

CRM the Most Valuable Component of Banking

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Abstract: All businesses in the contemporary world such as financial institutions, insurance companies, banks, and other service-providing organizations have realized the importance and need of Customer Relationship Management (CRM) and its abilities to enable them in a) Win back the former customers b) Retain existing customers c) Acquire new customers and d) Increase the Customers Lifetime Value. To accomplish this Banks need to sustain their engagement with their existing customers mandatorily and a strong synchronization is necessary between IT and Sales departments as they have to join hands to provide a long-term relation for their customers. This study in the paper deals with the role of CRM in the banking sector and how CRM helps in increasing customer value by using the CRM methods making it the most valuable Component of Banking.

CRM in banking sector is still not used widely though it is becoming the need of the hour that the Banks should provide this vital service which is mandatory to its valuable Customers. Customer Life Time value (CLV) and Customer Delight is improved by adopting and enriching the customer relationship building approaches which the Banking Sector should work on.

Keywords: CRM, Importance of CRM, Banking Sector, CRM for Banks

I. Introduction

Today, every businesses such as financial institutions such as banks, Life and non-Life Insurance Companies and many other service providers realize the need and importance of Customer Relationship Management (CRM) and its potential to help them a) Retain existing ones b) Acquire new customers and c) Increase the Customers Lifetime Value. To achieve this Banks need to maintain close relationship with their existing customers mandatorily and a strong coordination is necessary between IT and Sales departments as they have to join hands to provide a long-term relation for their customers. This study in the paper deals with the role of CRM in the banking sector and how CRM helps in increasing customer value by using the CRM methods making it the most valuable Component of Banking.

CRM in banking sector, though still not used extensively, is becoming the need of the hour that the Banks should provide its services necessary to its valuable Customers. Customer Life Time value (CLV) and Customer Delight is improved by adopting and enriching the customer relationship building approaches which the Banking Sector should work on.

CRM accomplishes the strategic needs of the Indian banking Sector which is one of the largest banking sectors in the entire world. It provides every financial institution with the process to acquire, retain and grow its customer's base. CRM a healthy process for making and sustaining an extensive relationships with customers and business.

1.1 CRM strategy

Customer Relationship Management is a process which is based on an in-depth knowledge of habits, behavior and needs of customers. It needs the constant collection of information of customer's behavior, as bank's goal is to offer benefits to customers based on his needs. Establishing a CRM concept requires continuous ongoing changes on customers and bank side.

Customer Life Time Value (CLV): Customer Relationship Management (CRM) is an enhanced study and a high level strategy that integrates information technology with Sales and Marketing. For a long-term as well as a healthy relationship with the customer, banks need to work on how to build better customer relationship to improve Customer Life Time Value (CLV) and Customer Delight. Banks need to focus on concrete, concise and effective ways of executing tasks through effective and efficient CRM solutions which is Customer Centric and not Product Centric for delivering benefits to customers.

Customer Retention: Customer relationship management (CRM) helps strategize with advance technologies to manage and analyze customer, its constant interactions with the Sales team and the data throughout the journey

of customer which has a goal to improve business relationships with customers whereby retaining the customer and enhancing sales growth. Information on all customers across different channels can be designed to compile the customer database using CRM systems. CRM helps connect customers and the Company and also gives the support staff of the Company continuous feedback on Customers conversation and also a Customer 360 degree view helps the Sales person get all the details of the Customer which helps him do Up-Selling and Cross-Selling.

Customer Revenue Growth : A knowledge of the customer behaviour and value to be given to them can be obtained by the business by using CRM technology and people with those skills . The business process can render effectively better customer service by helping sales people to be close the customer's complaints much faster . This survey showed that the efficiency for all call centers was geared up with the help of simple marketing processes with the CRM. The survey also help in identifying the new customers thus increasing the customer revenues by cross selling products with more efficiency.

