A COMPARATIVE STUDY OF NATIONALIZED AND PRIVATE BANKS WITH REFERENCE TO CUSTOMER RELATION MANAGEMENT

A SUMMARY

Submitted

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DECLARATION

I hereby affirm that the work presented in this thesis is exclusively my own and there are no collaborators. It does not contain any work for which a degree/diploma has been awarded by any other University / Institution.

(Ritu)

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1. Introduction

Customer Relationship Management: The Concept

Customer Relationship Management is the establishment, development, maintenance and optimization of long-term mutually valuable relationships between consumers and the organizations. Successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes.

At the heart of a perfect CRM strategy is the creation of mutual value for all the parties involved in the business process. It is about creating a sustainable competitive advantage by being the best at understanding, communicating, and delivering, and developing existing customer relationships in addition to creating and keeping new customers. So the concept of product life cycle is giving way to the concept of customer life cycle focusing on the development of products and services that anticipate the future need of the existing customers and creating additional services that extend existing customer relationships beyond transactions.

CRM is a comprehensive approach for creating, maintaining and expanding customer relationship. It provides seamless co-ordination between customer service, marketing, information technology and other customer related functions. It integrates people, process and technology to maximize relationships with all the customers. It does not aim to build closer relationship with all customers, but it recommends that organizations take initiative to identify the most valuable customers by looking for their life time value. CRM means building an interdependent relationship with the customer in which each relies on the other for business solutions and successes. From the Bank’s point of view, it the management process or approach of acquiring, retaining and growing

Need of CRM in the Banking Industry

A Relationship-based Marketing approach has the following benefits

- Over time, retail bank customers tend to increase their holding of the other products from across the range of financial products / services available.

- Long-term customers are more likely to become a referral source.
CRM - SUMMARY

- The longer a relationship continues, the better a bank can understand the customer and his/her needs & preferences, and so greater the opportunity to tailor products and services and cross-sell the product / service range.

- Customers in long-term relationships are more comfortable with the service, the organization, methods and procedures. This helps reduce operating cost and costs arising out of customer error

- Intense Competition
There is intense competition among the Private Sector Banks, Public Sector Banks and Foreign Banks and they are all taking steps to attract and retain the customers. New technologies, research facilities, globalization of services, the flood of new products and the concept of all the facilities under one roof to provide better customer service leading to customer delight.

- Well Informed Customers
The Customers in Banking Industry today are well informed. With the introduction of new technology, the world has become like a small village. Thus, if a Bank wants to have more customers, it should develop a good relationship with its present customers and try to maintain the same in the future also.

- Decline in Brand Loyalty
In the present scenario, brand loyalty is on decline. The customers are switching over frequently to avail the better facilities from other banks. Newer and superior products and services are being introduced continuously in the market. Thus, the banks have to upgrade their products, improve customer service and create bonds of trusts through proper care of customer needs and regular communications. With the help of CRM, strong customer loyalty and a good image for the organisation can be developed.

- Improved Customer Retention
In the intensely competitive banking industry, retention of existing customers is vital, which can be achieved through the process of CRM.

With increased number of banks, products and services and practically nil switching costs, customers are easily switching banks whenever they find better services and products. Banks are finding it tough to get new customers, and more importantly, retain existing customers.
According to a research by Reichheld and Sasser in the Harvard Business Review, 5% increase in customer retention can increase profitability by 35% in banking business, 50% in insurance and brokerage, and 125% in the consumer credit card market. Therefore, banks are now stressing on retaining customers and increasing market share.

**Banking and CRM**

Banks have traditionally viewed themselves as exceedingly 'Customer Centric' offering what they believe to be highly personalized services to the High Net Worth Customers. However, changes in the customer behavior and accumulation of wealth are resulting in the needs of HNW customers becoming more diverse and complex in terms of the sorts of products they want, the channels through which they want to access them and the associated range of advice. The wealthier the customers, the more demanding they are - and the clients expect more and more from their banks. Competition for "Supremely elite" is increasing.

**Benefits of CRM**

Benefits of CRM can be categorized into three groups namely: Benefits for customers, benefits for employees and benefits for banks.

