CRM Practices – A Successful Management Tool for E-Banking

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ABSTRACT

The core objective of modern CRM methodology is to help businesses to use technology and human resources to gain a better view of customer behavior. With this, a business can hope to achieve better customer service, make call centres more efficient, cross-sell products more effectively, simplify marketing and sales processes, identify new customers and increase customer revenues. Due to increasing competition in retail banking, understanding the customer perception about service quality is becoming indispensible. The private sector Banks are posing a very stiff competition to the public sector banks through their initiatives for meeting customer expectations and gaining a cutting edge. This is reflected by the increasing market share and better profitability of private Banks in comparison to that of the public sector Banks. At the same time public sector banks have also responded to the Challenges posed by the private sector Banks through conscious efforts to enhance their service. Though there are enough literature on CRM in banking sector very little effort is made to understand and analyse the role of technology in maintaining and enhancing the CRM activities of the banks. E-Business being the need of the hour so is e-Banking there are certain areas where we still feel that there cannot be a replacement for the man hours in the place of machine. This study focus on " CRM practices in public sector banks in e-Banking Perspective".

1. INTRODUCTION

CRM is a powerful management tool that can be used to exploit sales potential and maximize the value of the customer to the bank. Generally, CRM integrates various components of a business such as sales, marketing, IT and accounting. This strategy may not increase a business's profit today or tomorrow, but it will add customer loyalty to the business. In the long term, CRM produces continuous scrutiny of the bank's business relationship with the customer, thereby increasing the value of the Customer's business. Although CRM is known to be a relatively new method in managing customer loyalty, it has been used previously by retail businesses for many years.

The core objective of modern CRM methodology is to help businesses to use technology and human resources to gain a better view of customer behavior. With this, a business can hope to achieve better customer service, make call centres more efficient, cross-sell products more effectively, simplify marketing and sales processes, identify new customers and increase customer revenues. As an example, banks may keep track of a customer's life stages in order to market appropriate banking products, such as mortgages or credit cards to their customers at the appropriate time.

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The next stage is to look into the different methods customers' information are gathered, where and how this data is stored and how it is currently being used. For instance, banks may interact with customers in a countless ways via mails, emails, call centres, marketing and advertising. The collected data may flow between operational systems (such as sales and stock systems) and analytical systems that can help sort through these records to identify patterns. Business analysts can then browse through the data to obtain an in-depth view of each customer and identify areas where better services are required.

2. CRM IN BANKING SECTOR

Over the years, banks have invested heavily in CRM, especially in developing call centres, which, in the past, were designed to improve the process of inbound calls. In future, call centres will evolve to encompass more than just cost reduction and improved efficiency. According to Gartner Group, more than 80 per cent of all US banks will develop their call centres as alternative delivery channels and revenue centres, to be used for the delivery of existing products and services.But to be successful, a bank needs more than the ability to handle customer service calls. It needs a comprehensive CRM strategy in which all departments within the bank are integrated.

CRM, the technology, along with human resources of the banks, enables the banks to analyze the behavior of customers and their value. In today's increasingly competitive environment, maximizing organization growth through sales momentum has become a priority for Banks and Financial institutions.

To build this momentum banks are focusing on Customer relationship management initiatives to improve:

- Customer satisfaction and loyalty
- Customer insight/ 360º view of customer
- Speed to market for products and service
- Increase products-to-customer ratio
- Improve up sales and cross sales
- Capitalizing on New market opportunities