1.2 CRM technology: Using the technology tools like Internet, websites and all the hosted e-commerce applications with the CRM approach helps Banks to drive the flow easily. The basic and very important feature of the bank's ability to serve its customer from many location at any given point of time with the introduction of the two-way interactive service relationships service with quick service/response time, gave an edge to the improved service interaction marketing. This helped the CRM with technological end which is the ultimate support to the Banks which the Banks could extend to their customers 24 x 7 throughout the year. The main objective of any Bank is to provide a continuous service to their Customers which would enable the bank to have long lasting engagement with their customers and gain their loyalty. To manage customer interactions using the CRM technologies and channels, with a minimum levels of human interference is achieved by Companies by implementing CRM programs.

1.3 Primary Goal of CRM:

The Primary goal of CRM is Customer Satisfaction and building Life time Customer Loyalty. To accomplish this goal, the customer needs should be understood to increase his/her transactional dealings with the company. Once the transactions are more easy and convenient for the customer which makes their life faster and easy the loyalty index of the customer will increase drastically. Customer Satisfaction would be then achieved also helping companies and banks for customer retention and customer loyalty which also increases the banks' profits. Any business and government who want to increase and sustain their relationships with their customers can today do electronically by adopting CRM , as is designed for people at all levels of any type of organization. It is vital and crucial for all business to adhere to CRM and understand its importance in this modern era as CRM focusses on healthy and loyal relationships with its Customers.

The attention of business managers and academic researchers has been attracted CRM who are interested in maximizing the repeat business and customer loyalty. Furthermore, reducing complaints and thus maximizing customer satisfaction are the part of the key components of successful CRM performance.

Behind adjust done by banks in their business processes to satisfy customers' needs, there are four primary reasons as below:

- i) Retaining existing customers.
- ii) Attracting new customers.
- iii) Keeping the Customers informed about all the Products and Services through all communication channels.
- iv) Encouraging customers to have strong cooperation with bank

CRM concepts enable the financial institutions to

1) *Value for Customer:* To find New Customer and sustain relationship with Existing customers using different possible means of communication thus interacting with all the Customers and also to create value for every customer with a slogan "the right product at the right time."

2) *Customer segmentation and Communication:* All banks need to identify the different group of customers with their specific need for products and services they require. Depending on the demography bank needs find which customer group such as age, gender, income, transactions, channel, etc. needs what products. Similar requirement and or similar behavior For grouping the customers, who have; it needs to gather information about customers, as customer needs are very complex at times. Monitoring and observing the changes in customer behavior is a major challenge for financial institutions. More the frequency of interactions with each and every customer a company has better are the chances of having huge customer Database keeping track of customers' needs and wants.

3) *Unique Identification and treatment for customer*: Each and every Customer should be given special and proper attention so as to make them feel Unique and the products offered should be customizable as per their needs and wants which helps increase customer loyalty and increases Brand value and awareness.

II. Literature Review

The CRM in the context of the Indian Banking Industry is studied by many people for various aspects of the banks.

Dr. Suresh Chandra Bihari and Mrinal Murdia [5] explicitly describe how CRM acts as a framework that automates across the channel for capturing data. They have discussed the benefit of CRM in segmentation and customer profiling for formulating proper marketing strategy by the banks.

Dan Sarel and Howard Marmorstein(2007) studied the CRM in bank sector[6] and found that a decade ago the advancement in technology gave a competitive advantage to some banks from the banking industry. The paper studied the implementation of CRM helped the banks for the initiative for new potential customer, who in the long-term could be profitable for the bank. The specific needs of these customers when taken into account, banks could deliver greater value to their customers.

Dr.Shirmila Stanley (2012) [7] feels that banks lose their High Networth Individuals (HNI) to competitors due to inefficient and improper service. She suggested that by banks adopting CRM building approaches could improve Customer Life Time value (CLV) and help the banks in providing Customer Delight and thereby maintain a long term relationship.

Carl Osunde (July 2014) examined [8] in his study the sustainability of the commercial banks in Nigeria. His study showed how CRM practices can improve the customer relationship with their banks. By use of the improved technology the banks could improve the delivery system thereby maintaining their customer loyalty.

Thus this paper has taken the study of major three Indian bank namely . HDFC, AXIS and ICICI Bank to analyse their Banks Performance post implementation of CRM.

