CHAPTER 1
INTRODUCTION

Every company today aspires to employ information technology with CRM applications for achieving successful business through the effective implementation of e-CRM solutions. In addition, the increasing usage rate of self-oriented services makes a significant contribution towards this phenomenon with the effective implementation of e-CRM in India. Since long, companies have been striving to make changes in sustaining and maintaining long-lasting relationships with their valued customers.

Over the last few decades, the customer indeed has become the focus of optimum attention in the world of commerce. Moreover, various intense transformations have been taking place in the business world due to web-based solutions that are creditable innovations in the fierce competitive world. In fact, technology has not merely evolved, it has revolutionised our lives too. The advent of technology has led to the evolution of various modes of conducting successful business in this era of neck-break competition, and companies now can even establish touch-point relations with any kind of customers at the international level with just a click of mouse. The existence of Information Technology (IT) and Web-centric solutions has reshaped the CRM prospect in the form of e-CRM (electronic customer relationship management). e-CRM is but an extension of CRM solution with the deployment of IT. Thus e-CRM is helpful in mobilising and promoting effective customer relationship practices at the global level. e-CRM is a diversification of relationship management by means of IT solution and Web-centric practices [Gummesson (2006); Sigala and Christou (2006)].

Today, product-oriented as well as service-oriented companies have been employing the e-CRM antecedents (e-facilities quality attributes) for attaining customer satisfaction leading to trust, loyalty and positive word-of-mouth message (Anderson and Srinivasan, 2003). From the past two decades, e-CRM (customer relationship management) practices are being employed for acquiring, retaining and collaborating
with selective customers to create superior value for the company and their customers (Parvatiyar and Seth, 2000). The remarkable growth of information technology has led to the development of e-CRM.

1.1 The Concept of e-CRM (electronic Customer Relationship Management)

The rationale of e-CRM is to improve the companies’ direct communication with their customers in B2C and B2B channels. Electronic Customer Relationship Management (e-CRM) is referred to as the marketing activities and techniques via the Internet, which are able to build and enhance relationship between organization and customers (Lee-Kelley et al., 2003). It is the electronically operated subset of CRM and it is a combination of hardware, software, process, applications and management commitment to improve customer services, retain customers, and provide analytical capabilities (Romano and Fjermested, 2003). According to Bradway and Purchia (2000) e-CRM is the intersection between Internet market and customer-centric strategies. Further, it is sometimes referred to as web-enabled or web-based CRM (Kennedy, 2006). On the one hand, IT plays an imperative role in delivering products and services to customers. On the other hand, it helps companies in deciding how the e-CRM practices work through the multiple electronic channels of contact and communication with their customers (Bernett and Kuhn, 2002). As in case of CRM, the objective of e-CRM too is to gather information from customers and adjust service level in accordance with the customers’ needs and preferences that will ultimately enhance customer relationship (Jerry and Nicholas, 2008). Indeed, this is one of the optimum opportunities, availed of by the organizations to achieve customer-friendly services (Ing-long and Ching-Yi, 2009).

e-CRM focuses itself on the retention of customers by collecting all their data from every interaction they make with a company from ‘all’ access points whether they are phone, mail, web or field (Cliff F., 2000). Indeed, e-CRM compels marketing managers to revaluate how, when and to what extent they should interact with their customers. A customer-focused strategy includes an integrated view of the customer related activities including customer decision analytic and optimized customer interactions (Gaines, 2002). e-CRM is not only driven by technology, but is about technology itself. It is about the same thing as solid business growth has always been
about the satisfaction of individual customers' needs (Kelly, M., 2003). The technology is sometimes the easy part, however, if an organization is not customer-centric, putting a piece of technology in place alone would not mean the people on the front lines are going to become customer-centric.

