CHAPTER 2

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2.1 - INTRODUCTION

This topic is opened with the An Insight into CRM, Importance of CRM, Impact and Reality of CRM in Banking Sector. CRM is never a product or not a service, it is completed organisation or business strategies. With the regards a Model for CRM in Banking Sector and Need of Relationship with Customers and Reaping the benefits of a CRM solution can be classified.

2.2 - AN INSIGHT INTO CRM

In this globalized world managing relationships with customer and making them delighted has become a necessity. It is said that customer delight is the only key to success. Frightening as the situation may seem that it is a ground reality for many company which had realised the customers need started seriously giving more care to them than that of ever before.

The perception and understanding of bank is based on the customers varied experiences with their employees and services. It is significantly accepted that the cost to bring a new customer is ten times higher than to retain the existing customer. In addition to this it is also agreed that the various choices has opened today for the customers. Therefore all this require a better understanding of the customer. What customer expect from the bank and their requirements to be understood. Even though all customers are not contribute equally to the profit of the banks. If the customer relationship management starts properly it not only help to improve the bank but also help to focus bank effort where required the most.

2.3 - IMPORTANCE OF CRM

Customer relationship management is the most efficient and strongest approach while creating and maintaining relationship with consumers. It not only pure business but also develop strong personal bonding with the customers. These kind of boding drives the business to new success levels.

In regarding with conducting CRM the organisation just wants to develop personal and emotional linkages. So that it is very easy for them to identify the actual customers requirement. It may help them to serve with a better quality and way of
services. It is said that if organisation wants to be strong and fruitful, they should implement sophisticate strategies involved in customer relationship management.

In current situation about competitive banking world, improvement day-by-day regarding customer services. It is also the most important tool for better future growth. Customers requirement and complaint are part of their banking business life. Importance of CRM with broader perspective has shown below.

- A CRM system consists of a historical view and analysis of all the acquired or to be acquired customers. This helps in reduced searching and correlating customers and to foresee customer needs effectively and increase business.
- CRM contains each and every bit of details of a customer, hence it is very easy for track a customer accordingly and can be used to determine which customer can be profitable and which not.
- In CRM system, customers are grouped according to different aspects according to the type of business they do or according to physical location and are allocated to different customer managers often called as account managers. This helps in focusing and concentrating on each and every customer separately.
- A CRM system is not only used to deal with the existing customers but is also useful in acquiring new customers. The process first starts with identifying a customer and maintaining all the corresponding details into the CRM system which is also called an ‘Opportunity of Business’. The Sales and Field representatives then try getting business out of these customers by sophistically following up with them and converting them into a winning deal. All this is very easily and efficiently done by an integrated CRM system.
- The strongest aspect of Customer Relationship Management is that it is very cost-effective. The advantage of decently implemented CRM system is that there is very less need of paper and manual work which requires lesser staff to manage and lesser resources to deal with. The technologies used in implementing a CRM system are also very cheap and smooth as compared to the traditional way of business.
- All the details in CRM system is kept centralized which is available anytime on fingertips. This reduces the process time and increases productivity.
Efficiently dealing with all the customers and providing them what they actually need increases the customer satisfaction. This increases the chance of getting more business which ultimately enhances turnover and profit.

If the customer is satisfied they will always be loyal to you and will remain in business forever resulting in increasing customer base and ultimately enhancing net growth of business.

In today’s commercial world, practice of dealing with existing customers and thriving business by getting more customers into loop is predominant and is mere a dilemma. Installing a CRM system can definitely improve the situation and help in challenging the new ways of marketing and business in an efficient manner. Hence in the era of business every organization should be recommended to have a full-fledged CRM system to cope up with all the business needs.

2.4 - MODEL FOR CRM IN BANKING SECTOR

Customer Relationship Management helps banking sector to use of technology and human resources. These allows them to gain insight of consumer behavior and their values. If CRM works as it with the desire of the system then bank can provide better customer service, help sales staff close deals faster, cross sell products more effectively, make call centers more efficient, discover new customers, simplify marketing and sales processes and increasing consumer revenue. It could not happen with just buying software and installing into the system. In this regarding bank must decide what type of customer information that they are asking. It has to be further decide that what they intend to do with the information after that decide and run a model to be them simply best. Therefore instant model design has imparted with this research as shown in figure 2.1
2.5 - NEED OF RELATIONSHIP WITH CUSTOMERS

Building relationship with customers in current market trends is the most important aspect that an organization should focus on. Distinction and eminence are now most sustainable and affirm for which developing good relationship with customers is must. Some of the substantial outcomes of building a quality relationship is explained below by which need of relationship with customer are insight.

- **Better Customer perceptiveness:** As the customer lengthens to deal with a supplier, the supplier tends to explicate a better insight of customer’s needs and expectations. By this a high level of relationship can be developed between them. This will result in selling more products and retain the business with the customers which finally will lead to profitable business.

- **Lead to Customer Satisfaction:** Customer satisfaction is the measure of how the needs and responses are collaborated and delivered to excel customer expectation. It can only be attained if the customer has an overall good relationship with the supplier. In today’s competitive business marketplace, customer satisfaction is an important performance exponent and basic differentiator of business strategies. Hence, the more is customer satisfaction; more is the business and the bonding with customer.
• **Lead to Customer Loyalty:** Customer loyalty is the tendency of the customer to remain in business with a particular supplier and buy the products regularly. This is usually seen when a customer is very much satisfied by the supplier and re-visits the organization for business deals, or when he is tended towards re-buying a particular product or brand over times by that supplier. To continue the customer loyalty the most important aspect an organization should focus on is customer satisfaction, hence it can be said that customer loyalty is also an outcome of good relationship.