III. The challenges Faced

- In was challenging in evaluating the perceptions of customer accurately by the Banks
- As the systems were not integrated , Integration of Core Systems was challenging
- Holistic view to the Customer was a challenge due to standalone legacy system and the financial data stored in various Databases
- Meeting the stringent Government Rules and the Security/Privacy Issues which is most Crucial to Achieve for the Financial Institutions
- Due to increase in Competition there is constant pressure on margins and growth for all the Banks and Financial Institutions.
- CRM assists the Banks to manage their customer but its seen that many banks still have failed to adapt the CRM processes as their Legacy systems are not compatible for the change as banks have Huge customer data and they don't pay attention to what they already have and thus even with CRM the Banks fail to achieve that success as the work culture is not dynamic to ready to change.

3.1 Challenges faced by HDFC BANK

- Single 360° customer view
- Fragmented Information of the Customers as no proper software used by the Banks
- Process for each Line of business where fragmented and all systems were disparate.
- The ownership is Fragmented as the Systems are not integrated
- Monitoring the Fragmented system with Low visibility
- Challenging process for monitoring of Turn Around Time
- Reconciliation is time consuming
- Generating the Reports is also time consuming
- Whether the customer has filled the Forms and what is the current status was not available
- Cross-selling and Up-selling was not that efficient
- For creating more opportunities the Banks has Low visibility of information
- The customer base was very large and thus managing such Big Data was challenging for them

3.2 Challenges faced by AXIS Bank

- Integration with external and back office systems to provide comprehensive & actionable customer 360 degree view to RM's.

- Manual tracking of data and preparation of MIS reports with lag in data resulting in only a post mortem rather than timely decision making.
- Manual and tedious tracking of action plans using spreadsheets using data from disparate systems.
- Difficulty in coordinating actions and meeting plans.
- No common system to manage opportunity pipe line across business lines & geographies.

3.3 Challenges faced by ICICI Bank

- Siloes and multiple systems used by different business lines for sales management.
- Tedious customer on boarding process with fragmented process visibility and status tracking.
- Difficulties in tracking relationship management activities, pipeline management and conversions.
- Limited visibility of events and campaigns organized by branches and particular business sales team to other nearby branches and sales teams.
- Hopping between multiple systems for getting customer information.

IV. The Key Benefits of CRM to the Banking Sector

The sample data collected from the Three Banks using CRM Solutions were analyzed on various parameters like lead conversion, cross selling, Improvement in sales turn-around-time, lead generation etc. Only Indian Banks were considered as part of the Research so as to find the:

4.1 Importance of CRM in Indian Banking Sector.

The three major benefits of CRM that any Bank can reap is :

- i. Benefits to Banks esteemed Customers
 - ✓ The Approach is very professional towards customers with Integrated Data.
 - ✓ Having integrated and updated customer information, better and enhanced level of personalized services are offered by the Bank.
 - ✓ Customers are connected with the Bank 24*7 with the Banks constant Support on call.
 - ✓ Many Modules and Enhancement have come up serving Customers in every better way possible making the Customers Life easy.
- ii. Benefits for Banks Employees
 - ✓ Employees in the Bank are motivated and are inspired to work for the Customers when they see high level Customer Satisfaction from there CRM services.
 - ✓ Technology helps the Employees work faster giving them more time with the Customers.
 - ✓ Better Ratings are given to the Employees by the Banks.
- iii. Overall Benefits to Banks
 - ✓ Management gets overall benefits as it increases its Customer retention percentages.
 - ✓ Resources are used optimally by them.
 - ✓ There is steady increase in Customer satisfaction and Loyalty of the Customer.
 - ✓ With CRM Customer acquisition improves with the cross-selling capability with the Bank.

