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# AN ANALYSIS UPON CONTRIBUTION OF CRM SUCCESS FACTORS FOR BANKING PERFORMANCE ENHANCEMENT: DEVELOPMENTS AND IMPLEMENTATION

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# An Analysis upon Contribution of CRM Success Factors for Banking Performance Enhancement: Developments and Implementation

**Hareram Pandit[1]* Dr. Giriraj Singh Ahirwar[2]**

[1]Research Scholar, SSSUTMS, Sehore

[2]UTD, SSSUTMS, Sehore

***Abstract – Customer Relationship Management is emerging as a new phenomenon however; relationship oriented marketing practices date back to the Pre-Industrial Era. The current study explores the CRM best practices currently being followed in Indian Retail Banking Sector. It provides an integrated view to Indian Banks and to every employee in the organization, that they should be empathetic towards their customers and should treat them fairly. Customers have lot more choices available today than ever before. The only way to attract and retain customers is create, manage and develop relations with customers, thereby resulting in maximized total customer lifetime value.***

***Conceptually, customer relationship management (CRM) has been widely embraced by businesses. In practice, however, examples of success contrast with anecdotes where the diffusion of CRM into organizations continues to be a slow process and/or where CRM implementation outcomes have fallen short of expectations.***

***Successful implementation of CRM initiatives depends on a number of factors such as information quality, system quality, service quality, top management support, and technological readiness were empirically tested. Moreover, major indicators (measures) of successful implementation of CRM initiatives such as increasing customer retention rate, increasing customer acquisition rate, deepening relationship with customers, and improving customer satisfaction are also empirically tested. Building on the results of a survey of the CRM-implementation-related experiences of 18 Jordan based banks with 154 self-administered questionnaire participants in this study, the authors identify factors associated with successful CRM implementation and identify indicators of successful or effective implementation and highlight the implications of the study findings for future research.***

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## INTRODUCTION

CRM is the process of managing detailed information about individual customers and carefully managing all the customer "touch points" with the aim of maximizing customer loyalty. The major objective-cum-meaning of CRM is "to turn current and new customer into regularly purchasing clients and then to progressively move them through being strong supporters of the company and its products and finally being active and vocal advocate for the company in the market. Hence, CRM is to establish, maintain and enhance Relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by mutual exchange and fulfillment of promises. Such relations are usually but not necessarily always long term. So CRM is the commitment of the company to place the customer experience at the center of its priorities and to ensure that incentive systems, processes and information resources leverage the Relationship by enhancing the experience.

Customer relationships are an important Bank asset. A firm can use this customer equity to improve its growth and profitability prospects during economic downturns and upturns. Banks and financial institutions started recognizing that they can no longer look at a customer from a specific product or snapshot perspective but must encompass the entire customer relationship towards a client's profitability. From a strategic standpoint, CRM mobilizes resources around customer relationships rather than product groups and fosters activities that maximize the value of lifetime relationship. From an operational standpoint, CRM links business processes across the supply chain from back-office functions through all touch points, enabling continuity and consistency across a customer relationship. From an analytical standpoint, CRM is a host of analytical data tools that enable banks to fully understand customer segments, assess and maximize lifetime value of each customer, model "what-if" scenarios, predict customer behaviors, and design and track effective marketing campaigns. Today, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management (CRM) and its potential to help them acquire new customers and retain existing ones and maximize their lifetime value.

Competition in the financial services industry has intensified in recent years, owing to events such as technology changes and financial industry deregulation. Conventional banking distribution has been gradually supplemented by the emerging use of electronic banking. Many bank customers prefer using ATMs or a website rather than visiting a branch, while technology has also reduced barriers to entry for new customers. Today, customers have more power in deciding their bank of choice. Consequently, keeping existing customers, as well as attracting new ones, is a critical concern for banks. Customer satisfaction is an important variable in evaluation and control in a bank marketing management. Poor customer satisfaction will lead to a decline in customer loyalty, and given the extended offerings from the competitors, customers can easily switch banks. Banks need to leverage effectively on their customer relationships and make better use of customer information across the institution. Successful banks all over the world have invested considerably in customer relationship management technologies, which in turn would increase banks profits considerably on one hand and improve the level of their customers in doing business with them on the other hand. Further such banks are very sensitive to the risks they face in dealing with money in the form of credit risk or market risk or operational risk. Banks continuously embrace, with great favor the latest development in customer relationship management and information and communication technologies in order to service better and earn more profits.

