

**CUSTOMER RELATIONSHIP MANAGEMENT (CRM)
PROGRAMMES IN BANKS: A STUDY OF HDFC & ICICI
(INDIA & UK)**

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INTRODUCTION

In the modern times, the existence of the civilized world cannot 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. In today's competitive world, banks, like any other industry, are struggling hard to maintain the old clientele while attracting new customers. It is in this scenario that establishing a relationship with the customers and managing it well has become the need of the hour. How successful a bank is at managing a good relationship with its customers determines how well it does.

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.

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. 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.

CRM can drive service revenue and profitability with support for service sales and marketing. Customer Relationship Management (CRM) in the banking system is fundamental to building a customer-centric organization.

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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). The long-term business relationships provide many potential benefits for banks and clients. It is generally less costly for any service firm (bank) to maintain and develop an existing client relationship (Berry 1983). Berry (1995) stresses that attracting new customers should be viewed only as an intermediate step in the marketing process. Developing close relationships with these customers and turning them into loyal ones are equal aspects of marketing. Thus he proposed relationship marketing as attracting, maintaining and in multi service organizations- enhancing customer relationships.

According to Hollander (1985) & Czepiel (1990), interaction has got a very prime place in banking. Shani and Chalasani (1992) define relationship marketing as an integrated effort to identify, maintain and build up a network with individual customers and to continuously strengthen the network for the mutual benefit of both sides through interactive, individualized and value added contacts over a long period. Narrow functionally based traditional marketing is being replaced by CRM.

Profitability in the case of CRM is determined in the light of the lifetime value of the customer to the organisation, taking account the income and expenses associated with each customer and their respective transactions over time (Gordon, 1998).

Oliver (1999) defined customer loyalty as a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite situation influence and marketing efforts having the potential to cause switching behaviour. Thus, loyalty has both an attitudinal and behavioural dimension (Day, 1969; Dick and Basu, 1994).

The implementation of a CRM strategy as proposed by Peppers, Rogers & Dorf (1999) comprises four steps, namely the identification of customers, the differentiation of service, interaction with customers and the differentiation among customers.

Brown (2000) recommends that CRM systems involve features like e-mail, online purchase and creating database of information relating to the customer profile in order to provide customized services.

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). Massey et al (2000) believed that

CRM is about attracting, developing, maintaining and retaining profitable customers over a period of time.

Chaudhry A (2009) suggests that to be successful with CRM, financial and banking organizations must define and develop a business strategy as well as a supporting infrastructure for that strategy.

CRM IN HDFC & ICICI BANK (IN INDIA & UK)

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. With a view to enhancing the service quality, HDFC bank adopted a tailor made CRM initiative called the CRMnext in 2008. This programme called for a single 360 degree customer view by integrating data warehousing with other core banking applications. Since then, HDFC has witnessed a massive jump of 113% in customer base to over 25 million from 2008 to November 2012. Productivity has also enhanced as a result of product specific workflows for end-to-end tracking of fulfillment processes. This has resulted in a consolidation and streamlining of processes across functions and products.

By an intelligent segmentation of customers, the bank has been able to achieve a high level of cross-selling and up-selling capabilities at various customer touchpoints. The bank has also empowered its customer service and sales teams with automated cross-selling and up-selling opportunities. The assets business of HDFC bank has grown by 100% over 2008 levels. There has been a significant increase in leads generated from 1,50,000 per month in March 2008 to 3,50,000 per month in Nov. 2012. 8-9 million personalized offers per month are generated through CRMnext. There has been a 32% increase in lead conversion during this period. Quality of documentation has improved from 60% FTR (First Time Right) to 97% FTR. The bank's loyalty index rose from 38 in 2007 to 62 in 2010 (benchmarked at 54 for the industry). The number of customer complaints reduced from 36 per 10k customers in 2007-2008 to 5 per 10k customers in Nov. 2012. The service quality rating of the bank improved from 65% in 2007-2008 to 97% in 2011-2012. To cap these achievements, HDFC was

awarded the IBA Banking Technology Award in 2010 for steps undertaken to strengthen relationships with its customers in the areas of retail and corporate banking.

Also, in Nov 2012, HDFC bank won the 2012 Celent Model Bank Award for CRMnext implementation for delivering excellent customer service experience across channels like branch, phone banking, call centres etc.