(i) **Benefits for Customers**
- There is a more coordinated and professional approach to customer contact.
- With up-to-date customer information, Banks can offer more personalized services.
- Customers feel empowered if they have greater access to products and services. For example 24 Hours banking.
- Targeted product and service offerings can be timed to coincide with customer events and requirements e.g., Education Loans and Tourism Loans.

(ii) **Benefits for Employees**
- Employees are empowered with the information to deliver high quality service and meet customer expectations.
- Employees have more time to serve customers.
- Employees have higher satisfaction ratings.

(iii) **Benefits for Banks**
- Managers are empowered with information that can help them manage customer relationships and make better decisions.
- Optimum use of resources.
CRM -SUMMARY

- Customer satisfaction and increased loyalty.
- Improved customer acquisition and cross-selling.
- It helps in capitalizing on short windows of opportunities in the market.

What CRM DO

For long, Indian banks had presumed that their operations were customer-centric, simply because they had customers. These banks ruled the roost, protected by regulations that did not allow free entry into the sector. And to their credit, when the banking sector was opened up, they survived by adapting quickly to the new rules of the game. Many managed to post profits. For them an unexpected bonanza came from government bonds in which most were hugely invested.

Ironically, the Reserve Bank of India’s moves to cut aggressively the interest rates after 1999, pushed up the prices of bonds. So banks had a windfall doing almost nothing. The bond profits, like manna from heaven, improved the balance-sheets of all banks irrespective of their core performance. However, the era of lazy banking is soon to end. The mesh of rules that propped up the Indian banking industry is now being dismantled rapidly. According to a RBI road-map, India will have a competitive banking market after 2009. As one of the most attractive emerging market destinations, India will see foreign banks come in, what with more freedom to come in, grow and acquire. Therefore, it is imperative that Indian banks wake up to this reality and re-focus on their core asset — the customer. A greater focus on Customer Relationship Management (CRM) is the only way the banking industry can protect its market share and boost growth.

CRM would also make Indian bankers realize that the purpose of their business is to "create and keep a customer" and to "view the entire business process as consisting of a tightly integrated effort to discover, create, and satisfy customer needs." CRM is a simple philosophy that places the customer at the heart of a business organization’s processes, activities and culture to improve his satisfaction of service and, in turn, maximize the profits for the organization.

A successful CRM strategy aims at understanding the needs of the customer and integrating them with the organization’s strategy, people, technology and business process. Therefore, one of the best ways of launching a CRM initiative is to start with what the organization is doing now and working out what should be done to improve its interface with its customers. Then and only then, should it link to an IT solution. While this may sound quite straightforward, for large organizations it can be a mammoth task unless a gradual step-by-step process is adopted.

It does not happen simply by buying the software and installing it. For CRM to be truly effective, it requires a well-thought-out initiative involving strategy, people, technology, and processes. Above
all, it requires the realization that the CRM philosophy of doing business should be adopted incrementally with an iterative approach to learn at every stage of development.

Most widely accepted classification of Customer Relationship Management (CRM) systems includes operational, analytical, collaborative and e-CRM. While operational, collaborative, and e-CRM has received a significant interest among practitioners and scholars, but analytical CRM has been mostly neglected by them. The major function of analytical CRM is to support strategic customer information provision and customer knowledge acquisition to help achieve the final goal of CRM which is to enhance customer profitability. Customer profitability is the difference between revenue and costs.

**EVOLUTION OF CRM IN BANKING SECTOR**

Regulation and technological improvements are responsible for the vast majority of innovations in banking over the past quarter century. The introduction of personal computers and the proliferation of ATMs in the 1970s captured bank management’s attention. The regulatory changes in the 1980s fueled much of the industry’s growth, then downsizing as bankers focused on amassing market presence which resulted in significant merger activity. Recent technological improvements are at the root of bankers’ focus as well as a target for their significant investment dollars today. In fact, according to recent projections, bankers and their financial service company brethren will spend almost $7 billion this year on CRM and increase that by 14 percent each year for the next several years.

