Customer relationship management is not a new term; but the best practices adopted as part of CRM implementation is a term which needs to be scanned in this world of competitive banking business. Every year huge amounts are invested in CRM applications, consulting and training every year. A number of practices have evolved over these years rendering to us a bench mark in this field to survive in this competitive world. But it should be noted that CRM emerged as an important aspect in banks only during the 1990’s and hence only limited research has been undertaken on CRM as a marketing concept or CRM and other aspects of customers like customer perception of customer loyalty, etc. This chapter makes an exhaustive review of methodological studies conducted by individual researchers and institutions in India and abroad on CRM practices, implementation of CRM practices and the association between CRM best practices and customer loyalty.

2.1 CRM: Concept and Importance

Parvatiyar and Sheth (2001) in their study “Customer relationship management: Emerging concepts, tools and applications” have mentioned CRM as a narrow functional marketing perspective. They define that CRM is a comprehensive strategy, an integration of different functions to achieve greater efficiency.

Sin et al. (2005) in an article “CRM: Conceptualization and scale development” classifies CRM into four major areas, like key customer focus, CRM organization, Knowledge management and Technology-based CRM.

Wilmshurst and Mackay (2002) in their book “The fundamentals and practice of marketing” observed that CRM is a comprehensive set of activities that covers all functions of the firm interacting with and supporting a customer
ultimately building customer satisfaction by providing for their needs, wants, and desires over a long time.

Das (2004) in his study states that technology plays the role of an energizer in CRM deployment, as it allows firms to achieve greater customization and better service at lower cost.

Berry, L.L. (1983) in his study “Emerging Perspectives on Service Marketing and Relationship Marketing” defines CRM as the process of identifying, attracting, differentiating and retaining customers.

Berry, L.L. (1983) in his work ‘Emerging Perspectives on Service Marketing’ observed that CRM is the process of identifying, attracting, differentiating and retaining customers which proves that customer relation is a strong factor contributing to customer retention. This means CRM was in the literature even in those olden days.

Buttle (2004) in his study “Customer Relationship Management, Concepts and Tools” states that CRM is a core business strategy that integrates internal processes and external networks to create and deliver value to targeted consumers at profit. He further observes that the fundamental motivation why firms should build relationships with clients and successfully manage these relationships is of an economic nature. Again, he states that CRM helps to accelerate the revenue, profit and growth of firms.

Swartz and Iacobucci (2000) in their book “Handbook of Services Marketing and Management” identify that CRM is a fairly recent marketing concept. Only limited research has been undertaken on the dimensions of the relationship between a service provider and its clients and identified trust, bonding, concern, reciprocity and loyalty as five areas of such relationships.
Buttle (1996) in his article “SERVQUAL: review, critique, research agenda” states that marketing should be concerned with the development and the maintenance of mutually satisfying long-term relationships with customers. It combines the potential of relationship marketing strategies and information technology to create profitable, long-term relationships with customers and other key stakeholders. Further he adds that CRM also provides enhanced opportunities to use data and information to understand customers and to create value with them.

Kennedy (2004) in his research “Using Customer Relationship Management to increase profits” states that many owners have invested in CRM considering their investment in CRM as a main priority.

Greenberg (2000) in his research “CRM at the speed of time Capturing and Keeping Customers in Internet Real Time” identifies that Operational CRM is the customer-facing applications of CRM, sales automation, enterprise marketing automation, and customer service.

Dyche (2002) in his hand book “A Business Guide to Customer Relationship Management” mentions that CRM engenders business change; a successful CRM program not only changes the way a company deals with its customers, but also changes the way customers deal with the company. Further, he classified CRM into operational and strategic CRM.

Ajay and Amita Verma (2009) in their article state that banks have understood that CRM-Customer Relationship Management is the latest buzzword. Again they add that, data mining has become an important tool for decision making by the management. Further, they explain that Executive Information System (EIS) and Decision Support System (DSS) have become stronger through data mining.

Antony Joseph K. (2011) in his research work “A study on Customer Relationship Management in Commercial banks in Kerala”, states that cut throat
competition initiated by the financial sector reforms in India caused a paradigm shift in the customer focus, customer orientation and customer service quality in banking business. He adds that entry of new generation banks with IT enabled and personalized financial services and the consequent flow of customers from old banks was an eye opener to many banks. He also states that banks have realized that customers play a key role in the business and in keeping them through their different life stages will enable the organization to maximize the life time value and good word of mouth opinion about them. This shows that CRM is playing an active role in building customer relations.

2.2 CRM Best Practices in Banking Sector

Damodaran Committee (1971) emphasised online grievance redressal system where Bank should provide for online registration of grievance on its website. There is a need for the banks in developing their Internal Grievance Redressal Mechanism to ensure that only the minimum number of cases gets passed on to the Banking Ombudsman and the Scheme is strictly utilized only as an appellate mechanism. In 1975, the Government of India appointed the Talwar Committee on customer service in banks.

The Rangarajan Committee Report (1989) was the first path breaking step in this direction, which highlighted that computerization must be looked upon as a means to improve customer service and efficiency and that the banks’ workforce should realize that mechanization would lead to growth and employment expansion. This report was the starting point of improving customer services in banks.

