

CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES AN EMPIRICAL STUDY OF SELECTED BANKS IN UDAIPUR CITY

Dr. Kulvinder Kaur

Assistant Professor

Faculty of Management, Pacific University, Udaipur

ABSTRACT

In the last few decades, technology has drastically transformed the banking sector in India. The fact that modern Banking has become completely customer driven and technology driven, cannot be denied. Due to increase in competition in the banking sector, customer's expectations from the banks have increased but the profit margins of the banks have fallen down, thus, as a consequence, banks have started using more and more technology to reduce the cost of services generated to the customers. The competitive environment of the Indian banking sector, deregulation in the interest rate, technology based delivery channels like Mobile banking, Internet Banking, and Automated Teller Machines (ATMs) etc. have created multiple choices for the bank's client. Creating new customers is important for banks, but retention of the existing customers of an established bank is more challenging. The concept of Customer Relationship Management (CRM) makes the Indian bankers realize and understand that the key objective behind banking business should be to create as well as retain the customers for a longer time by satisfying their needs. But the actual fact is that most of the banking institutions focus merely on customer creation and not customer retention. Several studies in the past reveal that friends and relatives of potential customers are the most influential source for increasing awareness and publicity of the bank products. A satisfied customer is the most influential advertiser for the banks products. The present research paper attempts to study the current CRM practices in the banking sector. The researcher has also attempted to make a comparison of the expectations of the customers from the private and public banks on various technical and structural fronts. Structured questionnaire was designed as an instrument to gather information on consumer's perception towards CRM practices of private and public banks and on the basis of responses submitted by the respondents to the questionnaire, analysis and interpretation of the obtained information was done to obtain results.

Keywords - CRM Practices, Information Technology, Banking Sector, Customer Retention

INTRODUCTION

The Indian Banking Industry has undergone a rapid transformation leading to a series of fundamental and technological developments. The most significant development among all, is the advancement in Information Technology and the communication system which has drastically transformed the concept of Traditional Banking and has been instrumental behind broadening the dissemination of financial information along with lowering the costs of many financial services. The communication networking systems and Information technology has revolutionized the functioning of Banking Institutions.

Secondly, the financial institutions and commercial banks have modified themselves in all spheres including financial products and customer services. Thirdly, the competition

between the broad range of domestic and international banking institutions is constantly increasing for marketing of the financial products.

The customers are now demanding and expecting higher interest rate, simple process, greater financial security, quick services, professional service, advice/ counseling, easy access, low cost loan, convenience, friendly approach, attractive yield and a variety of financial products.

The entire service sector, particularly the banking sector, has been metamorphosed to become customer oriented. Until the implementation of the recommendations by Narasimham Committee, the Indian banks operated under an excessive protected environment, but after the introduction of economic reforms in 1991, a new breed of banks viz. the private Banks and the foreign sector banks emerged in India. The nature of competition in the Indian banking industry

changed drastically after the introduction of new economic reforms in 1991.

The customer has always been a prime factor in the service sector like banking, and would continue to be the same in the near future. Customer services are one of the most crucial factors for improving profitability. Hence, Banks focus more towards retaining existing customers and also acquiring new customers at a relatively lower cost. In the present scenario of increasing competition, the banks realize that customer is the king of the market and retaining an old customer is less expensive rather than creating a new customer for their products. Such paradigm shifts have led banks to shift towards CRM which believes that.

Satisfied customer is the most influential advertiser for the bank's products.

- A 5% rise in customer loyalty generally results in more than 25% increase in profits.
- A satisfied and contented customer brings in approximately 100 new potential customers whereas a less contented customer prevents 1000 new potential customers to be a part of banking services.
- 80/20 principal – It is a general trend in almost every industry that 20% of the customers generate 80% of the company's profit.

Customer relationship management (CRM) refers to the practices and strategies used by the companies to manage the customers and maximize their satisfaction level. CRM practices aim to improve the relationship between the customers and the organization to drive sales growth. CRM systems enable businesses to know more about their customers to serve them better.

CRM, in the past few years, has emerged as one of the most widely accepted and prescribed solutions for enhancing the market share and growth of industries, particularly the banking sector. CRM is a simple philosophy in which the customer is placed at the center of the business organizations process, with the prime intention to improve and enhance the customer satisfaction. Thus, CRM is a strategy used by industries to establish, develop and maintain long term relationship between the customers and organization. From a bank's perspective, CRM gives competitive advantage to banks to boost their profits.