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, HDFC try to remove the financial barriers facing their customers. They help them meet their goals and realize their plans. When customers meet their goals, simultaneously HDFC meet theirs.

RESEARCH METHODOLOGY

This research study is based on primary data collected from 260 respondents from ICICI bank in India, 200 respondents from ICICI bank in UK, 220 respondents from HDFC bank in India and 264 respondents from HDFC bank in the UK. The primary data has been collected by administering a questionnaire consisting of 44 questions, out of which 41 are close ended questions. The questions pertaining to CRM items have been designed using the five point Likert scale. 7 questions have been used to create the demographic profile of customers, 3 questions pertain to the particular bank services used by the customer; and 33 questions to gauge the perception about customer relationship management programme of the bank and the customer's loyalty towards the bank.

HYPOTHESIS

1. **Null Hypothesis H0:** There is no significant impact of Establishing Customer Care Support on Customer Loyalty (Reinforcement).
Alternate Hypothesis H1: There is significant impact of Establishing Customer Care Support on Customer Loyalty (Reinforcement).
2. **Null Hypothesis H0:** There is no significant impact of Providing Timely Information on Customer Loyalty (Reinforcement).

Alternate Hypothesis H1: There is significant impact of Providing Timely Information on Customer Loyalty (Reinforcement).

3. **Null Hypothesis H0:** There is no significant impact of Issuing Credit & Debit cum ATM card on Customer Loyalty (Reinforcement).

Alternate Hypothesis H1: There is significant impact of Issuing Credit & Debit cum ATM card on Customer Loyalty (Reinforcement).

4. **Null Hypothesis H0:** There is no significant impact of Creating awareness regarding online & e-banking on Customer Loyalty (Reinforcement).

Alternate Hypothesis H1: There is significant impact of Creating awareness regarding online & e-banking on Customer Loyalty (Reinforcement).

5. **Null Hypothesis H0:** There is no significant impact of Message Alert on Customer Loyalty (Reinforcement).

Alternate Hypothesis H1: There is significant impact of Message Alert on Customer Loyalty (Reinforcement).

6. **Null Hypothesis H0:** There is no significant impact of Personal Assistance to customer on Customer Loyalty (Reinforcement).

Alternate Hypothesis H1: There is significant impact of Personal Assistance to customer on Customer Loyalty (Reinforcement).

7. **Null Hypothesis H0:** There is no significant impact of Timely problem solving on Customer Loyalty (Reinforcement).

Alternate Hypothesis H1: There is significant impact of Timely problem solving on Customer Loyalty (Reinforcement).

8. **Null Hypothesis H0:** There is no significant impact of Adopting fair business practice (CRM Practices) on Customer Loyalty (Reinforcement).

Alternate Hypothesis H1: There is significant impact of Adopting fair business practice (CRM Practices) on Customer Loyalty (Reinforcement).

STATISTICAL ANALYSIS

Chi-squared Test

Table 1.1: Results of Chi-squared test

Test Statistics								
	Personal Ass.	E.C.C. Support	Fair B. Prac	Problem Solv	Cr. Dr. Card	Online_E-banking	Timely_ Info	MessageAlert
Chi-Square	13.854 ^a	212.712 ^a	223.654 ^a	213.72 ^a	328.44 ^a	12.84 ^a	203.54 ^a	14.954 ^a
Df	3	3	3	3	3	3	3	3
Asymp. Sig.	.000	.003	.002	.000	.000	.000	.000	.000

a. 0 cells (.0%) have expected frequencies less than 5.

The chi-square tool is applied by the researcher to check the acceptance or rejection of variable. This table reveals that since the value of independent variables i.e. Personal Ass. (Personal assistant provided), E.C.C.Suport, Cr.Dr. Card, Online & E-banking, Message Alert, Timely Info, Problem Solving, Fair B. Practice have asymp. Side value .000, .003, .000, .000, .000, .000, .000 and .002 respectively, which is less than the critical value .05, hence the null hypothesis is accepted, which implies that there is no significant relationship between Personal assistant provided, Establishing Customer Support, providing credit & debit card, online & e-banking facility, message alert, giving timely information, timely problem solving and practicing fair business practices and Customer Loyalty (Reinforcement).