### 1.2 Journey/ Roadmap of e-CRM

e-CRM practice has become an index for sustainable growth in our economy. The evolution stages of e-CRM is represented in the Table 1.1 below:

**Table 1.1 Evolution of e-CRM**

<table>
<thead>
<tr>
<th>Age</th>
<th>Year</th>
<th>Lessons Learned</th>
<th>Milestones</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Introduction</strong></td>
<td>1980s to early 1990s</td>
<td>Very expensive to maintain</td>
<td>Focusing on automating and standardising the internal processes to make the customers and asset</td>
</tr>
<tr>
<td><strong>Growing</strong></td>
<td>Mid-1990s to end 1990s</td>
<td>Some vendors were slow to respond to the internet</td>
<td>Owing to the emergence of the Web, client/server architecture behind CRM applications would disappear</td>
</tr>
<tr>
<td><strong>Paradigm Shift</strong></td>
<td>2000s</td>
<td>Adoption of ICT technologies</td>
<td>e-CRM</td>
</tr>
<tr>
<td><strong>Ubiquitous</strong></td>
<td>After-2000s</td>
<td>Services Across Platforms</td>
<td>mCRM, self-service CRM, etc.</td>
</tr>
</tbody>
</table>


The theory of relationship management was developed by Berry (1983), which emerged in the 1980’s as an alternative to the prevailing view of marketing as a series of transactions, because it was recognised that many exchanges, particularly in the service industry, were relational by nature [Berry (1983); Dwyer et al. (1987); Grönroos (1994); Gummesson (1994); Sheth and Parvatiyar (2000)]. Relationship management (RM) was introduced as one of the imperative strategies to cement the rapport between the companies and their customers (Berry, 1983). Walsh et al. (2004) defined RM as “the activities carried out by banks in order to attract the customers, interact with them and also to retain more profitable or high net-worth customers in the banking conditions”. Although, relationship marketing covered all the stakeholders including shareholders, customers, corporate clients, retail clients, etc, yet the companies paid less
attention on maintaining relationships with their customer. Since, customer is the king who rules over the world of commerce and ultimately it is he who finally purchases the products of an organization, thus an organisation cannot survive in this highly competitive e-world without retaining them for a longer time (Kotler et al., 2000). For this reason, a new concept was introduced in the relationship marketing with the sole objective of making healthy relations with the customers, named as CRM [Rubin, M. (1997); Verhoef (2003); Berry and Linoff (2004); Kumar, (2010)]. The concept of Customer Relationship Management (CRM) has taken center stage in the business world for sustainable business advantage (Kaur,J. and Sandhu,V., 2005-2006). The success of CRM depends on every aspect of business and on interaction with the customers including people, process and technology (Goldenberg, 2002). This concept of relationship marketing has widely been employed in service industries for the purpose of retaining long-term relations with the existing customers and winning new ones. CRM (customer relationship management) is a comprehensive business and marketing strategy that integrates technology, process and all business activities around the customer [Anton (1996); Anton and Hoek (2002); Feinberg and Kadam (2002)]. CRM is a core marketing activity strategy that has been implemented by the banks in India for effective service delivery to their customers to achieve higher levels of customer satisfaction and strive for customer delight. (Kaur, J., 2012). Though CRM has already been a relevant area in marketing epoch in the 21st century, yet it faces many obstacles. Forrester research (2009) has revealed that the CRM failure rate of 63 percent was recorded due to only the improper implementation of CRM solution and the existence of IT practices. Earlier studies have suggested that only 10% improvement in revenue occurs due to the CRM (Customer Relationship Management) solutions (Barren, R. et al., 2014). The essence of CRM is to establish relationships with customers on an individual basis and then use the information gathered to treat different customers differently. The exchange between a customer and a company becomes mutually beneficial, as customers give information in return for personalized service that meets their individual needs. (Kaur, J. and Sandhu, V., 2005-2006). In addition, digital transformations are bringing many paradigms in the service marketing. The existence of Information Technology (IT) or Web-oriented solution has reshaped the
CRM in the form of e-CRM (electronic Customer Relationship Management). Hence e-CRM is helpful in mobilising CRM practices at the global level with its use of accompanying internet.

