

A Study on Customer Relationship Management in Banks

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Abstract: As economic globalization increases the competition and creates a climate of constant change, winning and keeping customers has never been more important. Nowadays, Banks have realized that customer relationships are a very important factor for their success. Customer relationship management (CRM) is a strategy that can help them to build long-lasting relationships with their customers and increase their revenues and profits. CRM in the banking sector is of greater importance. Traditionally, few people changed their banks unless serious problems occurred during the past days. Customers largely selected their banks based on how convenient the location of bank's branches was to their homes or offices. With the advent of new technologies in the business of bank, such as Internet Banking and ATMs, now customers can freely chose any bank for their transactions. Thus, the customer base of banks has increased, and so has the choices of customers for selecting the banks. Organization of financial institutions were focus on customer centric rather than product centric assumption and reflected in their marketing policies. Marketing operations consist of two activities: acquisition and retention of customers. In the world of mass and target marketing, the focus was on the acquisition side. On the other hand, in the world of relationship marketing, attention shifted to retention. This happened mainly because of the cost involved. In general, it is believed that it is five to 10 times more expensive to acquire a new customer than obtain repeat business from an existing customer. As the needs of customers become diversified, conventional promotions became less efficient and drove up costs. The pressures of competitive and dynamic markets have contributed to the growth of CRM in the Financial Services Sector.

Key words: CRM, Bank, Customer

Introduction

Customer relationship management (CRM) is a management strategy that unites information technology with marketing. It originated in the United States in the late 1990's, and, to date, has been accepted in a significant number of companies worldwide. CRM stands for Customer Relationship Management. It is a process or methodology used to learn more about customers' needs and behaviors in order to develop stronger relationships with them. There are many technological components to CRM, but thinking about CRM in primarily technological terms is a mistake. The more useful way to think about CRM is as a process that will help bring together lots of pieces of information about customers, sales, marketing effectiveness, responsiveness and market trends. CRM helps businesses use technology and human resources to gain insight into the behavior of customers and the value of those customers. We can view CRM as an integrated system of web enabled software tools and databases accomplishing a variety of customer-focused business processes that support the three phases of the relationship between a business and its customer. Customer relationship management (CRM) is a business strategy to acquire and manage the most valuable customer relationships. CRM requires a customer-centric business philosophy and culture to support effective marketing, sales and service processes. CRM applications can enable effective customer relationship management, provided that an enterprise has the right leadership, strategy and culture.

Definition

“Customer relationship management (CRM) is a business strategy to acquire and manage the most valuable customer relationships. CRM requires a customer-centric business philosophy and culture to support effective marketing, sales and service processes. CRM applications can enable effective customer relationship management, provided that an enterprise has the right leadership, strategy and culture.”

Review of Literature

In a recent review of CRM, Boulding et al. (2005) argue that the field of CRM has now begun to converge on a common definition: “Specifically, CRM relates to strategy, managing the dual-creation of value, the intelligent use of data and technology, the acquisition of customer knowledge and the diffusion of this knowledge to the appropriate stakeholders, the development of appropriate (long-term) relationships with specific customers and/or customer groups, and the integration of processes across the many areas of the firm and across the network of firms that collaborate to generate customer value”

Objectives of the Study

- To study about CRM in banking sector
- To explore significance of CRM

Concept of CRM

Customer Relationship Management is the establishment, development, maintenance and optimization of long-term mutually valuable relationships between consumers and the organizations. Successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business, by integrating them with the organization's strategy, people, technology and business processes.

At the heart of a perfect CRM strategy is the creation of mutual value for all the parties involved in the business process. It is about creating a sustainable competitive advantage by being the best at understanding, communicating, and delivering, and developing existing customer relationships in addition to creating and keeping new customers. So the concept of product life cycle is giving way to the concept of customer life cycle focusing on the development of products and services that anticipate the future need of the existing customers and creating additional services that extend existing customer relationships beyond transactions.

CRM is a customer focused business processes that support the three phases of the relationship between a business and its customer.

Acquire

New customers by doing superior job of contact management, sales prospecting, selling, direct marketing and fulfilment.

Enhance

Relations by keeping customers happy by supporting superior service from a responsive networked team of sales and service specialists.

Retain

Its customers by rewarding loyal and profitable customers, expand their business and reward personalized business relationship

History of CRM

Beginning in the early 1980's, in the United States Customer Relationship Management (CRM) was called Contact Management. Information was collected from customers and companies. In the early 1990's call centers were generated and the customer service information analysis function was performed through data warehouse, data mining, and others technologies. Now, Web-enabled Call Centers are used to enlarge the market and determine customer initiated value-added services. Recently, CRM has become a popular issue and thus the enterprises focus their attention on the customers and the customers' consuming patterns. The customers' satisfaction after consumption also becomes more significant.

Significance of CRM in Business

- ❖ Helps identify their best customers
- ❖ It makes possible real time customization of products and services based on customer needs
- ❖ Helps in providing consistent customer experience and superior service

Benefits of CRM

Customer relationships are becoming even more important for banks as market conditions get harder. Competition is increasing, margins are eroding, customers are becoming more demanding and the life-cycles of products and services are shortening dramatically. All these forces make it necessary for banks to intensify the relationship with their customers and offer them the services they need via the channels they prefer. CRM helps banks to provide lot of benefits to their customers; some key benefits are as follow.

- ❖ Service provisioning throughout the entire life cycle of the corporate customer, from the initial stages to the establishment of a close, long-term relationship with profitable clients.
- ❖ Optimization of the use of bank resources, such as alternative channels of distribution.
- ❖ Significant reduction in and limitation of operational costs through system automation and standardization.
- ❖ Low maintenance and expansion costs owing to the use of modern administration tools which allow bank employees to make a wide range of modifications to the system.
- ❖ CRM permits businesses to leverage information from their databases to achieve customer retention and to cross-sell new products and services to existing customers.
- ❖ Companies that implement CRM make better relationships with their customers, achieve loyal customers and a substantial payback, increased revenue and reduced cost.
- ❖ CRM when successfully deployed can have a dramatic effect on bottom-line performance.

Result of CRM

- Higher revenues
- Lower costs
- Effective in targeting the right customer base
- Right services via the right channels
- Able to save money.

Conclusion

After above discussion it could be concluded that relationships with customers help a lot growing the revenues of the organization. Relationship marketing is all about creating, building and maintaining the relationships with the customers for the long-term profits. Transactional marketing is the one sale ahead strategy which doesn't mainly focuses on building the relations, but this approach of marketing is still applicable and many big organizations still use this approach of marketing more or less. While CRM is the comprehensive approach of creating and maintaining long term relationships. This one to-one marketing approach has impacted a lot on different aspects of the organization.

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