• **Lead to Customer Retention:** Customer retention is a strategic process to keep or retain the existing customers and not letting them to diverge or defect to other suppliers or organization for business and this only possible when there is a quality relationship between customer and supplier. Usually a loyal customer is tended towards sticking to a particular brand or product as far as his basic needs continue to be properly fulfilled. He does not opt for taking a risk in going for a new product. More is the possibility to retain customers the more is the probability of net growth of business.

• **Chances of getting referrals:** It is always a cost-free advocacy by customers to provide referrals to supplier when they feel satisfied and encouraged and when they have a healthy relationship with customers. These referrals or customer’s reference of other customers acts like a piece of cake for suppliers as there is no cost and struggle involved in this. This could be treated as the best outcome of quality relationship what a supplier can think of.

• **Growth in revenue:** When suppliers have healthy relationship with customers the revenue of the organization always increases as customers tend to buy more and more. There is possibility that a satisfied customer seek to buy special category of related products apart from the regular ones from that particular supplier. For instance if a satisfied and loyal customer has a home insurance from an insurance company then there are positive chances that he could also insure his property and car also if he is fully satisfied with the services of that insurance company. This will definitely result in growth of business.

• **Cost to serve is low:** Cost to serve existing satisfied customers is always very less for the supplier as they know and understand customers. Customers never come back with complaints and queries because they know the actual business flow and completely rely on the relationship with supplier.
2.6 - REAPING THE BENEFITS OF A CRM SOLUTION

Retail banks are reshaping the way they must interact with their customers. A fully integrated, enterprisewide CRM platform ensures banks have the core capabilities to take full advantage of their customer relationships and capitalize on these market dynamics, rather than losing out because of them. These best practices reflect business results a financial services company must obtain by implementing its CRM solution.

- **Gaining sales momentum:** In today’s increasingly competitive environment, where maximizing organic growth is a banks priority, sales momentum is essential. To build this momentum, banks need to focus simultaneously on Increasing acquisition rates of new and emerging customer segments, Improving retention of existing customers and saving at risk customers, Increasing profitability of customer relationships, either at the top-line through increased sales, or at the bottom-line through more cost-effective service and Improving integrated channel distribution strategies to get the right product, to the right client, at the moment the customer has the need and also Maximizing the value and return from CRM investments that have already been made

- **Increasing acquisition of new customers:** A CRM solution should help a bank target customers based on the value they bring to the bank, now and throughout the life of the customer. Banks need to ensure that their value propositions have traction with the right market segments. This will enable the bank to identify, target and capture new customers. Clearly, customer insight and strategy are the core differentiators for the bank.
Improving retention of existing customers: Customer retention can be achieved by enhancing customer satisfaction and loyalty, improving problem resolution, and creating the ability to identify and save at-risk customers. In fact, an at-risk customer actually represents a major opportunity for additional revenue – if handled correctly. However, the greatest danger for banks is either not identifying at-risk customers or not having the capabilities to do anything to recover them.

Increasing the profitability of customer relationships: Boosting revenues requires improving the product pipeline and close rates, while reducing sales and service costs. On the revenue side, the banks CRM solution should use customer intelligence to target specific offers and manage marketing campaigns for a high likelihood of acceptance. Customer treatment strategies should be fully integrated with a CRM platform and the processes to support them. On the cost side, better channel management, CRM automation and integration will help increase the efficiency and effectiveness of sales and service.

Improving distribution and channel management: To win profitable customers and build long-term relationships with them, banks need to have the right insight, products and services for the right customer at the lowest possible cost. From call centers to Web sites, every one of banks multiple channels must be scalable, flexible, low-cost and fully integrated with all the other channels. This is the only way to consolidate customer information and provide consistent treatment across the enterprise. Each of the bank’s channels must also be able to accommodate change and adapt to future trends in the marketplace.

Maximizing the value of past CRM investments: As new technologies and channels emerge, the need to control costs and maximize the ROI from existing CRM investments raises many questions banks should solve all of them and maximize the value of past CRM investment.
2.7 - STAGES OF RELATIONSHIP WITH CUSTOMERS

Relationship in regards with the customers may be change time to time. It may be because of evolvement under distinguish situation. There are some stages at where relationship with consumer may evolve.

a) **Exploration:** It is the process when customer investigates or tests the supplier’s capabilities and performance or cross verifies the product’s or brand’s usefulness. If the test results fail to satisfy customer’s demands, the relationship can drastically come to an end.

b) **Awareness:** It is the process when the customer understands the motivational values of supplier or the products he sells.

c) **Expansion:** It is the process when the supplier wins customer’s faith and customer falls under huge interdependence of the supplier. This is time when there are more chances of business with that particular customer and expand business.

d) **Commitment:** It is a powerful stage when suppliers learn to adapting business rules and goal to excel.

e) **Dissolution:** It is a stage when customer requirement suddenly changes and he looks for better perspectives. This sudden change is the end of relationship.

Relationship or interaction with consumer may came to end due various reasons. It may be because of customer has no satisfied with the organisation services or he disagree for other better brand and product.