidentally, bankers are fully aware that losing the existing customer and acquiring new customers is an expensive affair. Moreover, it acts as a drain on the existing resources of the bank, which can be better employed for growth initiatives.

With the shift from a transaction-centric to a relationship-centric business approach, leveraging CRM has become *sine qua non.* Banks are adopting CRM to converge people, process and products more effectively to embark on the true relationship banking— with the end result of accelerating the business momentum. Towards this end, experts propose various ideas and approaches to understand the fundamental marketing motivations driving the CRM trend in banks.

To meet the challenging preferences of the customers and to stay ahead of competitors, bankers are bound to attract customers by providing a spectrum of services. Online banking, ATM banking and telebanking are just a few of them. Banks can enhance customer service by leveraging on technology, maintenance of efficient service delivery standards and business process reengineering. On their part, employees need to demonstrate certain service traits such as, putting on pleasing attire. At the end of the day, bankers should display a flair for cultivating a good relationship with customers through the mechanism of better customer service.

The banks usually use call center automation, contact management, data warehousing, campaign management, and knowledge management, field service management, marketing automation, sales service automation and personalization. The banks view CRM technology as customer-centric process. It is also believed to help automate the whole processes as otherwise it is impossible to handle all the information manually.

In most banks, a separate department coordinates the entire CRM process, which is responsible for making strategies and following it up. The banks have different training programs to enhance its staff's skills. These training programs also include the CRM segment. These trainings are usually designed for the staff in the marketing, advertising and CRM departments of the bank.

HDFC bank uses CRM technology when interacting with the customers. They are as follows;Call centre Automation, Data warehousing, Email Management, Field Service Automation, Marketing Automation and By using CRM technology, HDFC can provide customers more knowledge about the bank and also get more customers. The Group's business organization includes three business areas: Retail Banking, Corporate and Institutional Banking, and Asset Management & Life. Each business area is responsible for financial results, customer relations, distribution, products and business development & support.

Some banks like ICICI have a broad vision about CRM. When it comes to the application of CRM, the bank looks at competitors, multi channel environment and the customer satisfaction, because these are the essential external environment ingredients. These are the forces that motivate any organization to restructure the business philosophy. ICICI uses the collected information for analysis, which finally helps to form a strategy and to introduce new customer offers that will suit most of the customers. Through broad product offering the bank helps companies release capital through efficient payment routines and create conditions for growth with the aid of a number of different financing solutions. The bank also offers the corporate customers a number of different investment options to create the best yield for excess liquidity. When it comes to customer offers, the bank offers most of the services to all the customers but there are some unique offers which the bank provides the selected customers according to their business needs. Branch has a major role in these offers because bank feels that the branch is sitting in front of customer not the head office, so branch has better understanding about its customer. The bank uses branch, phone, web site, email, direct mail and advertising channels to interact with its customers.

ICICI bank is using different type of computer applications at different levels, like front-end applications that the employees at bank uses while interacting with the customer. The higher management uses analytical applications that while forming the strategies. And finally, the databases are used to store customer information for future use.

ICICI's organizational structure is a combination of centralized and somewhat decentralized, while making the strategy the head office is independent, but it leaves some soft corner for the branches so that they can accommodate their local customers according to their circumstances.

On the other hand, HSBC try to remove the financial barriers facing their customers. They help them meet their goals and realise their plans. When customers meet their goals, simultaneously HSBC meet theirs. Channels of the bank establishes relationship with its customers and helps them in plan their Bank feels that establishing a relationship requires mutual trust because financial services are business of confidence.

HSBC provides understandable information on the services provided. Their ambition is to always ensure that the customer knows what he is deciding and understands the potential consequences. After gathering the customers' information, HSBC will decide who the right customers are and when to deal with them. They provide tailor-made solutions in clearing, payments, accounts, and other international products, focusing on the customer's needs. The bank is using online banking by using which customers can pay bills, transfer money. The bank has also introduced electronic voucher by using which business to business transactions are getting very easy. All the online services are interactive. The bank is using data base enabled software.

In HSBC most of the CRM work is decentralized. Specific relationship managers within that branch will perform all the CRM activities.

The IDBI bank is concentrating towards branches instead of centralized management, branches are responsible for their business, in other words for their customers. The branches treats every customer as individual, the branch has different set of service packs to different customers, according to their business needs and location. The banks sees long term relationship as a key to the success and survival in the market, though some of long term relationship have less income for the time being.

A general road –map for analytical CRM capability development and implementation has been identified as:

Customer Targeting and segmenting capabilities→ Behavior classifications →Behavior measure formulation→ Behavior tracking and monitoring →Behavior pattern generation and tracking changes in behavior → Predictive analysis.

CONCLUSION

Recently, there has been an explosion of interest in CRM, because it represents a practical way for organizations to implement relationship marketing. Relationship marketing emphasizes the benefits of retaining customers, since loyal customers are known to be more profitable. A number of studies demonstrated that a 5% increase in customer retention results in an increase in average customer lifetime value of between 35% and 95% in banks. The most significant improvements in customer lifetime value have been shown in credit cards (75%). However, to implement relationship marketing successfully the banks have to know a lot more about their customers. This means establishing two-way communication between the bank and the customer. Both of these requirements can be met by CRM.

In addition, customer data analysis enables organisations to identify the customers it does *not* want to have. The 80:20 rule suggests that 80% of profits are generated by 20% of customers. Some retail banks have found that the picture is even more extreme, with 10% of their current account customers bringing in 100% of their profits. In other words, on average, the other 90% are loss-making.

A growing number of banks and financial institutions worldwides have integrated CRM solutions into their business plans and achieved measurable results in increasing customer retention, acquisition and profitability. As the first banks to launch effective CRM programs put customer loyalty points on the board, the laggards that opt for a defensive strategy will continue to miss customer service opportunities. The widening competitive gap could make staying in the game an odds maker's dream.

CRM is not just a technology. It is a continuous long-term strategy, where not only the technology platform installations, but also the customer-centric shifts are complete. The game winning goal for the banks is in aligning people, processes, and technology. Customers too remain loyal to those banks that they believe understand their needs and are responsive to their requests. A customer for life is the biggest win in the game of CRM for banks.

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