1.3 Differentiation between CRM and e-CRM

CRM has been new-age marketing/ business strategy’ aimed at winning customers forever, where companies greet the customers, create products to suit their needs, work hard to develop life-time customers through the principles of customers delight, customers approval, customer enthusiasm, customization, customer service, customer satisfaction, customer loyalty, customer retention, etc. (Kaur, J., 2010). However, e-CRM is one of the latest and most advanced technologies for providing customer-centric services in the marketing scenario. Although both CRM and e-CRM solutions are harnessed for the purpose of retaining the customers, storing data about their preferences and their needs, yet e-CRM solutions have features distinct from CRM ones.

Figure 1.1: Difference between CRM and e-CRM

The above Figure 1.1 demonstrates how the process of CRM solutions is different from that of e-CRM solutions within the companies. Although e-CRM is meant to deliver CRM (customer relationship management) services over internet, yet a few points of difference do exist between CRM and e-CRM. Pan and Lee (2003) suggested that through CRM solutions, companies store data about their customers, their transaction history and about the products information in the data warehouses, and the customers have to approach their companies to demand their customer data for checking. In contrast to this, e-CRM solutions offer the facility of gleaning data and the customers feel happy to enjoy the facility, without the hassles of visiting the company premises.

Whereas in CRM sphere, a company can analyse the customers’ characteristics only by using customer profile and their past transaction history, e-CRM has the advantage of analysing customers’ characteristics via internet, like exploratory activity (online shopping pattern). In other words, when a customer searches something on internet or buys the things online, all these activities get automatically stored in data mining. Further, companies can use this data for charting out the future strategies.

Last but not least, CRM offers limited services to customers including static services, one-way services and, the system also suffers limitations of time and space. In contrast to this, e-CRM is conducive to the interests of the company as well as their customers, because customer can make customisation within the product or service during transactions. Moreover, e-CRM solutions have been promoting I-to-I (Individual-to-Individual) marketing for providing anytime anywhere services.

Chandra and Strickland (2004) and Vrechopoulos (2007) have also divided the varied points of difference between CRM and e-CRM into two stages including strategic and technological. In the first section, companies maintained the relationship with their customers through different traditional modes of CRM, like telephone, fax, retail stores, etc. Moreover, the above Figure 1.3 demonstrates that CRM lays more emphasis on its operational and technological aspects, and that its applications are confined around only one department or business unit. In contrast to this, e-CRM obtains data about their customers with every click or touch point of multichannel
retailing through the modern modes of IT, like mobile, live chat, e-mail, internet, etc. Apart from this, e-CRM focuses mainly on enhancing customer values aligned with the customers’ interests and the marketing strategies. In fact, it is designed entirely around the customers’ needs.

Another point of difference is that CRM solutions dealt solely with the back-end operations and company had to employ different types of programming for the customization. Thereby, the cost of customising of services was very high and took a long time. In contrast to this, e-CRM solutions deal with both the front-end and the back-end operations through the customers’ portal of e-CRM. Besides this, company offers the customization services to every customer through the deployment of e-CRM. Hence e-CRM takes less time than the CRM to manage a service from one location to another at the global level.

1.4 Role of e-CRM in Services Sector

IT has brought about revolutionary changes in various fields such as government agencies, insurance companies, hospitality industry, banking, logistic industries, education, etc. e-commerce phase has also entirely changed the concept of offering services to the customers. In fact, e-CRM is acting as a catalytic agent in every e-commerce service industry. Indeed, e-CRM solutions make substantial contributions towards attracting, maintaining and enhancing customer relationships in multi-service organizations (Berry and Parasuraman, 1991). This was an improvement over the CRM solutions, brought about by globalisation and technological reforms harnessing the e-CRM solutions. Initially the success of a service provider was substantially dependent on cementing long-term relationships between the provider and the customer of a specified service (Panda, 2003). But now, e-CRM has expanded its role in such fields as offering tax information, promoting employment opportunities, enhancing awareness towards the amendments in rules or tax budget. Indeed, consumers can now easily access all these information with just one flick of the button.