Looking at this CRM phenomenon in light of the drivers of banking innovation since the 1970s, one might wonder if CRM itself is the innovation, the technology, once again. Much is being written about CRM. Bankers at all points of the CRM spectrum are looking for a way to quantify their return on investment — either what it actually is or, if just starting out, what it should be and over what period of time should the value be realized. Ironically, the answer to this question may lie in a simple review of a few known quantities generated from historical innovation. Look, for example, at ATMs. What drove many bankers to invest in ATMs was the promise of reduced branch cost, since customers would use them instead of a branch to transact business. But what was discovered is that the financial impact of ATMs is a marginal increase in fee income substantially offset by the cost of significant increases in the number of customer transactions. The value proposition, however, was a significant increase in that intangible called customer satisfaction. The increase in customer satisfaction has translated to loyalty that resulted in higher customer retention and growing franchise value. Internet banking, a product of the 1990s, shows similar characteristics. Again, bankers invested believing that the Internet was a lower-cost delivery channel and a way to increase sales. Studies have now shown, however, that
the primary value of offering Internet banking services lies in the increased retention of highly valued customer segments. Again, the intangible called customer satisfaction drives the value proposition. Now we explore CRM. CRM is not another ATM or Internet bank. It is not a checking account, a stock or a mortgage. In fact, CRM is not anything a customer should even know about! You will never sell your customer your CRM, will you? So, one can conclude that CRM is not tangible. If it’s intangible, can it be expected to produce a tangible return? Probably not, or at least not with any direct financial value exclusively linked back to the investment in CRM.CRM is primarily driven by the innovation of technology, but unlike other technological innovations, CRM has power to help bankers quickly and directly improve customer satisfaction. CRM is an added dimension to ensure that what the customer expects is consistent with what the bank is prepared to deliver. One expert in bank CRM initiatives recently said that CRM is an approach that is less focused on providing the right services to the customer than attracting customers who are the right fit for what the bank has to offer. Further, the primary value of CRM is its potential as a customer retention tool.

2. Objectives of the Study

1. To study & monitor the working styles, structure, economic objectives of various Nationalize Banks in comparison to Pvt. Banks
2. To find out customer account management in banks
3. To measure the customer satisfaction index
4. To evaluate the control criterion for reducing paper work, level of automation, level of computerization by banks to provide efficient services to customers
5. Identification of barriers to successful implementation of CRM
6. Assessments of customer loyalty towards banks (customer relationship bonds)
7. To suggest a model for successful CRM implementation

3. Scope of the Study

Principal aim is to gather and collate information from the literature and from leading researchers, consultants and practitioners with objective of identifying and delineating the major aspects of Customer Relationship Management in Banks.

To fill in the evaluation of secondary data, primary data was collected from Public & Private Banks. Primary data is collected though questionnaire and personnel interview method. Scope of the study is limited to CRM practices of SBI, PNB, ICICI & HDFC.
4. Research Methodology

A study has been carried out in the Banking industry in the National Capital Region of India using Questionnaire cum interview approach. Questionnaires have been designed based on the study of the literature and modified based on the discussions held and the testing done with the practitioners. Different respondents were taken from 4 Banks from different functions and managerial levels within and outside the organization. One, it gave inputs in structuring the instruments of the model. Two, it acted as a test data. Pearson correlations and factor analysis techniques have been applied using SPSS package to analyze the gathered responses.

5. Data Analysis Techniques

SPSS Package was applied to compile and analyze the data collected from the field survey. Frequency distribution were studied to gather the first hand information on various variables. Further data was analyzed for

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a) Mean and related statistics was analyzed on various responses from banks, Type of Bank at various different levels of respondents
b) Major Factor were taken from various researches and put to respondents to analysis there importance
c) Frequency distribution was calculated of various responses
d) Percentage of response on different ratings were analyzed.
e) Chi Square and p value was calculated through SPSS software to understand the significance
6. FINDINGS

During the research various factors have been analyzed and documented. Same factors were asked to rate by respondents to understand the importance of factors. After having a response on 26 factors it was analyzed that 8 factors are more significant and play important role in Banking Sector. For each factor frequency response is take from both Public and Private bank respondents.