3. BANKING SECTOR IN INDIA

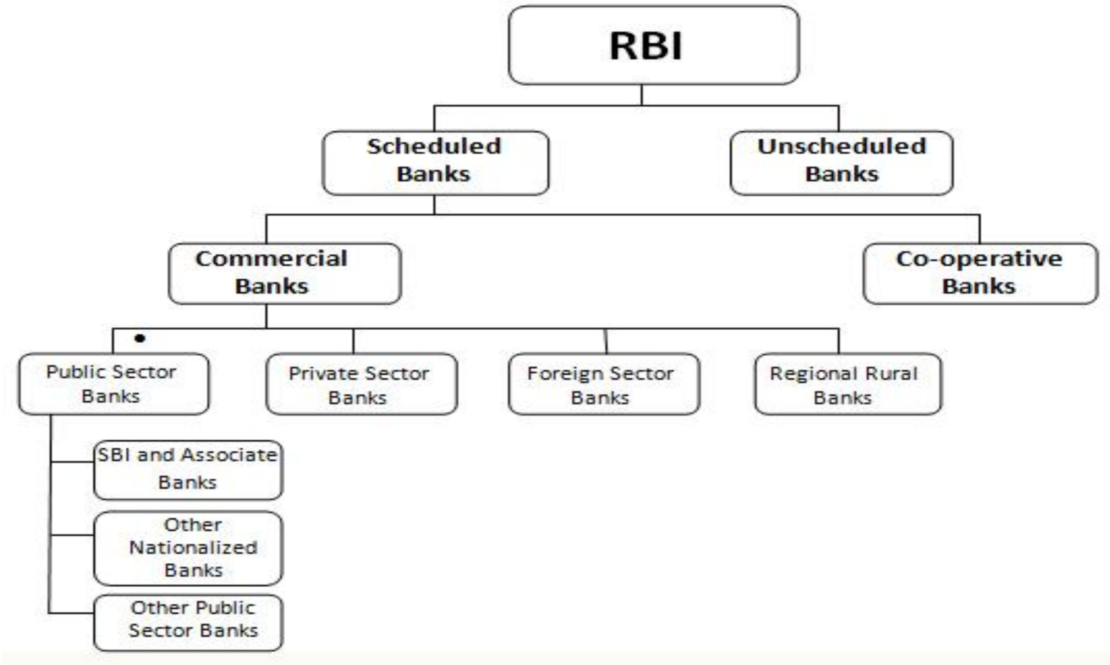
Banking in India in the modern sense originated in the last decades of the 18th century. Among the first banks were the Bank of Hindustan, which was established in 1770 and liquidated in 1829-32; and the General Bank of India, established 1786 but failed in 1791.The largest bank, and the oldest still in existence, is the State Bank of India. It originated as the Bank of Calcutta in June 1806. In 1809, it was renamed as the Bank of Bengal. This was one of the three banks funded by a presidency government, the other two were the Bank of Bombay and the Bank of Madras. The three banks were merged in 1921 to form the Imperial Bank of India, which upon India's independence, became the State Bank of India in 1955. For many years the presidency banks had acted as quasi-central banks, as did their successors, until the Reserve Bank of India was established in 1935, under the Reserve Bank of India Act, 1934.

4. BANKING STRUCTURE IN INDIA: AN OVERVIEW

Indian Banks are classified into commercial banks and co-operative banks. Commercial banks comprise: 1) schedule commercial banks (SCBs) and non-scheduled commercial banks. SCBs are further classified into private, public, foreign banks and regional rural banks (RRBs); and 2) co-operative banks which include urban and rural co-operative banks. The Indian banking industry has its foundations in the 18th century, and has had a varied evolutionary experience since then. The initial banks in

India were primarily traders' banks engaged only in financing activities. Banking industry in the pre-independence era developed with the Presidency Banks, which were transformed into the Imperial Bank of India and subsequently into the State Bank of India. The initial days of the industry saw a majority private ownership and a highly volatile work environment. Major strides towards public ownership and accountability were made with Nationalisation in 1969 and 1980 which transformed the face of banking in India. The industry in recent times has recognised the importance of private and foreign players in a competitive scenario and has moved towards greater liberalisation

Structure of Indian Banking System is as Follows:



5. CRM IN INDIAN BANKS

In recent years, the banking industry around the world has been undergoing a rapid transformation. In India also, the wave of deregulation of early 1990s has created heightened competition and greater risk for banks and other financial intermediaries. The cross-border flows and entry of new players and products have forced banks to adjust the product-mix and undertake rapid changes in their processes and operations to remain competitive. The deepening of technology has facilitated better tracking and fulfillment of commitments, multiple delivery channels for customers and faster resolution of miscoordinations.