Apart from this, online ordering, product confirmation, pricing and tracking are the prime components of e-CRM or web-based applications (Lunsford and Marone, 2005). e-CRM is conducive to searching the any information about the services of the healthcare industries. Healthcare industries offer the multifarious e-facilities to facilitate
the patients such as planning research, system analysis, design construction, implementation, maintenance and documentation adoption (Hosseinianzadeh, M. 2015). Besides this, education system has been adopting e-CRM solutions to facilitate their students in order to increase their awareness about the institution (Azila and Noor, 2011). Similarly, every service industry put forward the e-facilities as per the customers’ requirements. The companies, which are involved in an online business, should themselves possess technical as well as practical skills regarding the implementation part of e-CRM solutions (Fjermestad et al., 2002). In the digital economy, e-CRM has proved as a boon for every e-commerce service industry. Moreover, e-CRM techniques accomplish the tasks in such a way that they tailor the services as per the preference of each customer. e-CRM has been evolving the upcoming trend that mechanically used to capture, retain, analyze, and to effectively utilize information about customers. Thus e-CRM applies and integrates novel technologies to satisfy customer's needs and build long-term relationship with them based on analysing their (customer's) portfolio (Iiu and Tang, 2006).

1.5 Evolution of e-CRM Practices in India

LPG (1991) reforms have brought about many revolutionary transformations in the Indian economy, like IT (Information Technology) solutions, where a company endeavors to win its market share by updating its system from brick-and-mortar to click-and-mortar. The mid 1990’s provide an evidence that technology was then not fully adopted by companies in India. However, after year 2000, due to the intense competition prevalent at that time, everyone in the corporate sector started to adopt innovative technology in corporate sector. These resultant emerging scenarios have metamorphosed the CRM market as well as customer-related business requirements in companies of all sizes. The new CRM system, called e-CRM, meant that the customers, existing as well as the potential, were able to interact and communicate personally with corporations through use of technology.

1.5.1 e-CRM with a special focus on Banking Industry in India

Over the number of years, our banking industry has become an integral part of our economy. Banking is one of the service industries, which deals with all the trading transactions of the Indian economy. As the Indian Banking Industry entered the 21st
Introduction

Century, the onset of the forces of deregulation, globalization and advancing technology has greatly increased the competitive pressure on the banking industry in India. Thus, in the era of increased competition, in order to prosper, it has become imperative for banks to focus on developing long-term relationships with the customers.

Information technology has exerted a significant impact on every service sector, among them particularly on the banking industry. By the changes of technology, banks have emerged as the ultimate channel in all the transactions utilising e-facilities. Although various ways of pay online have been introduced in the market like e-wallets, yet the customers always prefer to use of plastic cards over these innovative e-wallets, since the former carry authorisation of banks and ensure customers’ privacy and security of their money. It has to be conceded that different phases of banking reforms brought about rejuvenation in our economy, thus insulating us from the effects of global recession. The banking industry witnessed reforms in two phases. The first phase was kicked off by Narasimham Committee-I (1991), and the second one by NC-II (1998). The second phase shifted its focus on the use of technology in the banking industry. The Narasimham committee-I appointed by RBI (Reserve Bank of India) had proposed varied reforms, such as improving the financial viability of the banks, increasing their autonomy, restructuring the unviable banks, allowing a greater entry of the private sector in the banking industry, liberalizing the capital market. The committee had introduced these reforms for improving the operational flexibility and competition among the banking industry (Uppal, R.K., 2011). To further, accelerate growth in the banking sector, Narasimham Committee-II was formed in 1998. This Committee introduced the second-banking generation reforms (1998) but with special focus on deploying technology reforms in the banks in India. Although multifarious e-banking reforms commenced, yet technology was fully adopted by banks after the year 2000. The second-generation banking reforms had introduced many aspects in the banking industry with technology being one of the imperative ones. With the use of internet solutions, banks have now effected drastic transformations in making transactions. Technology has become one of the components of competitive advantage in the present stiff competition. Technology has metamorphosed the brick-and-mortar system into click-and-mortar one. Moreover, it has converted paper-based payment system into the electronic-centric payment system.
The development of IT (Information Technology) is helpful in creating an effective relationship between suppliers (banks) and their customers (Muther, A., 2000). e-CRM in fact is a broader concept than marketing, as it covers multifarious aspects of marketing management like manufacturing management, human resource management, service management, sales management, research and development management, etc. Indeed, e-CRM has emerged as the latest paradigm in the world of relationship marketing.