Nowadays, customers are no longer simply looking for the best price, they expect high level of service and care from operators. Customers are in charge because they make the rules; if organizations are to survive, they must do business in any way the customer wants. Moreover, banks need to continuously create new value propositions for customers in order to survive in an increasingly dynamic market (Kalkota & Robinson 2001). As a result, customer relationships have become a company's most valued asset.

However, with the globalization of the economy, the banking sector is facing additional challenges such as keeping up with technological progress, burgeoning competition and growing customer volatility. Hence, the banking sector, with its attentive approach to the needs of banking operators, designed several systems to increase customer satisfaction and retention, and make the customers feel important. One of the most important systems in the banking sector is the CRM technology system, because CRM aids in serving better the customers whom are considered to be the backbone and the most important asset in the organization.

When introduced over 10 years ago, customer relationship management systems (CRM) were touted as the answer for expanding relationships and building loyalty and customer-centric strategy, this led many banks to invest heavily in CRM. In their efforts to increase efficiencies and reduce costs, leading banks have encouraged this shift with self-service kiosks inside the branch and expanding the functionality of ATMs. Now those banks have improved efficiencies at the branch level, they must look to the bigger question of how to generate more revenue and build market share in the market. An effective or successful implementation of the CRM system can contribute to the organization in terms of improved sales, market share profitability, customer satisfaction and reduced customer turnover, service cost and time (Rajnish et al., 2003). However, there are important issues in achieving CRM success such as strategic, organizational and technological issues.

Even though, technology, business processes and top management support are critical to CRM implementation, successful firms view technology as a tool to help build profitable customer relationships while recognizing that individual employees are the building blocks (Kennedy et al., 2006). Based on a comprehensive and intensive literature review, the critical success factors required for the effective implementation of the CRM system considered in this study are information quality, system quality, service quality, top management support, and technological readiness.

Beyond the growing costs of marketing and customer acquisition, banks lose customers because of poor service, the real loss comes from the fact that banks generate customer profitability increases as the relationship matures, of course some of their loses are natural attrition due to death, moves, or other life occurrences of customers, but most of these customers leave because of dissatisfaction (Skea, 2005).

Today's CRM systems often rely on employees to identify opportunities and initiate actions based on self-defined reports, which has kept the focus on sales and marketing instead of on day-to-day operations. Linking transactions to CRM and, as a result, launching processes can help banks connect the dots for branch employees. Moreover, real-time business analysis and response to customer realities motivate employees to offer more appropriate service and build the customer's relationship with the branch and the bank, since they focuse human and financial resources on maximizing existing customer relationships and of ceaseless investments in mailing and marketing to recruit new customers.

Today, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management (CRM) and its potential to help them acquire new customers, retain existing ones and maximize their lifetime value. At this point, close relationship with customers will require a strong coordination between IT and marketing departments to provide a long-term retention of selected customers. This paper deals with the role of Customer Relationship Management in banking sector and the need for Customer Relationship Management to increase customer value by using some analitycal methods in CRM applications.

CRM is a sound business strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, repricing, discretionary decision making, and customized service-all delivered through the various sales channels that the bank uses. Under this case study, a campaign management in a bank is conducted using data mining tasks such as dependency analysis, cluster profile analysis, concept description, deviation detection, and data visualization. Crucial business decisions with this campaign are made by extracting valid, previously unknown and ultimately comprehensible and actionable knowledge from large databases. The model developed here answers what the different customer segments are, who more likely to respond to a given offer is, which customers are the bank likely to lose, who most likely to default on credit cards is, what the risk associated with this loan applicant is.

Finally, a cluster profile analysis is used for revealing the distinct characteristics of each cluster, and for modeling product propensity, which should be implemented in order to increase the sales.

## LITERATURE REVIEW

CRM has been a part of marketing literature since more than a decade. Interestingly, there is still much debate over what exactly constitutes CRM. According to Parvatiyar and Sheth (2001), some of the themes represent a narrow functional marketing perspective while others offer a perspective that is broad and paradigmatic in approach and orientation. Puccinelli (1999) looks the financial services industry as entering a new era where personal attention is decreasing because the institutions are using technology to replace human contact in many application areas. Over the last few decades, technical evolution has highly affected the banking industry. For more than 200 years, banks were sing branch-based operations, since 1980s things really getting changed with the advent to multiple technologies and applications. A different organization got affects from this revolution; banking industry is one of it. In this technology revolution, technology based remote access delivery channels and payments systems surfaced which included automated teller machines (ATM) displaced cashier tellers, telephone represented by call centers replaced the bank branch, internet replaced the mail, credit cards and electronic cash replaced traditional cash transactions, and interactive television will replace face-to-face transactions (Sherif, 2002).