In 1990, Goiporia Committee was appointed by the RBI on customer service in banks. In 2004, the Tarapore Committee recommendations led to formation of Board level committees for monitoring customer service in banks. All these committees are proofs that quality customer service was a basic right of
the customer and Government of India took initiative for ensuring such services to the customers.

In 2006, the Reserve Bank of India appointed a Working Group to formulate a scheme to ensure reasonableness in bank service charges under the chairmanship of Sri. N. Sadasivan. The recommendations of the various Committees / Working Groups reflected the need of the time in which the Committees / Working Groups were set-up. This report emphasised the need for providing quality services at a reasonable cost to a customer.

Kamath (1979) in his study “Marketing of banking services with special reference to branches in Bombay city of Syndicate bank” found that quick and better services offered by a bank help in retaining a customer. As products are homogeneous, price and price mixes have less relevance in the marketing mix of banking products and services. So customers can be attracted by using best practices like quick services in banking industry.

Oliver (1997) states in his study ‘Satisfaction: A Behavioral Perspective on the Consumer’ that according to the service quality theory that customers will measure the quality of service as low or high depending on performance and their expectations. This shows that without implementation of best practices to enhance quality banks won’t be able to survive.

Ranade, M.P. (1985) conducted a study on ‘Marketing of deposits and allied services to non-resident customers’ and concluded that quick service is the major factor influencing a Non Resident Indian’s (NRI) selection of a bank. Existing deposit services alone do not satisfy the NRI, they need some value added services to get satisfied. That means some extra benefits attached to the products will only make customers satisfied and best practices where the only solution to banks.
Many other researchers like Oliver (1981), Brandy and Robertson (2001) explain customer satisfaction as an individual’s feeling of pleasure or a feeling of disappointment after comparing the perceived performance or outcome in relation to the expectation of customers. This feeling can be created only through adoption of best practices.

Reichheld and Kenny (1990) documents that, it is more economical to retain customers than to acquire new ones. The costs of acquiring customers to replace those who have been lost are high. This is because the expense of acquiring customers is incurred only in the beginning stages of the commercial relationship. This means that maintaining customers through best practices is much easier than creating new ones.

Kaynak and Kucukemiroglu (1992) state that banks must focus on understanding the needs, attitudes, satisfaction and behavioral patterns of the customers as well as the market itself. In the study, they discovered that customers choose their banks because of convenience, long association, recommendations of friends and relatives, and accessibility to credit. That shows the relative importance of implementation of best practices.

Peppers and Rogers (1995) emphasize promotional aspects of marketing through customer databases. By utilizing database with bank promotional practices like sending messages and emails on new products of banks can be sent. This ensures market for the product through adoption of best practices like sending messages to customers.

Peppers and Rogers (1993) and Vavra (1992) state that at a broader level, CRM may mean customer retention or partnering. This partnering can be created and maintained only through making the customers believe that they are special and this is possible only through adopting some ‘additional benefits’ to customers basically called as best practices.
Reidenbach (1995) in his study states that recent developments have forced banks to adopt strategic marketing practices. Banks have started offering extended services, diversification of products, entry into new markets, and emphasizing electronic banking by adopting best practices in each field.

Baker (1993) states in his study that branding, targeting and positioning would all be much more effective if the supplier had some tangible advantage to offer consumers but it is not possible in the service sector. The most likely way to both retain customers and improve profitability is by adding value through differentiation while increasing margins through higher prices. These added advantages are the evidences of implementation of best practices in banking industry.

Lewis et al. (1994) express in their study that changes in the banking industry have made the implementation of sophisticated delivery systems or best practices a strategic necessity. This contributes to the fact that banks have started adopting such practices which enrich customer relations.

Pereira (1995) expresses his view in his study ‘Bank strategy: competitive strategies’, by stating that the financial system throughout the world is facing a lot of changes. Major changes are now the implementation of best practices to create new customers, maintain existing customers and to win the confidence of lost customers also.

Reidenbach (1995) in his research work ‘Value-Driven Bank: Strategies for Total Market Satisfaction’, explains that banks are forced to implement strategic marketing practices like offering extended services, diversification of products, entry into new markets, and emphasizing electronic banking. These can be analysed as best practices implemented by banks to create value added services.

Chang, Chan, and Leck (1997) in their article ‘Management of Market Quality for Correspondent Banking Products’, states that a bank should extend its
product quality beyond their core service by giving value added services. This shows that without implementing value added services or best practices banks can’t overcome the present situation to get competitive advantage.

Ennew and Binks (1996) and Woodruff (1997) in their study expresses their view that today’s customers do not just buy core quality products or services; they also buy a variety of added value or benefits which can be classified as the best practice implemented by banks. This forces the banks to adopt a market centered approach that identifies consumer needs and designs new products and redesigns current ones.

George, K.M. (1999) in his study ‘Evaluation of Marketing Strategies of Commercial Banks’ suggested the concept of practicing relationship banking. This relationship banking can be created and extended only through some added services or additional benefits offered to customers which are best practices adopted by banks to practice relationship banking.