Today, service industries have realised that customers form the major driving force for enhancing and sustaining an organisations’ growth. The aim of e-CRM is to establish and maintain healthy relations between an organisation and its current as well as prospective customers. e-CRM technology enables to collect, store, retrieve and analyse information about its customers. Moreover, e-CRM is all about using internet for keeping and winning customers in real time (Greenberg, 2002). It automatically follows that e-CRM is an important aspect in every service industry to boost survival in the competitive edge and to sustain profitability and growth. Moreover, banks acquire the e-CRM platform for optimizing IT investment and saving its cost on reprogramming/customization customer strategies. Thus e-CRM technologies provide the power and scalability to handle the multiple tasks at a time.

With the advent of e-CRM technology, banks have been able to easily transfer, process and mine the huge data about their potential as well as their existing customers. Further, they (banks) utilise stored data for charting out the business strategies for enhancing retention rate and lifetime value of the customers. Data mining is one of the most widely used techniques of e-CRM to glean customers’ data in banks. Hence data mining technique is the most extensively used method for capturing data about the various online activities of the consumers and their demographics (Mahdavi et al., 2008).

Banking industry should formally create and study customer strategy and marketing strategy. e-CRM technology is conducive to enhancing customer interaction and relationship, managing customer touch points, winning loyalty and attaining as a source of competitive advantage (Kennedy, 2004). e-CRM may be able to offer the right product to right set of customers through valid offer and delivery channel, which results into better customer relationship management.
e-CRM leads to faster processing of transaction, e-response to customer queries, order acknowledgement, delivery and payment information via e-mails or automated response which all are greatly appreciated by customers (Mohini Singh, 2002). Since, through e-CRM, customer can interact with the bank at bank web site through instant chat, email, collaboration or forwarding of pages between the representative and the customer. e-CRM also helps to maintain the data base of the customers, which is essential for every industry in evolving future management strategies. E-CRM has helped technology emerge as a strategic resource for achieving higher efficiency, control of operations and reduction of cost. This it achieves by replacing paper based and labour intensive methods with automated processes, thus leading to higher productivity and profitability (Sharma and Kashyap, 2012).

1.6 Relevance of e-CRM to Bank Customers

e-CRM technology includes internet practices for enhancing traditional marketing concepts, setting internal goals and objectives to meet the organisation strategies (Stanton et al., 1994). e-CRM facilitates increase customer loyalty by accumulating information about the customers. Moreover, it is effective in identifying the actual input cost of winning and retaining long-lasting relations with their existing customers (Scullin et al., 2002). Besides this, e-CRM-centric solutions deal with acquiring, retaining and expanding the numbers of lucrative customers and it is regarded as strategic tech-centric relationship in marketing (Faroqui et al., 2013). e-CRM solutions have an ability to capture, integrate and distribute gained data at the organisation’s web site. According to Foster Research, e-CRM comprises CRM along with e-business applications. It serves customers in an effective way, to retain valuable customers and to upgrade organisational strategies through data mining process.

It is obvious that though face-to-face interaction between banks and their customers is not feasible in the online banking sphere (on bank’s web site), yet e-CRM does perform an effective function in cementing relations between them. However, various alternatives are available at bank web site for their mutual communication directly through devices such as e-mail, live chat, voice mail, hot line, instant reply system, etc. e-CRM is widely employed for mass customization, customer profiling,
self-services, one-to-one interaction that ultimately lower down operating costs, promote customer loyalty and result in enhanced profits (Ahmed, T., 2009). In fact, the customers enjoy the additional facility of interacting with their banks without actually visiting the bank premises, and that too by paying nominal convenience costs but reaping huge saving in time.