After analyzing the various factors considered in research it is observed that following 8 factors are significant as compared to other factors.

- Interactive Management
  - Response from various respondents indicates that Bank initiative with customer plays very important role. Comparing Public and Private Banks it is observed that in Public Bank only 37 % of respondents are very Highly Satisfied where as in case of Private Banks it is 55.6 %.Calculating and understanding the Chi Value that is 6.877 and p value 0.032 it shows that this factors is significant and need to be focused by Public Banks

- Empowerment to customers
  - Response from various respondents indicates that Empowerment to customers is still have a neutral response .Comparing Public and Private Banks it is observed that in Public Bank customer 54.3 % of respondents are neutral where as in case of Private Banks it is 28.9 %.Calculating and understanding the Chi Value that is 17.806 and p value 0.0 it shows that this factors is significant and need to be focused by both Public Banks and Private banks.

- Understanding Customer expectation
  - Response from various respondents indicates that customers from both banks are moderately dissatisfied. Comparing Public and Private Banks it is observed that in Public Bank 52.2 % of respondents are moderately dissatisfied where as in case of Private Banks it is 51.1%.Calculating and understanding the Chi Value that is 4.670 and p value 0.097 it shows that this factor is significant and need to be focused by both banks.

- Presence of internet facility without risk
  - Response from various respondents indicates that though now both Public and Private sector Bank provide this facility but risk factors play still an important concern. Comparing Public and Private Banks it is observed that in Public Bank 56.5 % of respondents are
neutral where as in case of Private Banks it is 28.9 %. Calculating and understanding the Chi Value that is 14.888 and p value 0.002 it shows that this factor is significant and need to be focused. Above details shows that respondant from Private Banks feel higher risk while using internet facility from bank as compared to Public bank customers.

- Loan and related facilities with clear and standard terms and conditions
- Response from various respondents indicates that Bank initiative with customer plays very important role. Comparing Public and Private Banks it is observed that in Public Bank only 56.5 % of respondents are neutral where as in case of Private Banks it is 28.9 %. Calculating and understanding the Chi Value that is 14.666 and p value 0.032 it shows that this factor is significant and need to be focused by Private Banks. Though it is easy to get loan in Private Banks but still respondent feel that Public banks terms and conditions are more clear and they follow the same where as in case of Private banks respondent feel that terms and conditions changes fast with subject to market conditions

- Variety of Services
- Response from various respondents indicates that Bank services play important role. Comparing Public and Private Banks it is observed that in Public Bank only 39.1 % of respondents are highly satisfied where as in case of Private Banks it is 57.8 %. Calculating and understanding the Chi Value that is 6.825 and p value 0.033 it shows that this factor is significant and need to be focused by Public Banks.

- Online service , payment and other services
- Response from various respondents indicates that Bank in Public Bank only 34.8 % of respondents are Highly Satisfied where as in case of Private Banks it is 66.7 %. Calculating and understanding the Chi Value that is 9.651 and p value 0.008 it shows that this factor is significant and need to be focused by Public Banks.

- Well trained and Mature Staff to handle Errors and critical situations etc
- Response from various respondents indicates that in Public Bank have 47.8 % of respondents who are moderately satisfied where as in case of Private Banks it is 26.7 %. Calculating and understanding the Chi Value that is 8.181 and p value 0.085 it shows that this factor is significant and need to be focused by Private Banks. Though Private banks have more young staff who is well trained as compared to Public banks but respondents still feel that mature staff is present in Public Sector Banks who can handle errors or similar critical situations with there experience.
Detail Analysis have been done to understand the relation between various questions put to various staff members of Private and Public Banks. Question set has been divided into different form to have a clear view of individual segment. Question Set Main I was having 45 questions and all questions were discussed with Bank Staff to understand their views on the same. To understand the response of staff on each question table were made with response from different level from Top Management, Middle Management and Lower Management in each Bank. Response was aligned in form of tables and final Total is calculated from the Frequency count against each response. Then Chi Square and p value is calculated using SPSS software as shown below table. Each response was analyzed with graph to understand and conclude the results from the same