Healy (1999) in his study, states that longer-term customers have a behavioral pattern. He also states that they usually buy more and, if satisfied, may generate positive word-of-mouth promotion for the company. They take less of the company’s time and are less sensitive to price changes. So referral business is an opportunity and it can be created using some added benefits to existing products. This gives a clear picture of the importance of best practices in the banking industry.

Mylonakis et al. (1998) state that a variety of services and products, along with communicative efficiency, will create an impact on the customer. These impacts can be enriched by using best practices in day to day activities of banking.

Franco and Klein (1999) in their online banking report stress the importance of enriching current technological infrastructure to correlate with the speed of Internet trade and e banking. This means that the revolutionary change of
convergence to e banking in the banking sector contributed to implementation of best practices.

Saunders and Walter (1994) observed that it is important to conduct a study on the investments in technology and their impact on the bank business. Sethi & King (1994) assessed how technology is reducing the labour intensive activities, service and processing cost, while increasing service levels, and improving the productivity and competitiveness. They explanation leads to the reduction of labor costs by implementing best practices.

Yang et al. (2001) state that E-service is becoming increasingly important now a days in providing consumers with a superior customer experience. Thus providing E-service can be considered as the need of the hour and an important best practice in banking industry.

Hull (2002) in his study documents that banking industry is highly competitive since the products are easy to duplicate. When banks provide nearly identical services, they can only distinguish themselves on the basis of price and quality along with added benefits. So customer retention is an attractive tool that banks can use to gain a strategic advantage and survive in today’s competitive environment.

Xu. Yen et. al. (2002) in their study point out that successful company will build data base systems that enable the use the customers’ information wisely. This is true because banks have started sending promotional messages to mobiles and emails of customers as best practice to increase customer relation along with marketing of their products.

Harwood (2002) expresses his view that today’s consumers have more choices for their financial needs than ever before. Many financial institutions are looking at branding techniques to differentiate themselves due to increased use of technology, globalization, increased competition and increased consumer mobility.
He argued that branding, as a tool to build image, is critical in the banking industry where all firms offer about the same kinds of products which could have ultimately led to implementation of best practices.

Mukherjee and Nath (2003) found that communication had a moderate influence on trust. He added that trust in general led to a higher level of commitment in online banking. Security measures are taken by banks to ensure satisfaction in E-banking. Trust is the basic factor in E-banking transactions and it can be created and maintained in banking business only through best practices.

Yang and Fang (2004), Parasuraman et. al., (2005) and Bauer et. al.(2005) suggest a differentiation between dimensions that are satisfiers and dissatisfies. Some authors differentiate between dimensions for core service delivery and recovery services delivery. The other seeks to operationalise and extend in order to use service delivery for content analysis and evaluation, and benchmarking of web sites in the apparel retailing sector.

Dabholkar et al. (2003) in their work state that recent advances in technology have created a tremendous increase in “technology-based self-service”. Such developments are changing the way that banks and consumers interact, through the implementation of value added services or best practices.

Muraleedharan, K.K. (2004) in his study suggested the introduction of a system to access customer satisfaction. This will help to evaluate the quality of bank marketing from the customer’s point of view. His suggestion highlights the need for some practices to increase customer satisfaction.

Erwee (2004) in his study states that the firms realize that in order to remain competitive, they need to build relationships with their customers and this can only be done through some common best practices which will help to enhance long term relations with customers.
Ananthakrishnan, G. (2005) described that through digitalisation the gap between the customers and the banking personnel is widening. Banks which take care to see the reality and react early will survive and prosper which shows the need to implement best practices in banking industry.

2.3 Implementation of CRM Best Practices in Banking Sector

Bateson (1985) has conducted a study on the need for consumers to have control during service encounters. The study states that when a consumer freely chooses to use technology as a form of service delivery, the impact is high in terms of quality attributes. Some of the quality factors that are highly important to consumers are efficiency and speed. This can be enhanced only through implementation of best practices.

Smith (1987) is of the opinion that technology was introduced in banks originally to reduce costs, but by dividing front and back office operations, technology can be targeted to enrich different functions. Thus technology proved to be one of the best practices adopted by banks to strive towards success.

Singh (1983) in his article ‘Bank Advertising in India on Bank Marketing’ found that a good number of banks in India had taken steps to make use of internal marketing for the purpose of raising the customer service consciousness, and business mindedness on the part of their employees, which is a proof that banks have started thinking about increasing customer service through empowerment of employees. That means banks have started implementing CRM practices like empowerment of employees to increase customer satisfaction.

Weatherall et al. (1984) support this view by stating that consumers are having a positive perception on technology based service attributes. They believe technology will deliver a faster and more efficient service than that of the employee. This means best practices adopted by banks in technology and other related aspects improve customer experience.
Anderson and Narus (1990) explain the interaction between the company and its customers during the pre-selling, selling, consuming and post-consuming stages of a sale. In relationship marketing, communication means keeping in touch with valued customers, providing timely and trustworthy information on service and service changes, and communicating proactively if a delivery problem occurs. This can be considered as the implementation of best practices in banking sector because even a small interactive dialogue can create positive customer experience.