In this paragraph, sincere effort is given to highlight the concept and significance of CRM vis a vis the uses and application of CRM in Banking sector. In the literature, the main difference among the definitions of CRM are technological and relationship aspects of CRM. The phrase CRM appeared in the literature after the evolution in the relationship marketing philosophy.

Berry (1983) defined relationship marketing as attracting, maintaining and enhancing the customers' relationships in multi-service organisation. After a few decades, the evolution in relationship marketing philosophy changed the word relationship marketing to CRM. According to Brown (2000) CRM is a process of acquiring new customers, retaining the existence customers, and at the same time understands, anticipates and manages the needs of an organisation's current and potential customers. Furthermore, Mylonakis (2009) described CRM as an innovative process to create a long term relationship and gaining trust.

The organisational performance is enhanced because marketing efficiency is achieved due to the cooperative and collaborative processes introduced by CRM which helps in reducing transaction costs and overall development costs for the company. These brings about two important processes of proactive customer business development and building partnering relationships with the most important customers and eventually leads to superior mutual value creation between the organisation and the customer. Further, a clear vision of CRM along with appropriate strategies if applies in banking sectors found out that beneficial in maintaining the customer service quality, customer satisfaction and customer retention which ultimately leads to the growth of the organisation and profitability. Girdhar (2009) observed that by satisfying the internal customers and building good relationship with them, the relationship with the external customers can also be retained and satisfied by the banks. Kumar & Rajesh (2009) reveals that any bank that wishes to either grow in size of its banking operation or improve its profitability must consider the challenges affecting its customer relationship.

The following literature review section provides a discussion and argument for the service quality and CRM practices. The challenge before the banks is not only to obtain updated information for each customer, but also to use the information to determine the best time to offer the most relevant products. It is also important to understand that if customers bring in profits for the bank, it becomes imperative for the bank to provide excellent services to those customers, otherwise they switch to other banks.

The literature on CRM suggests that banks should consider the customer relationship life cycle. In general, there are three core phases: customer acquisition, customer enhancement, and customer recovery. The acquisition phase describes the initiation of a customer-bank relationship. In CRM initiatives, customer representatives' help customers get used to the products and services, thereby increase customer familiarity. As the service industry has a high degree of integration and interaction in terms of contact contribution, empowerment is a helpful instrument for successful control of individual customer relationships. Service recovery is critical as it provides an opportunity to retain customers. If the customer has been lost but is still attractive, recovery offers could be made to the customer (e.g. cancellation in the initiation fee; taking care of formality caused by the switching) or value added services could be offered. In the customer-centered paradigm, customer asset management (CAM), customer equity (CE), return on quality and service profit chain are similar to CRM.

Some researchers argue that the process by which information systems are developed is poorly understood especially the social factors involved. The proposed process model elucidates the technology and social factors associated with CRM development, and how they influence each other and then lead to the consequences of IS development. The model aids in the empirical detection of repeating patterns of social activity in IS development.

This study proposes a research model that helps in identifying the critical success factors of CRM technological initiatives. Moreover, the research model helps in identifying the major indicators of successful (effective) implementation of CRM initiatives. The constructs of this study constitute an extended version of Croteau & Li (2003) and Bohling et al., (2006). The research constructs are composed of the CSF: information quality; system quality; service quality; top management and; technological readiness. The research constructs also include major indicators of successful (effective) implementation of the CRM initiatives: improving customers satisfaction; deepening relationship with customers; increasing customer acquisition rate and; increasing customer retention rate.

## CONCEPT OF CRM

The concept of Customer Relationship Management has its roots in relationship marketing. Relationship marketing brought new approach to relations with customers, creating at the same time new market assumptions. CRM is a business strategy focused on maximizing shareholder value through winning, growing, and keeping the right customers. We can distinguish here two important elements. First of all, concentrating on the most important from company's perspective customers and second of all retaining long-term relationship with them. That is why it is essential to collect consequently customers' opinions, complaints and new needs. In this way it is possible to approach a client more individually, and make them feel important for the company, because each company is worth as much as customer values it. Satisfied client will also recommend company's products to their friends.