Unlike in the past, the banks today are market driven and market responsive. The top concern in the mind of every bank's CEO is increasing or at least maintaining the market share in every line of business against the backdrop of heightened competition. With the entry of new players and multiple channels, customers (both corporate and retail) have become more discerning and less "loyal" to banks. This makes it imperative that banks provide best possible products and services to ensure customer satisfaction. To address the challenge of retention of customers, there have been active efforts in the banking circles to switch over to customer-centric business model. The success of such a model depends upon the approach adopted by banks with respect to customer data management and customer relationship management.

6. IMPLEMENTATION OF CRM IN INDIAN BANKS

With the advancement of banking technology and computerization and networking of bank branches, banking customers are becoming more and more dynamic and less loyal in their behaviour. The development of the Internet is further adding to this trend and the whole market becomes trans-parent and customers are in a position to move easily from one bank to another. In such a situation, customer satisfaction is the key to bank marketing, which aims at retention of the old customers and their bringing in new customers.

CRM system can open up new channels of delivery, which are most cost effective. We can cite example of the Internet and call centers. According to an estimate, cost per transac-tion through these modes can be reduced by 90 per cent when compared to cost of transaction at branch. To offer better and extended services to custom-ers new technology platforms are being created through huge investment in Information Technology in banking sector.

7. FACTORS OF CRM

The main principles of CRM can be grouped into seven guiding factors:

- Customer focus
- Leadership:
- Process approach
- System approach
- Involvement of people
- Mutually beneficial customer relationship
- Continual improvement

8. CRM PRACTICES IN PUBLIC SECTOR BANKS

Embracing technological platforms and delivery systems in banks, an important aspect is the effect this will have on the bank's customer relationships. Marketing process to attract For new customers should be seen as an intermediate step. Similar aspects of close relationships with these customers and to develop marketing loyalists.

9. eBANKING

Online banking, also known as internet banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. The online banking system will typically connect to or be part of the core banking system operated by a bank and is in contrast to branch banking which was the traditional way customers accessed banking services.

10. IMPACT OF E-BANKING ON BANKING SYSTEM

The banking system is slowly shifting from the Traditional Banking towards relationship banking. Traditionally the relationship between the bank and its customers has been on a one tone level via the branch network. This was put into operation with clearing and decision making responsibilities concentrated at the individual branch level. The head office had responsibility for the overall clearing network, the size of the branch network and the training of staff in the branch network. The bank monitored the organization's performance and set the decision making parameters, but the information available to both branch staff and their customers was limited to one geographical location.

10.1. To the Customer

- Anywhere Banking no matter wherever the customer is in the world. Balance enquiry, request for services, issuing instructions etc., from anywhere in the world is possible.

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- Anytime Banking – Managing funds in real time and most importantly, 24 hours a day, 7days a week.
- Convenience acts as a tremendous psychological benefit all the time.
- Brings down "Cost of Banking" to the customer over a period a period of time.
- Cash withdrawal from any branch / ATM
- On-line purchase of goods and services including online payment for the same.

10.2. To the Bank

- Reduces customer visits to the branch and thereby human intervention
- Inter-branch reconciliation is immediate thereby reducing chances of fraud and misappropriation
- On-line banking is an effective medium of promotion of various schemes of the bank, a marketing tool indeed.
- Integrated customer data paves way for individualized and customized services.

11. CONCLUSION

CRM in Pubic Sector Banks. In this Global environment the customer is more knowledgeable, their expectations are very high and they need more convenience in any services they avail. The major services offered by the public sector Banks are taken into consideration in order to study the customers relationship practices offered by the public sector banks. As such, there is a scope to examine whether the services provided by the Banks cater to the needs of various classes of customers. The present study not only brings to light the relationship strategies adopted, but also satisfaction towards instilled technological support by the banks.

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