This study aims to examine the customers' perception towards the CRM practices adopted by public and private sector banks on the basis of three crucial elements of customer service viz. service quality, customer interaction and customer retention management.

REVIEW OF LITERATURE

A systematic review of related literature was done to identify and analyze the sources which contain information related to the research problem.

As per the study of Buttle (2004), customer relationship management has been considered as a foundation of business strategy, which incorporates internal processes as well as purposes in addition to external networks, towards delivering quality service along with value to the targeted clients.

As per the study of Patnaik and Chhatoi (2006), Customer Services can be better understood from a customer's angle. Customer service refers to his perception with regard to the services he gets from his bank. It has been observed that retaining an existing customer is often cheaper than finding a new customer. Customer is viewed as a long-term relationship.

Graham (2008) explains three crucial elements viz. customer potential, retention and de-selection of customer which must be considered while aligning the business towards a customer relationship format. He also mentioned four steps of CRM i.e. Segmentation, Developing strategy, Analyzing, and behaviour maintenance.

As per the study of Bhattacharya (2011), customer relationship management is a technique to reduce the cost and increase the company performance and quality, which means profitability result through customer loyalty (Rahimi, & Kozak, 2017).

Payne (2012) mentioned in his research study that managing customer relationship management is every complex and continuing process and requires a response from the organizations as the external environment rapidly changes. Thus, it's imperative that organizations view CRM in broader and long term perspective.

OBJECTIVES OF THE STUDY

The study has been conducted to achieve the following primary objectives:

- 1 To study customers' perception towards the CRM practices of banks as regards the service quality management.
- 2 To study customers' perception towards the CRM practices of banks as regards the customer interaction management
- 3 To study customers' perception towards the CRM practices of banks as regards the customer retention management.

METHODOLOGY

Both primary and secondary data have been collected for this research study. Primary data has been collected from the selected private sector and public sector banks of Udaipur city of Rajasthan through a well structured questionnaire. The questionnaire includes mainly five point balanced likert scale for analyzing consumer's perception towards CRM practices of banks.

Secondary data has been collected from various magazines, standard text books, published records of RBI and other Bank authorities, journals, websites and published research papers.

The required primary data has been collected from the bank branches in Udaipur city of Rajasthan . 4 banks were approached and besides collecting information from banks, the general public who have their accounts in the selected banks in the city was also approached.

For the purpose of selection of samples, multi-stage sampling was followed by the researcher. The samples for the study were selected from the Public and Private banks operating in Udaipur city of Rajasthan through a three-stage sampling procedure. The first stage involved the choice of banks. As it was felt that it would be useful to attempt a comparative study between Public and Private Banks, two public sector banks and two private sector banks (SBI, PNB ,ICICI Bank and HDFC)were selected.

The random selection of bank branches constituted the

second stage of the sampling process. One branch for each of the chosen public sector bank and Private sector bank was selected for this study.

Judgment sampling method was adopted initially, 40 customers from each branch were targeted for data collection needed for the study. Thus the final sample for the study consisted of 4 banks branches (two from public sector banks and two from private sector banks) which generated 160 customers for studying customer relationship management in banks of Udaipur city.

Universe: All the customers of Banking sector in Udaipur

ANALYSIS

The most important strategy that attracts, retains and enhances a customers' relationship in banks is delivering high quality service . High quality in service creates delightful customers and prevents them from getting annoyed .The extensive research by Zeithaml, Parasuraman and Berry found five dimensions which customers use while evaluating service quality. They named their survey instrument SERVQUAL. Service quality comprises of several dimensions like empathy, reliability, responsiveness, tangibility, assurance etc.

Customers' perception towards Service Quality in Public Banks & Private banks

The dimensions of service quality in public and private sector banks are compared.

Table :1 : Sector-wise mean ratings of service quality

Service quality Dimension items	Types of Banks	
	Private Sector Banks (n=80)	Public Sector Banks (n=80)
	mean	mean
RESPONSIVENESS	3.55	4.075
RELIABILITY	3.1	3.825
ASSURANCE	3.1	2.9625
TANGIBILITY	4.275	4.2625
EMPATHY	3.5	4.2875
TOTAL	3.505	3.03

Table 1 shows that the service quality dimensions mean of private sector banks is 3.505 and that of public sector banks is 3.03. This clearly shows that private sector banks are rated slightly higher than public sector banks. The mean ratings of Responsiveness, Reliability, Empathy of public sector banks are slightly higher than the respective mean ratings of private sector banks.