- It is found that in case of Public Banks CRM implementation is still a high concern. Most respondents that is 34.7 % are moderately dissatisfied and in case of Private Banks 20.5% respondents are moderately dissatisfied. Where as highly satisfaction level in Private Banks is 15.5% and in Public Banks it is 12.8 %. So CRM Implementation to full extend in both sectors is very important and need to be focused by individual sectors

- It is found that in case of Public Banks respondents are still not happy with CRM implementation. Most respondents that is 36.7 % are moderately dissatisfied and in case of Private Banks 23.5% respondents are moderately dissatisfied. Where as highly satisfaction level in Private Banks is 12.0% and in Public Banks it is 9.1 %. So CRM Implementation to full extend in both sectors is very important and need to be focused by individual sectors.

- It is found that in case of Public Banks respondents fell that customers are not managed as per CRM Policy Most respondents that is 33 % are neutral. Employees feel once policy framed then there is no issue but if any thing not defined in policy that is not followed .In case of Private Banks 33.5% respondents are moderately satisfied. Where as highly satisfaction level in Private Banks is 23.5% and in Public Banks it is 10.8 %.

- It is found that in case of Public Banks respondents fell that customers are not as per customer orientation Most respondents that is 30.7 % are moderately dissatisfied. In case of Private Banks 44.5% respondents are moderately satisfied. Where as highly satisfaction level in Private Banks is 31.0% and in Public Banks it is only 15.1 %.So CRM Practices need to be modified in case of Public Sector where as in case of Private Banks it need some alignment only.
• It is found that in case of Public Banks respondents fell that they are ready for competition. Most respondents that is 59.3% states YES. In case of Private Banks 69.5% respondents says YES. So here is the major significance in highly satisfaction level in both sectors. Employees in private sector feel that customer’s expectations from private banks are very high so need 100% accuracy to retain them. Public banks feel they are ready and slowly and slowly improving to face competition.

• It is found that in case of Public Banks respondents fell that they have resources and there is an improvement on date but still 64.6% says YES. Employees feel they have started rotational job but still results are to be achieved as compared to private banks. In case of Private Banks 55% respondents stated YES. Employees in private sector feel that customer’s expectation from private banks are very high so need 100% accuracy to retain them.

• It is found that in case of Public Banks respondents fell that there is an improvement as compared to last financial year. Most respondents says YES that is 52.6%. In case of Private Banks 69% respondents say YES on improved performance.

• It is found that in case of Public Banks respondents fell that customers are satisfied. Most respondents that is 67.3% says YES. Employees feel that they have limited customers and public sector has improved a lot in terms of last impression. In terms of ATM networks they have largest as compared to private sector. In case of Private Banks 53.5% respondents says YES. Employees in private sector feel that customer’s expectation from private banks are very high so need 100% accuracy to retain them.

• It is found that in case of Public Banks the respondents fell that in present scenario private Banks are getting more business as compared to Public sector. Only 48.6% respondents feel that they are having better business opportunity as compared to private sector. In case of Private Banks 75% respondents say YES. Private sector is more confident on business growth as compared to public sector.

• The service provided by the private banks is far better than the nationalized banks. Quick and satisfactory replies to queries then we get in the nationalized bank. The private banks are fully technology oriented which makes the work easier and faster, whereas most of the branches of nationalized banks are still to have a taste of technology.
• As due to over competition the bargaining power order of clients increases whereas the nationalized banks don’t care about retaining the clients.

• Young staff in private banks who are quick and aggressive compared to the aged staff in nationalized banks who are rather slow. For instance when you go to withdraw or deposit cash in nationalized banks the time they take lot of time for accepting or giving cash even with the counting machines with in that time in a pvt bank employee would have paid to 3 customers.


• Little/ no attention to understand the expectations of the customers in public sector. Paying little or no attention to the behaviour of the customers in public sector. Poor data base about the totality of the customers in public sector.