The Goiporia Committee (1990) studied the aspects like causes of the below par customer service in banks, areas of deficiencies in customer service in banks, measures for improvement in work culture, steps for inculcation of greater customer orientation among bank employees, identification of structural and operational rigidities and inadequacies which adversely affect the working of banks, upgradation of technology to ensure prompt and efficient customer service etc. Over the years, the customer service in banks has improved considerably with the introduction of technology based products like ATM, Internet Banking, Debit Cards, Mobile Banking and encouraged the youngsters accessing banking services which can be considered as the implementation steps of best practices in banking industry.

Lovelock (1991) in his publication ‘Service Marketing’ states that customer feedback is an established concept of strategic planning. Therefore, it is recommended that performance of banking institutions should be monitored on a regular basis in order to measure satisfaction level of customers which will ultimately contribute to customer retention. This type of monitoring can be considered as implementation of good practices adopted by banks to ensure customer retention.

Kaynak and Kucukemiroglu (1992) and Hull (2002) in their study state that the banking industry is highly competitive, with banks not only competing with
one another; but also with non-banks and other financial institutions. Customer retention is potentially an effective tool that banks can use to gain an upper hand and survive in today’s ever-increasing competitive environment in this field. This is a clear evidence for the fact that banks have started thinking of differentiating their products through some practices or added values.

Harsh (1993) illustrated in his study the beneficial aspects of technology and identified five major benefits of technology to a service organization. Reduction in cost of operation and increased efficiency, standardization in quality of services, achieving higher service levels through blending of technology, maintaining close links with customers, and finally enhancing status and motivation are also cited. This can be considered as a CRM practice adopted by banks which contributed to their operational efficiency.

Parasuraman et al. (2001) explain that the banking industry is exhibiting little market orientation now a days and fulfilling services with little regard to customer needs. This makes it clear that banking sector needs to think of adding some benefits to their services and making themselves differentiated in this competitive world for their survival.

Anderson and Sullivan (1993) in their study state that, satisfaction requires previous consumption experience and it depends on price, whereas quality can be perceived without previous consumption experience and does not normally depend on price. A concept which is very closely related with satisfaction and loyalty is perceived quality. Quality can be assured through implementation of good practices adopted by firms to increase customer satisfaction.

Franco and Klein (1999) and Cronin (1998) state that customized service is an active area of competition between banks in this new world. The interactive nature of e-banking creates a platform for gaining a much deeper understanding of the customers. Through data mining technique, data can be collected and analysed
while customers interact with the bank. This marketing technique will ultimately
determine the success of the bank's electronic channel business which is actually
the implementation of best practices in banking industry.

Dabholkar (1994) claims that when the customer is in direct contact with
the technology there is greater control, as with Internet banking. In tele-banking,
direct contact is lost and just pressing keypad keeps the contact. Here banks have
less control during the transaction, reducing cost of operation, time and energy of
employees, etc which was the best practice implemented in early stages.

Gulati, V. P. (1996) in his study listed the possible applications that can be
easily complemented by the Indian financial sector, which were all best practices
suggested to be implemented in banking business.

Another panel named Tarapore Committee (1997) was set up under the
chairmanship of Sri S.S. Tarapore named as The Standing Committee on
Procedures and Performance Audit on Public Services for ensuring customer
satisfaction (2004). After conducting a direct visit to bank branches including
RBI's offices, the Committee made a number of recommendations covering an
individual customer's dealing with the bank in the areas of foreign exchange,
currency and government transactions including pension, besides the main
relationship as an account holder. Their report was a major contribution in the
field of implementation of best practices.

According to Joseph et al. (2003) customers choose a service delivery
channel by analyzing reliability, accuracy, personalized services and accuracy of
records. So spending money on implementation of best practices in banking sector
will not be a waste of money.

Kolter and Armstrong (1999) defended the customer satisfaction as the
customer's perception that compares their pre-purchase expectations with post
purchase perception. That means by providing best practices banks can have higher post purchase perception.

Ryals and Knox (2000) have identified the three main issues that can enable the development of Customer Relationship Management in the service sector. They are the organizational issues of culture and communication, management metrics and cross-functional integration, especially between marketing and information technology which are all best practice initiatives taken by banks.

Parasuraman et al. (1985) in their studies identify service quality as the extent to which a service meets customer’s needs and expectations. Service quality is the difference between customer expectations of service and perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs. This service quality can be created through implementation of best practices, especially in banking sector.

The study conducted by Vij Madhu (2003) presents the changing profile of Indian banks with the help of a comparative study of three private sector banks in India namely ICICI bank, HDFC bank and IDBI bank. In the study the researcher concludes that the challenge for the future will be the net banking, proper risk management, nurturing and retaining the intellectual capital, etc which shows that banks have changed their working profile by implementing CRM practices.

Yli-Renko, et al. (2001) have focused on the management of the exchange relationships. Management of exchange relationships can also be analyzed as implementation of best practices in banking industry.

Ioanna (2002) proposed that product differentiation is impossible in a competitive environment like the banking industry. Thus, banks tend to differentiate their firm from competitors through service quality. Service quality is an important element influencing customers’ satisfaction level in the banking industry. In banking, quality is a multi-variable concept, which includes differing
types of convenience, reliability, services portfolio, and critically, the staff delivering the service. This is a clear proof that banks have started implementing best practices to differentiate their products from others through multi variable concept.