Banks employ e-CRM solutions for offering multifarious benefits to their customers, offering numerous e-banking facilities to their customers including, ATM cards, net banking, mobile banking, etc. Further, the service qualities of these e-banking facilities act as antecedents of e-CRM because the prime motto of banks is to offer effective services to their customers. Indeed, e-CRM is useful in handling customer queries in a prompt manner. The bank customers can easily check their balances and their recent transactions, which ultimately help them in making better decision in financial sphere (Khan, M. 2004).

1.7 e-CRM Benefits to Bankers

The relevance of e-CRM centric solution among the bank customers has already been discussed in the preceding paragraph. This new technology (e-CRM) offers a wide range of e-facilities to the banking industry as well. Various e-CRM practices have appeared in services industry during the past decades, in order to fight relationship marketing turbulences. The main aim of the e-CRM technology is to build an effective rapport, improve the service quality and to retain the existing customers. With all the economic and technological reforms brought about by internet, customers have now become much more demanding about benefits from the information technology. The ultimate goal of electronic customer relationship management (e-CRM) system for the bankers is to improve customer service, retain valuable customers, and to facilitate them in providing analytical capabilities. In this globalized world, successful e-CRM requires attracting as well as retaining financially valuable customers, at the same time and eliminating financially disadvantaged ones (Romano and Fjermestad, 2002).

Therefore, e-CRM techniques achieve a healthier rapport by employing network technology as an important tool to link up “front office” (sales, marketing, and customer service) with “back office” (financial, operational, logistical and human resources).
Thus e-CRM solutions improves upon the traditional CRM approach through technology tools, such as Internet, website, and wireless, with the help of e-commerce applications of the overall organisation (Islam and Yang, 2009).

E-CRM enhances the frequency of the customer transaction and increases the rate of using various e-facilities over the web site. Apart from this, e-CRM solutions are helpful in promoting bank’s brand image among the bank customers. All types of banks whether public, private or foreign are maintaining a complete CRM infrastructure investment on the database for all types of customers. Though the public sector banks are relatively older, yet they are taking time to reach the shape of full implementation. (Kaur, J., 2010). Moreover, the database of e-CRM is utilised to develop different marketing strategies for the launch of future products for different sets of customers that ultimately results in customer satisfaction. The facilities to customers may cost less to the banks when they employ e-CRM-oriented practices. Further, e-CRM is helpful in enhancing annual sales earned from loyal customers and in maintaining customer lifetime value. Owing to this solution, customer lifetime value indeed brings in more income and more profits to the banks. Last but not least, e-CRM ultimately contributes in increasing online services, sales and profitability of an organisation, if implemented effectively.

1.8 Structure of Thesis

This study has been categorised into six chapters. The first chapter deals with introducing the concept, evolution of e-CRM (electronic Customer Relationship Management) and its benefits to the bank customers as well as to the bank managers.

The second chapter covers the relevant literature related to the varied objectives of the study. This chapter is further divided into three parts. The first part discusses the measures which have assessed the customer experience about the antecedents of e-CRM. In the second part, the relationship between the antecedents and the consequences of e-CRM has also been reviewed. The third part is devoted to the studies, which gauge the relationship between the competitive advantage and performance of e-CRM in the diverse e-commerce service industries.
The third chapter presents database and methodology utilised in this study. It also describes the research design of the study and also explains hypotheses, the nature and sources of the data collected, and various techniques that have been applied in this study.

Further, chapter four and five explain the data analysis, and interpretation of the objectives of the bank customers and the bank managers respectively.

Lastly, the sixth chapter reveals summary of findings, conclusion, and recommendations & implications of this research study. Besides this, it also gives details about the limitations of the study and directions for future research.