• Poorly developed/ inadequate processes for combining customer data base with their own experiences and views. No link between employees’ rewards and their treatment of customers in public sector. Little attention while developing new products for the customers in public sector.

• Poor/non-adoption of quality management practices in public sector. Throughout the country, the Internet Banking is still in the development Phase in both banks .Private banks are much advanced in terms of the number of sites & their level of development.

• Almost all the banks both private and public have websites passing valuable information to their customers. Real e-banking & m-banking business is done by HDFC Bank Ltd, providing list of services and also provides online help about e-banking services so they were more eager to literate customers regarding it. ICICI is having highest level of networks found the same result at national level figures Between Nationalized banks State Bank of India takes the lead having highest number of ATM’s in public sector.

The Private Sector Banks have been perceived to be having higher mean values of CRM than the Public Sector Banks. While analyzing the Public Sector Banks, it has been observed that SBI is taking initiatives on the technological front and is perceived to be better when compared to the other Public Sector Banks considered in this study. However, on comparing the average grand
mean with the bank means, it has been concluded that all the Private Sector Banks have scored above average when compared to the Public Sector Banks. It shows that Private Sector Banks are using Customer Relationship Management technique aggressively to enhance their base.

7. Suggested Model

For successful implementation of CRM it has been found out that changes need to be done. More efforts are needed. After analysis of data certain strategies are suggested which will help in better implementation of CRM in banks.

Banks needs to understand its customers better. It has to set up its customer information centrally. Based on such customer information, we can segment the customers and provide the best service as required by the best customers. In the end, we can achieve higher customer value through servicing the targeted customers better.

Information Collection and Investigation

We need to collect customer information so that we can determine if a customer is better/worse than the other from the Bank's point of view.

A) Segment the customers

The criteria for segmenting Fund Services customers, in order of descending importance, can be: a) Total amount of Deposit; b) Total amount of Profit; c) Estimated future growth potential of the customer. Each of these criteria can be given different weighting in order to reflect the importance of each of these factors. The summation of the weighted total of these criteria can then be used as an indicative figure to tell how important a customer is relative in the whole customer base.
CRM Implementation Model

Customer Segmentation

a) Total amount deposit
b) Total amount of Profit
c) Estimated future growth

Customer Value Improvement Strategies

Develop Customer Pyramid

Customer Targeting

On going customer value improvement

Comprehensive approach to implement the initiative

Customer Touch Point

Customer Based Accounting

Customer lifetime value

Figure 1
B) Develop Customer Pyramid

Based on the 20/80 rule, I propose to maintain the "Top" 1% of the customers, "Big" 4% of the big customers, "Medium" 15% of the customers and "Small" the rest of the 80% customers.

For business development and planning purpose, we should also include the customer groups:
- Inactive - those used to be our customers but they have no longer had any business with Fund Services in the past 1 year;
- Prospect - potential customers who have contacted us and expressed the interest to use our service(s);
- Suspect - those who have never contacted us but we think they may need our services.

In essence, we should come up with a pyramid similar to below:

C) Customer Targeting

After we segmented our customer base, we can now focus our resources to provide new or
improved services to the preferred segment(s), say the upper 20% of the customers. The next question now becomes: what these customers value as the improved services?

D) Customer Value Improvement strategies

a) Identify Customer Value

In the funds industry, the cost of customer acquisition is very high and the selling cycle is quite long. It takes easily 1-2 years, if not longer, for prospecting a customer. Thus, the capability to retain existing customers, specially the good ones, is crucial to Fund Services. Hence, it is of paramount importance to:

1) Find out what these customers value most;
2) Deliver such value to satisfy them (or exceed their expectations);
3) Nurture the existing relationship;
4) Keep them as our loyal customers all the time.

To find out what are the services valued most by the targeted 20% of the customers, we need to conduct face-to-case interview sessions with the customers individually to solicit their direct feedback. Having said so, I recommend that a standard questionnaire to be designed to facilitate the interview sessions. By doing so, we allow the flexibility to obtain any unsolicited input from customers yet we can also set the scope of the interview so that we can have a common and meaningful base to further our investigations.

b) Decide and Develop Value Improvement Initiatives

After we find out the customer expectation and value gap, we have to plan the detailed actions to bridge the gaps.

c) Implement Improvement Initiatives

After we work out the improvement initiatives, we have to form task force(s) to implement them.