The study conducted by Kunkalienkar Manoj (2003) presented that though technology is a revolutionary agent, it will not be a cure for all inefficiencies. The main area of awareness for banks is going to be the re-skilling of the workforce in technology and non-technology areas, customer service and customer focus etc. It includes how to manage customer expectation, his feedback; how to attract new profitable customers; how to package products and services to meet customer needs, security across all channels, create a hygienic branch environment and other contact points, create and enrich customer experience, etc. This shows that banks have taken enough steps to implement best practices in the banking sector.

Vyas, P. (2004) stated that there was effective implementation of e-banking services in case of private banks and foreign banks, whereas nationalized banks were found to have a lesser degree of computerization. But today all banks are in the field of digitalization as they won’t be able to survive in this competitive world without effective CRM practices.

Rajshekharra, K. S. (2004) in his article ‘Application of IT in banking’ states that IT has become an inseparable segment of banking organization. The application of information technology in the banking sector resulted in the development of E-banking, Internet Banking, Online Banking, Telephone Banking, Automated teller machine, universal banking and investment banking etc. It accelerates quick service with low transaction cost to the customers leading to customer’s satisfaction. Therefore banks should organize and conduct customer awareness program to ensure security of transactions. This is a clear proof of
banks having started implementing IT enabled good practices to ensure customer satisfaction.

Orr (2004) states that getting pleasant experience in banking is the necessary requirement of banking business. This experience can be enriched only through good technological infrastructure. Implementation of sophisticated technology can also be considered as one of the best practices to ensure speedy services to customers contributing to enrichment of customer experience.

Aberdeen Group (2005) identifies that the end results achieved by best-in-class retailers have created a new set of best practices to be adopted by retailers overall including service sector. Highly educated consumers have higher expectations for their retail experience, and highly sensitive shareholders have higher expectations for results. That means best practices adopted by service sector in retailing can contribute to both.

Booz Allen Hamilton Revenue Enhancement Study (2007) states that retail banks are raising their business across the board and globe. In a comprehensive study they found that retail banks are developing and adapting their distribution channels to come up with the needs of customers. Branches are now more attractive and better designed, Web sites provide high security, and call centres provide faster solutions to customers’ complaints. Based on the findings of this research, the Booz Allen Revenue Enhancement (BRE) Index has been developed, taking into account performance across the four main channels like branch, online, call centre, and mobile sales force along with multichannel index.

Falgani and Manish (2009) in their article titled “CRM – A key to success in banking” state that a structured approach to CRM provided various benefits to banks and suggested some guidelines for the implementation of CRM in Indian banks. They added the steps through which private banks have become successful
in implementing CRM which contributes to the fact that best practices can enrich CRM implementation in banking sector.

RBI constituted a Damodaran Committee (2011) under the chairmanship of Sri M. Damodaran to look into the customer service aspects and the committee recommended reviewing the existing system of attending to customer service in banks. His report gave special reference about bundling of products in banks and the banks should be in a position to design products suiting the requirements rather than forcing customers to choose the bundled products. This report also recommended that the banks should establish a proper Customer Grievance / Assistance Centre and the executives of call centres should be empowered to make decisions with strong support of CRM system. This shows that almost all suggestions are the starting point of implementation of best practices in banking business.

RBI in a Master circular on Customer Service in banks (2012) insisted that all banks constitute a Customer Service Committee of the Board with a view to strengthening the corporate governance in the banking system and also to enriching quality of customer service provided by the banks. Banks should have a Board approved policy for general management of the branches and the problems on customer service should be discussed by the Board to ensure that the instructions are implemented meaningfully. They should also play a major role with regard to complaints / grievances resolved by Banking Ombudsmen of the various States. This shows that banking policies have changed towards customer services and settlement of their grievances and complaints contributing to establishment of good practices in this sector.

2.4 CRM Best Practices and Customer Loyalty in Banking Sector
Narasimham Committee (1992) while highlighting the problems faced by Indian public sector banks stressed the need for computerization in banks. The committee
observed that modern banking involves processing of a mass of information and convergence to technology is the only solution to that. He adds that it ensures timeliness, accuracy and resultant improved performance and enhanced customer service. This shows the effect of best practices on customer satisfaction ultimately leading to customer loyalty.

Jacoby and Knyer (1973) in their research work mentioned that customer loyalty has a long tradition in academic literature research. In their studies they mention that majority of early studies define customer loyalty as the repeat purchasing of a particular service or product. Repeated purchase usually leads to customer loyalty. This loyalty increases due to implementation of best practices.

Woodruff (1997) develops the theory that customer value leads to customer loyalty. Many researchers view customer value as a key element in achieving success which is evident in the banking sector also. Customer value can be created only through offering added benefits or best practices along with banking services.

Ammayya (1996) Godse (1997) in their study appreciated the introduction of information technology in banks and stressed on training needs of employees. They play a crucial role in turning the technological tools into a powerful combination of best practices to aid the bank in improving the service quality and performance. If service quality can be enriched through best practices definitely it will lead to customer loyalty.