Factor analysis

Factor analysis is one of the tools used when the research has many variables so in order to get to know about the important variable we do the factor analysis. **Factor analysis** is a statistical method used to describe variability among observed, correlated variables in terms of a potentially lower number of unobserved variables called **factors**.

The researcher has conducted Factor Analysis on the data in this research with the following results and interpretations:

Factor Analysis:-**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.640
Bartlett's Test of Sphericity	Approx. Chi-Square	5.364E3
	Df	45
	Sig.	.000

Component Matrix^a

	Component		
	1	2	3
Pers.Asst.	.943		
Info	.919		
TimelyTransac.	.896		
MobileEBank.	.895	-.300	
CallCentre	.755	.337	-.501
StaffPolite	.726		.571
FairB.Prac.	.678	-.612	
Cr.Dr. Cards	-.610	-.422	.301
		.915	
Message Alert	-.525	.463	.633

Interpretation:-

- This KMO and Bartlett's is signifying the value i.e. 0.640 which is greater than the value 0.5. Hence the value is signifying that data collected is highly significant.
- This is the matrix showing four very important factors and their values in each column. Highest value is selected from each column which shows the importance of most important variables which are impacting more on the post purchase evaluation and will be most influencing factors.
- The graph is showing there are 4 important factors having more than 1 eigen values which is stating that these are the most important variables.
- Those three important variables are provision of personal assistant, availability of information about products, timely completion of transactions and provision of mobile and e-banking.

Cronbach's α (alpha) is a coefficient of reliability. The value of alpha is interpreted as follows:

In this research work, the Cronbach's alpha reveals the following result:

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.823	.891	10

Table 6.39: Value of Cronbach's alpha

Interpretation: As the cronbach's alpha is more than 0.8, hence the data in this research is reliable.

Regression analysis performed through SPSS revealed the following in this research work:

Table 1.2: Regression analysis

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.383 ^a	.647	.050	1.394

a. Predictors: (Constant), Fair B. Practice, Online & E-banking, Cr. Dr. Card, E.C.C.Suport, Timely Info, Problem Solving, Personal Ass., Message Alert

b. Dependent Variable: Customer Loyalty

Interpretation:

The value of R Square (²) is .647 which is indicating that PersonalAssistant, ProblemSolving, FairBusinessPracrice, OnlineBanking 64.7% impact on the Customer Loyalty, which implies the dependent variable is very much influenced by the independent variables.

RESULTS & CONCLUSIONS

- The extensive analysis of data collected from the ICICI and HDFC banks has revealed that the independent variables in the study, namely the various CRM practices, such as providing a personal assistant, timely and reliable complaint handling, empathetic bank employees, timely and understandable information regarding the bank's products and services, provisions of adequate number of branches, facilities of online

and mobile banking, efficient and fair business practices, all influence the dependent variable, i.e. customer loyalty.

- The customer loyalty can be measured in terms of customer retention, customer spreading word of mouth publicity about the bank, customer willing to buy other products and services from the bank and staying with the bank despite increase in service charges. All these constitute and strengthen customer reinforcement, i.e. choosing the bank amongst other competitors.
- Commendable CRM practices by various banks include provision of personal banking assistants, mobile and e-banking services, prompt and timely completion of banking transactions, helpful and understandable written information about bank's products and services, personalised services and a choice of channels through which the customer can access the banking services.
- The unique CRM practices adopted by HDFC bank in India and the UK through the implementation of CRMnext have not only won them laurels from the industry but also increased their customer base, lead generation and lead conversion rates significantly.
- The ICICI bank in India as well as UK is recognized by the consumer as having good CRM practices, but should extend these into the rural banking in India as well in order to further cement the relationship with the majority Indian customers who could bring sound business growth to the bank.
- Customers are not only demanding the best interest rates and security in their banking transactions, but also expect their banks to display personalised service with an aim at establishing a trustworthy relationship with their banks.
- Good CRM implementation is possible through adequate training and empowerment of the bank staff, as shown by ICICI and HDFC in India and UK.
- In developed countries like the UK, customers are much more demanding and aware of their consumer rights and hence the level of customer services also matches their expectations.
- In developing countries like India, the level of customer services are satisfactory, but need further implementation and penetration from the niche to other segments of the market.

- CRM has to be seen as an essential technology-driven tool which integrates technology with people and serves to make the banking practices more accessible, understandable and personal to their customers.

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