**CRM Is All About -**

- Finding your customers
- Collecting information about them along the way.
- Using that info to enhance their experience and foster long-term relationship.

**CRM Objectives in Banking Sector-**

CRM, the technology, along with human resources of the banks, enables the banks to analyze the behavior of customers and their value. The main areas of focus are as the name suggests: customer, relationship, and the management of relationship and the main objectives to implement CRM in the business strategy are:

- To simplify marketing and sales process
- To make call centers more efficient
- To provide better customer service
- To discover new customers and increase customer revenue
- To cross sell products more effectively

The CRM processes should fully support the basic steps of customer life cycle. The basic steps are:

- Attracting present and new customers
- Acquiring new customers
- Serving the customers Finally,
- retaining the customers

**Step to follow-**

The following steps minimize the work regarding adoption of CRM strategy. These are:

- Identification of proper CRM initiatives
- Implementing adequate technologies in order to assist CRM initiative
- Setting standards (targets) for each initiative and each person involved in that circle
- Evaluating actual performance with the standard or benchmark
- Taking corrective actions to improve deviations, if any

**Analytical Data Collection--**

The Analytical Data information is customer centric and contains the following data:

1. Demographic (age, sex, cultural level, marital status, etc.)
2. Ownership of bank's product/services
3. Product/services usage (balance, transactions, etc.)
4. Global variables : profit, cost, risk, assets, liabilities
5. Relationship with the bank: segment, portfolio, etc.

## BENEFITS OF USING CRM IN BANKING INDUSTRY

Certainly a benefit for each company is to achieve better economic results thanks to achieving higher value from every interaction with a customer. Competition is very sharp in current market. Companies must take care of a customer in every area of their specialization by using various communication channels. Customer expects perfect services whether he calls a help line, asks a dealer, browses a web site or personally visits a store. It is necessary to assure him in a feeling that he communicates with the same company whatever form of communication, time or place he chooses.

According to Matusinska (2009, p. 191) the basic advantages and benefits of CRM are these:

- Satisfied customer does not consider leaving
- Product development can be defined according to current customer needs
- The ability to sell more products
- Optimization of communication costs
- Proper selection of marketing tools (communication)
- Trouble-free run of business processes
- Greater number of individual contacts with customers
- More time for customer
- Differentiation from competition
- Real time access to information
- Fast and reliable predictions
- Communication between marketing, sales and services
- Increase in effectiveness of teamwork
- Increase in staff motivation

## IMPLEMENTING CRM

To ensure the well-functioning of the concept of customer relationship management for successfully implementation in banking sector prospects, and devotes time and attention to expanding account relationship with those customers through individualized marketing, reprising, discretionary decision making, and customized service through the various sales channels that the bank uses. Any financial institution seeking to adopt a customer relationship model should consider six key business requirements (Chary & Ramesh, 2012), these are:

1. Create a customer-focused organisation and infrastructure.
2. Gaining accurate picture of customer categories.
3. Assess the lifetime value of customers.
4. Maximize the profitability of each customer relationship.
5. Understand how to attract and keep the best customers.

6. Maximize rate of return on marketing campaigns

## CONCLUSION

In this day and age, customers enjoy complete luxury in terms of customized technical solutions and banks use the same to cement long-term, mutually-beneficial relationships. For a bank to succeed in adopting a CRM philosophy of doing business, bank management must first understand CRM as a holistic concept that involves multiple, interlocking disciplines, including market knowledge, strategic planning, business process improvement, product design and pricing analysis, technology implementation, human resources management, customer retention, and sales management and training.

The general discussion can be said that the bank is yet to develop an integrative approach which focuses on the customer needs and to deliver to it. As shown by the study, the bank is far from developing a customer centric approach both for the customer as well as for the employees.

The same approach is now being extended to small and medium businesses and to commercial customers. Moreover the analytical and strategic CRM cycle is being completed by developing an application analyzing customers' attrition and deploying strategies to reduce it.

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**Corresponding Author**

**Hareram Pandit***

Research Scholar, SSSUTMS, Sehore

**E-Mail – chairman.iab@gmail.com**