Parasuraman et al., (1985) state that service quality is the difference between expectations of service and perceived service by a customer. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs. That means best practices can contribute to customer loyalty through nourishment of service quality.

Maiden and Mouinmho (1988) conducted a research on bank customers perception and loyalty. The key findings were that banks should promote ATM
usage, financial institutions should review banks services and customer loyalty is not a function of single variable but a function of more than one variable. This shows that banks’ practices have a relationship towards customer loyalty.

Zeithaml and Bitner (1996) have identifies that implementing and evaluating service quality is a complex process. Content and delivery are the two aspects need to be taken into consideration when evaluating service quality. He adds that if these two are satisfied, they will contribute to customer loyalty. That means best practices in these two variables can contribute to customer loyalty.

Leeds (1992) documented that approximately 40 percent of customers switched banks because of poor service. Leeds further argued that employee’s courtesy is a prime consideration in choosing a bank by a customer. The study also showed that increased use of professional behaviours, improved customer satisfaction and reduced customer exits. This is a clear evidence of association between CRM best practices and customer loyalty.

According to Groonroos (1994) relationship marketing establishes, maintains, and enhances relationship with customers and others at a profit. Relationship marketing has a strong bond with best practices. So we can assume that best practices can contribute towards the achievement of customer loyalty.

Gummesson (1991) stresses that reliability and user-friendliness are important factors in the evaluation of technology-based services. Service quality can be seen as the extent to which a service meets customer’s needs and expectations. In short, hyper educated customer’s needs and expectations have gone high level and it can be satisfied only through added values to services. These added values can create loyalty in the long run.

Reichheld (1996) states that unsatisfied customers sometimes continue with the bank, because they do not expect better service elsewhere. Banks need to know how to keep their customers, even if they appear to be satisfied. Winning the
confidence of such customers is a challenge for the banks and best practices contribute to it ultimately leading to customer loyalty.

Storbacka et al. (1994) in their study explain that satisfied customers may look for other providers because it is also dependent on a number of other factors like wider range of product choices, greater convenience, better prices, and enhanced income. These factors enrich the relationship of best practices and customer loyalty.

Fornell (1992) in his study states that customer satisfaction is more important for loyalty in banking industry. He adds that switching barriers have been used as marketing strategies to make it costly for customers to switch to other banks and provide negative attitude for the customer to leave the current branch.

Reidenbach (1995) and Nguyen and Leblanc (1998) in their research expresses the views that there is a correlation between service satisfaction, quality and value. If these factors are correlated then definitely each factor will contribute to customer loyalty through implementation of best practices.

Reidenbach (1995) argued that customer value is a more viable element than customer satisfaction. It includes not only the usual benefits that most banks offer but also a consideration of the price that the customer pays for it. Clearly, customer value can be a strong driver of customer retention. Customer satisfaction is merely a response to the value proposition offered in specific products/markets. So banks must determine how customers define value in order to provide value added services or good practices.

Woodruff (1997) identified Customer Value creation as the marketing strategy around which competition would revolve. He linked customer value with customer satisfaction and customer loyalty. He adds that customer value is more feasible than customer satisfaction since it includes not only the benefits accrued
but the price. In short, if customer value can be enhanced through best practices, it can contribute to customer loyalty.

Beckett Camarata et al (1998) have noted that managing relationships is crucial for a bank's long-term success. He further states that CRM assists in developing and maintaining long-term relationships in banking sector which can ultimately contribute to loyalty.

Oliver (1999) defined customer loyalty as a deeply held commitment to rebuy a preferred product or service in the future in spite of various factors influencing switching behavior. This commitment can be enhanced through implementation of best practices and ultimately leads to loyalty.

Curasi and Kennedy (2002) document that customer satisfaction does not support the continuation of the relationship. High switching costs are also an important factor drawing the customer to the bank. Even with relatively low levels of satisfaction, the customer continues with a bank. This is because repurchasing is easier and more cost effective than searching for a new banker or sampling the services of an unknown banker.

Singh and Sirdeshemukh (2000) and Gronghaug and Gilly (1991) state that trust playing an important role on customer behavior. Customers who perceive a high level of switching costs may behave differently from those who only perceive a low level of switching costs. That means if trust can be created and maintained, even switching costs will not stop a customer to continue with a bank. So implementation of best practices in building trust can enhance customer loyalty.

Daniell (2000) in his study states that other than switching costs, cross-selling is another critical variable encouraging customer retention. Banks usually sell different products and services bundled together, which usually increases revenue to banks. The more products or services you sell to a customer, the less
likely it is that they will switch their relationship. This shows that cross selling is one of the best practices contributing to customer loyalty.

Bhattacherjee (2000) suggests that users' long term existence is determined by their satisfaction and perceived usefulness of the application. So best practices adopted by banks will definitely contribute towards customer satisfaction leading to customer loyalty.

Tan and Teo (2000) in their study "Factors Influencing the Adoption of Internet Banking" found that factors such as hassle free Internet experience, the positive advantage of online banking and perceived risk, and perceived behavioral control factors influenced the adoption of Internet banking services. Even with these negative factors E-banking was adopted to increase the customer experience. This means that even with negative security issues E-banking was implemented as a best practice which ultimately leads to increase in customer loyalty.