4.2 Performance Improvement of three Major Indian Banks

| | PARAMETERS Considered for Bank's Growth | HDFC Bank | AXIS Bank | ICICI Bank |
|-----|--|-----------|-----------|------------|
| 1. | Increase in lead generation | 370% | 420% | 320% |
| 2. | Increase in lead conversion | 208% | 250% | 220% |
| 3. | Improvement in sales turn-around-time | 93% | 68% | 75% |
| 4. | Reduction in average customer complaints | 30% | 55% | 45% |
| 5. | Increase in net promoter score | 24% | 22% | 27% |
| 6. | Increase in customer loyalty index | 92% | 85% | 78% |
| 7. | Increase campaign response rates | 108% | 247% | 185% |
| 8. | Increase in campaign execution | 23% | 36% | 27% |
| 9. | Increase in cross sell | 40% | 50% | 45% |
| 10. | Increase in First-Time-Right documentation | 61% | 53% | 59% |

Table 1: Comparison between HDFC, AXIS and ICICI Bank Performance with CRM

Performance Comparison of Banks

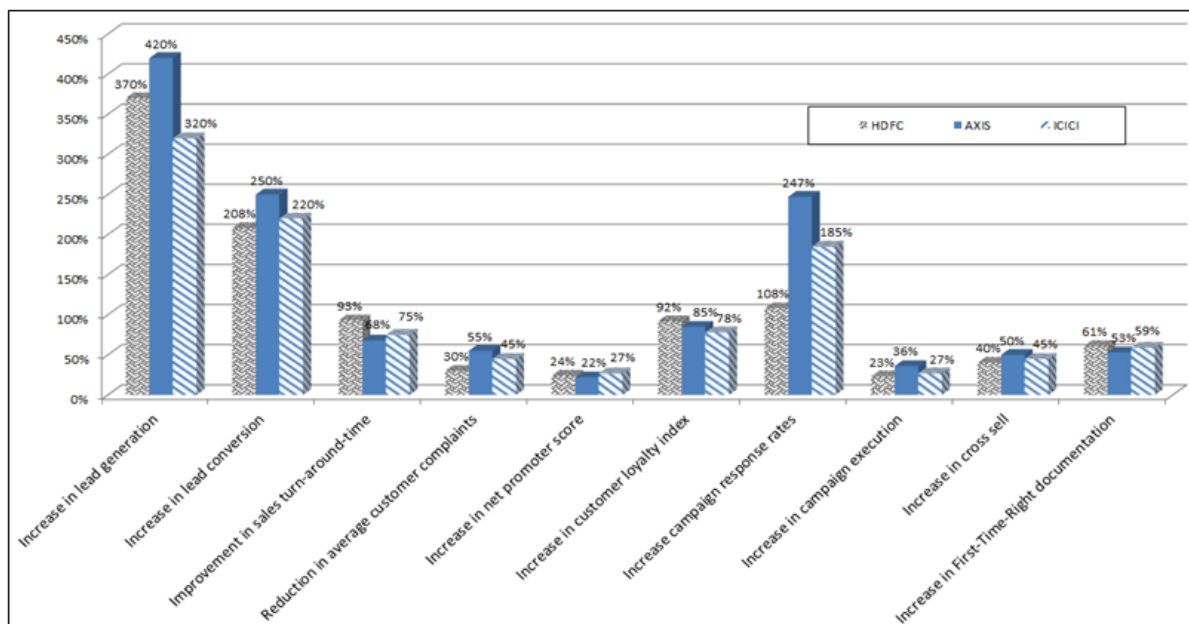


Chart 1: Comparison between HDFC, AXIS and ICICI Bank Performance with CRM

The above Table and the Graph depicts the following evidence:

Increase in lead generation, a parameter that any bank would want as ultimate, Axis Bank achieved a record breaking figure of 420% increase while HDFC Bank increased their leads by 370% and ICICI Bank moved up by 320%

Converting these leads to valuable customers the next important step of *Increase in lead conversion* was also achieved by AXIS Bank which showed a very high conversion of 250% in comparison to ICICI which is next with 220% increase and then HDFC with an increase of 208% .

Improvement in sales turn-around-time that every customer desires was optimized with CRM by HDFC bank with an increase of 93% , and ICICI bank with an increase of 75% gain while Axis Bank could increase with 68%.

The surveyed Data showed vividly that on the improved *Sales turn-around time* the average customer complaints reduced drastically to 30% in case of HDFC Bank while ICICI reduced to 45% and Axis Bank reduced to 55% . This helped to moved up the promoter's net score up to 27% for ICICI Bank, 24 % for HDFC Bank and 22% for AXIS Bank. Thus the Bank's Customer Loyalty Index gauged upwards to 92% for HDFC Bank , 85% for Axis bank and 78% for ICICI Bank.