Table-3 shows that the dimension means of public sector bank is 3.5225 and that of private sector bank is 3.94. The comparison of customer interaction management skills of both the banking sectors reveals that the mean rating of all the skills in the private sector banks is rated higher than the public sector banks and that the private sector banks have good interaction with their customers.

Table 2 : Mean Ratings of comparison of service quality dimensions between public and private sector banks

Table :2

Types of Bank	Mean	S.D	No	t	df	Table value	Result
Public Sector Banks	3.03	1.74	80	0.313	419	1.966	Not Significant Vs
Private Sector Banks	3.505	1.87	80				
All Sectors	3.26	1.80	160				

Source : computed

The calculated t- test value at 0.313 which is less than the table value of 1.966 at 5% level of significance, shows that there is no significant difference between the service quality of public sector banks that of private sector banks in terms of service quality dimension. Hence, the hypothesis is accepted.

Customer interaction management in public sector and private sector banks

The customer interaction management refers to an intensive and effective interaction between the bankers and the customers leading to better relations among them.

Customer retention management- A comparison between public & private banks

Customer retention management is concerned with keeping the customer in the customer list for an unending period by meeting their needs and exceeding their expectation. It is a technique used by organizations to convert a casual customer into a committed loyal customer.

Table – 3 : Comparison of customers perception with regard to Quality of customer interaction

S.No.	Customer Interaction Item	Private Sector Banks (N=80)	Public Sector Banks (N= 80)
1.	Ability to motivate people towards banking products	3.825	3.075
2.	Ability to create awareness of the banking products among the people	3.475	3.2
3.	Ability to respect sentiments	4	2.9625
4.	Ability to respond quickly	4.425	4.2625
5.	Ability to operate in the technical environment	3.975	4.1125
	Total	3.94	3.5225

Table 4 Mean ratings of Customers Retention Management between Public Sector and Private Sector Banks

S.No.	Customer Retention Management items	Private Sector Banks (n= 80)	Public Sector Banks (n= 80)
1.	Customer experience	3.6625	2.95
2.	Customer satisfaction	3.475	3.575
3.	Innovative services	4	2.9625
4	Customer-centric approach	4.425	4.2625
5	Total	3.8906	3.4375

Table 4 reveals that the dimension mean of customers retention management of public sector is 3.4375 and that of Private Sector Banks is 3.8906. Customers' perception of customer retention management is higher in Private Sector Banks which means that the private sector banks have higher ability to retain the customers by following Customer-centric approaches and providing enriched Customer satisfaction and customer experience.

FINDINGS

The CRM practices of private sector banks were compared with public banks on the basis of service quality, customer interaction and customer retention. The service quality of private sector banks was compared with public sector banks on the basis of service quality dimensions like empathy, reliability, responsiveness, tangibility, assurance etc. On examination and analysis it was found that the mean ratings of Responsiveness, Reliability, Empathy of private sector banks are slightly lower than the respective mean ratings of public sector banks. The findings of this study suggest that managers, who aim to build and sustain a service quality base, should concentrate on the issue of responsiveness and empathy. And also, this bank should implement strategies aimed at improving the customer experience and resolving conflicts between the customer and the bank during a service failure. It should also endeavor to obtain information concerning the customers' needs.

SUGGESTIONS

The customers perception of service quality is lower in public sector banks. So it is suggested that public sector banks may take steps to improve their service quality, strategies, customer interaction management strategies and customer retention management strategies.

CONCLUSION

The present study provides some guidelines for customer relationship management. Satisfied customers are

loyal customer, their retention rate is much higher and so is their overall profitability for the bank. CRM offers the most holistic route for banks to enhance customer relationships.

Banks can enhance customer retention, profitability and loyalty and get an increased share of banks from their customers.

Banks need to embrace CRM as a principle and adopt a strategy for managing customer relationships that effectively addresses three key areas, customers, processes and technology.

Finally banks should take actions such as recognition and delegation of work, freedom to handle customer's grievances and management's approval to take decision according to the situations.

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