The survey by Karjaluoto et al (2002) showed that knowledge of computers and technology as well as customers attitudes toward computers influences their attitude toward online banking and their actual behavior. But customers accepted the change due to its user friendliness and contribution towards customer satisfaction. This user friendliness or value added services, otherwise called as best practices, can enhance customer satisfaction which often leads to customer loyalty.

Ndubisi (2004) has suggested that companies should make investments in building relationships with loyal customers. It is argued here that the four identified pillars of relationship marketing are directly linked to and are capable of enhancing customer loyalty. If banking companies start investing in creating and maintaining best practices, it can enrich customer loyalty in the long run.

Regan and Macaluso (2000) and Storey et al (2000) document that excellent customer services are a key factor in the success of e-banking. This is
because the E-banking transfers power from supplier to the customer and superior customer service is absolutely essential for keeping customers loyal.

Yuan and Chang (2001) have presented a mixed-initiative synthesized learning approach based on different sources of web customer data for better understanding of customers and the provision of clues for improving customer relationships. This can be considered as the proof of enhancing customer relationships contributing to retention of customers and increase in customer loyalty.

Colgate and Lang (2001) in their study state that switching costs play an important role in customer retention. When switching costs are high, customers choose not to switch to a competing service provider, whereas when the costs of switching are low, customers are more likely to switch to a different service provider. This shows that nil switching cost, one of the best practices adopted by banks, can help to increase customer loyalty.

Shreyan et al (2002) in their research explain that E-banking was a revolution in the history of banking which contributed positively to banking business. This shows that added benefits or good practices contribute to success and customer loyalty.

Cronin (1998) in his work quotes that web based services have to be more convenient, easier to use, and less expensive than the alternative, to win the loyalty of consumers. Providing such services has become a part of best practices in banking business. These practices usually make customers happy and satisfied. Customer satisfaction often leads to customer loyalty in the long run.

Santos (2003), Groomroos et al (2000) and Bauer et al (2005) in their works illustrate service quality as a key determinant in differentiating service offers. Differentiating services can only be done through adopting best practices and it will ultimately contribute to customer loyalty.
A study conducted by Lassar et al (2005) reveals that Internet related innovativeness is positively related to the adoption of online banking. Online banking created a revolution in banking industry. It is one of the best practices which enrich customer loyalty.

Raman Nair, V. (2004) conducted a study on ‘Marketing of Financial Services by Commercial Banks in Kerala’ and made suggestions to banks to pioneer new service delivery techniques to strengthen banks relationship with banks customers which explains the need for customer relationship management, its practices and its contribution towards customer loyalty.

Ndubisi and Chan (2005) in their research work underscore the importance of the communicator’s task in the early stages of business. They also explain how they are trying to rectify the causes of dissatisfaction among customers. When there is effective communication between an organization and its customers, a better relationship will result and customers will be more loyal.

Srinivasan (2007) in his work ‘Customer Loyalty in e-commerce: an exploration of its antecedents and consequences’ says that the satisfaction is not an essential requirement for customer loyalty, so satisfied customers do not have to be loyal but there is a correlation between the satisfied customers and loyal customers, which makes it clear that customer loyalty is related to customer satisfaction and good practices have a contribution towards customer loyalty.

Sudeep, S. (2007) in his study identifies that banks used e-banking as a mechanism to survive competition that existed in the market and it was also used to retain the customers. This shows that, E-banking was adopted by banks so as to increase customer satisfaction leading to customer loyalty.

Uppal, R.K. (2007) in his study states that e-banks are providing quick service and all bank groups should put in place the right kind of systems to reduce service time and render spontaneous service to the customer and such banks will
tend to survive in the competitive race for market shares in the coming years. This shows the importance of adopting good practices like E-banking in order to increase customer satisfaction.

Ganguli and Roy (2011) have identified four service quality dimensions like customer service, technology security and information quality, technology convenience, and technology usage easiness and reliability, etc in the technology-based banking services. The measures adopted by banks to increase service quality are called as best practices contributing to customer loyalty.

Oliveira et al (2002), Al Hawari and Ward (2006) in their studies suggest that e-service quality is a banks’ competitive capabilities that lead to business performance and efficiency. They demonstrate that service quality impacts on customer satisfaction which in turn affects the performance of banks and customer loyalty.

Bauer et al (2005) states that the challenging business environment in the service sector has resulted in more pressure on banks to develop and utilize alternative delivery channels with a view to attracting more customers, improving customers’ perceptions and encouraging customer loyalty.

Joseph et al (2003) in their study ‘Service quality in the banking sector: the impact of technology on service delivery’ identify the installation of user friendly technology as a means of delivering traditional banking services has become commonplace in recent years as a way of maintaining customer loyalty. Traditional banks are using technology to meet this challenge and as a method of reducing the cost of providing services that were once delivered exclusively by bank personnel. This user friendliness can create customer satisfaction and loyalty.

Lewis et al (1994) in their work ‘service quality: students’ assessment of banks and societies’ documents that providing quality customer service is a key strategic component in banks’ profitability. The importance of service delivery
and its impact on improving satisfaction and retention of customers, improving sales and market share, and improving corporate image cannot be overstated. Providing quality services thus creates satisfaction and loyalty.