Hence CRM is found to be vital and crucial for the profitability of the banks and its steady growth in current situation. The surveyed data contributed to the aspect of *Increased Campaign Execution* which moved *Campaign Response* to 247% for Axis Bank, 185% for ICICI, and 108% for HDFC Bank.

Banks can attract and get most profitable customers for their business by implementing CRM in their process. HR and Marketing collaborates with IT technology in CRM to building the strategies to get new customers and keep the Existing Customers engaged. The enhanced Relationships with Customers develops their business and makes them stronger by increasing Customer Life time Value.

4.3 Influence of CRM on Bank Performance:

1. Increase in competition level: As we are aware of the strong and intense competition among all the Sectors of the Bank be it Private, Cooperative, National or International Banks they all need to include CRM as part of their organization for attracting new customer and retaining existing Customer which helps all this Banks to sustain in such competitions and increase their Profits as well.

2. Increase Customers Expectations and building awareness: Managing Large customer base and making them aware about all the products and services on regular basis without proper CRM where technology also plays major part in this 21st century techy world where Banks has customers from Villages to town to City with varied set of expectations, CRM helps in achieving this and also helps proper marketing and awareness creation process to develop a good relationship with its existing customers and also with future prospects.

3. Improved Customer Engagement and Customer Acquisition Process: To keep any existing customer engaged with all your different Products and Services is a challenging tasks for all Banks in this competitive market thus

CRM helps by increasing customer satisfaction and loyalty by resolving problems and addressing their issues with low TAT and better forecasting techniques.

4. *Globalized Services*: CRM helps all banks to expand globally and is most important of any bank to expand globally.

5. *Increase in Sales with better Distribution management*: For better and constant business banks needs to focus on multiple areas simultaneously which includes adding new customer segments, improving services for existing customers and increasing sales with new and enhanced services. With scalable and flexible integrated systems CRM helps banks to increase profits and customers from all geographies.

6. *Eliminating Operational Inefficiency*: The operational inefficiency can be eliminated by formulating strategies of CRM. This survey shows the improved performance of banks at a large scale.

V. The Conclusion

CRM helps in changing processes in business, defines strategies in Banks, has goals and also changes the organizational culture and structure. CRM supports technology which gives authentic Information to compare performance of market segments and is profitable to the organization from different perspective like market segments, services, products. CRM helps in making various marketing decisions, strategies and how profitable will be the Services to the Organization and Banks. Employees having direct contact with customers use CRM technology to access the information about their new potential customers. Target Planning and Sales Module of CRM helps in setting Targets for the Sales Representative and tracing them which is a unique feature of CRM.

CRM Serves as a helping hand tool that can help Banks improve and enhance their customer relationship and orientation of Customers towards them.

CRM concept should be implemented and coordinated with the top of organization, but also it shouldn't be neglected for the lower level in organization. Success of CRM concept majorly depends on indulgent participation of all employees in bank with the inclination towards Technology, better communication and gaining customer confidence. This research would like to summarize that when implementing CRM concept, bank should:

- Give that vision to its Customers and Employees about how CRM is beneficial for both of them
- Objective needs to be defined of why need of implementing CRM
- Utilize the Entire Information they persists of the Customers
- Ensure that every member of the organization should be part of the CRM implementation

This research gives a reality check to all Banks that if you don't pay attention to your Customers and his needs then you will lose them and there would not be any long term relationship. Customer Care should be primary objective of any Bank. Constant efforts are required by the Banks to make its Customer feel Safe, Secured, and special placeholder of the Bank. Constant training and development needs to be given to the Employees of the Bank so they develop positive inclination towards all the Customers and thus develop a long-term bond and relationship with effective communication between Bank and Employees and Employees and Customers.

Thus for Customer Retention, Public Banks need to implement CRM. Quality Service needs to be provided by Public and Private sectors banks for acquiring new customers at less processing time and cost.

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