Adrienne Curry & Susan Penman (2004) in their study ‘the relative importance of technology in enhancing customer relationships in banking – a Scottish perspective’ suggests relative importance of technology in service delivery in banking which concluded that technology provides a different type of value and the benefits to be gained. These valued added services are called good practices in banking sector.

Rust and Oliver (1994) state that service quality can be described as the overall impression or appraisal by clients of the relative inferiority or superiority of a firm and its services. This shows that best practices can contribute to the service quality leading to a positive impression among customers. Positive impression enriches customer loyalty.

Duhan et.al (1997) in their study ‘Influences on consumer use of word-of-mouth recommendation sources’, documents that it is a complex and multifaceted approach. It includes investigating consumer need; building relationships with clients and potential clients and satisfying consumer needs and create a loyal customer base through CRM strategies and high levels of service quality.

Srinivasan (2007) in his study explains that there are two main categories of loyal customers. Within the loyal category there are satisfied and un-satisfied customers. The satisfaction is not an essential requirement for loyalty; so satisfied customers do not have to be loyal. But there is a correlation between the satisfied customers and loyal customers. That means if best practices can create customer satisfaction it will automatically lead to customer loyalty.

A study was conducted by Kallol Das and others (2009) a Best Practices Survey which attempts to measure the extent of deployment of CRM best practices
across the retail banking segments of scheduled commercial banks in Surat city. His study developed around 29 Best Practices adopted by banks in India which are classified under four heads—mainly key customer focus, CRM Organization, knowledge management and technology based CRM.

Key customer focus includes the following seven best practices:

i. Bank provides customized services and products to our key customers.

ii. Bank strives to constantly surprise and delight our key customers.

iii. Bank strengthens the emotional bonds with our key customers by wishing them on important occasions.

iv. Bank uses the concept of ‘Relationship Pricing’ in pricing our different products/services.

v. Bank uses Co-branding / Affinity partnering programs to provide increased value to our customers.

vi. Bank leverages the power of word of mouth by using Referral Marketing programs.

vii. Bank uses cross selling of products/services to increase customer share.

CRM organization includes the following nine best practices:

i. Banks’ top management accepts and provides leadership for building and maintaining customer relationships as a major goal of the bank.

ii. Bank expends time and resources in managing customer relationships.

iii. Banks’ systems are designed to make it easy for customers to do business with us.

iv. Bank provides increased customer convenience using a variety of distribution channels.
v. Bank delivers a consistent customer experience across all customer touch points / encounters.

vi. Bank establishes Customer-centric performance standards which are monitored at all customers touch points.

vii. Banks’ Customer-centric performance standards and CRM responsibilities of frontline employees are clearly defined, assigned and understood.

viii. Banks’ employee training programs are designed to develop the skills required for acquiring and deepening customer relationships.

ix. Banks’ frontline employees are encouraged and empowered to exceed customer expectations.

Knowledge management includes the following 10 best practices:

i. Banks take customer feedback seriously and reply to them.

ii. Banks have effective customer recovery strategies including guarantees for service failures.

iii. Banks collect customer and employee feedback in a variety of direct and indirect measures.

iv. Banks disclose to the employees the feedback given by our customers.

v. Banks use information from customers to design or improve their products or services.

vi. Banks analyze the causes of customer defection through exit interviews and lost customer surveys with the aim to win back customers who have strong profit potential.

vii. Banks do customer segmentation using Customer Lifetime Value (CLV)/related metrics.
viii. Bank has a process in place to obtain and validate customers’ permission to interact with them through various channels.

ix. Banks have a well-developed privacy policy to ensure confidentiality of data collected from customers.

x. Banks have a differential reward system that rewards customers based upon their profit / revenue contribution.

Technology-based CRM includes the following three best practices:

i. Bank uses technology to automate marketing, sales, and service functions.

ii. Banks’ information systems are designed to give comprehensive data about all aspects of our customers, so that we can be responsive to them.

iii. Banks CRM software provides for integration of touch points to obtain a single view of the customer at every point of customer association.

Their study was conducted in India and is elaborated with a case study on State Bank of India. They report that a few of the best practices are really well implemented, but the majority of others are still not being implemented and need significant improvement, which was the starting point of my research.

Ganesamurthy, K. et al (2011) in their research paper attempted to study ‘the customers' perspectives on CRM practices of Commercial Banks in India’, and the study reveals that customers' perception of CRM in banks does not vary irrespective of different classifications of customers, such as age, sex, education, occupation, income level, the bank in which customers have an account, type of account, type of account maintained by the customers and the period of customers' association with banks. It means that it varies only because of different best practices adopted by banks.
To conclude, an in-depth survey of the available literature reveals that no sufficient, empirical and exploratory studies have been made so far to evaluate the CRM best practices and customer loyalty in banking industry in Kerala. It is in this context that a study of the present nature is highly warranted. The study covers areas such as identification and assessment of best practices, implementation of these practices and the association between best practices and customer loyalty in retail banking in the public and private sector in Kerala.

References