E) On-Going Customer Value Improvement

On an on-going basis, we need to review the existing operation to actively identify
opportunities to deliver further customer value. The areas to be reviewed are suggested below.

a) **Analyze Customer Touch Points**

As customers form the perception about what we are through the contacts we made during the business encounter. We therefore have to review the customer touch points regularly to identify critical moments for service improvements.

b) **Perform Customer-Based Accounting**

Customer profitability is an important dimension to reflect how important a customer is. Due to the diversified product line nature of Fund Services, it is sometimes difficult for the management to tell how profitable a customer is in total. I therefore suggest Fund Services to develop its customer-based accounting on profitability and/or AUM for each of its customers in order to manage the customer relationship appropriately. It is recommended such to be updated and reviewed regularly, say, quarterly.

c) **Evaluate Customer Lifetime Value**

As mentioned, the cost to acquire new customers is very high and that Fund Services has to invest on customer retention programs to keep customer loyal. Thus, it is suggested Fund Services start to collect the marketing cost data together with the historical profit data for its customers so as to arrive at the expected CLTV.

After data collection, we can then compile the CLTV model for Fund Services, anticipated to be similar to below:

**F). The Total and Comprehensive Approach to implement the Initiative**

In order to improve the rate of success, the Bank needs to take a systematic and comprehensive approach to implement this Initiative.

a) Business Case and Project Objective Development

To start with, we need to build the business case for this CVII. The project objective on what this CVII is to achieve has to be stated very clearly in the business case. The business case should list out all the costs and benefits of implementing this CVII. Foreseeable tangible and
intangible costs and benefits relating to implementation have to be included.

In addition, we have to establish the performance metrics to measure this initiative. This is very important as we need such to review and measure the Initiative throughout and after implementation.

b) Project Team Set up

It is proposed that staff from at least the following departments need to join:

. Customer Servicing
. Call Center
. Operations and
. Information Technology

As this CVII is sensitive in nature, we have to appoint a strong manager to lead the project team. He/she needs to have the full support from the management. Project team structure and organization on who to do what and the issue escalation process shall have to be discussed. This helps the project team members to understand the details of each role as well as what contribution is expected from each of the team members.

c) Project Planning and Implementation

A project plan with all the key project tasks, milestone dates and key deliverables have to be prepared, discussed in details and agreed with all the responsible parties. People can then know the timeliness and extent of task involvement and avail themselves for these tasks accordingly.

d) Project Review and Monitoring

In order to ensure that this CVII will be implemented in the right direction and tasks are well under control, we need to review and monitor the project closely. Regular project status review meeting will have to be held, say, every other two weeks. Progress to-date against plan has to be reviewed. The key areas for review should include: timeliness, budget and quality of work performed.

Project related problems and issues need to be tracked, rectified and monitored to close in
order to ensure a smooth and successful implementation throughout the project life cycle.

e) Change Management

We need to manage the organizational changes brought about to Fund Services by this initiative.

Affected business processes and the owners of those processes would have to be fully briefed about such changes well ahead they are introduced for implementation. The impact details as well as the reasons why we need such changes have to be made clearly to all affected staff in order to obtain staff buy-in.

f) Performance Metrics Review

If there are any roles changes brought about by this Initiative, we need to review the existing performance metrics to make sure such will be revised to reflect the changes in roles and responsibilities. Affected staff needs to be positively motivated for the additional workload, and/or the expanded job scope so that he/she will devote full support to implement this Initiative.

g) Management Commitment and Support

In order to ensure high project success rate, we need strong management commitment and support from Fund Services throughout the project life cycle. This will be a critical factor for a successful implementation.

Recommendations

The broad framework of CRM process should comprise of four sub-processes:

Figure 3
STEP 1: CRM FORMATION PROCESS

In the formation process three important decision areas are:

a) **CRM PURPOSE:**

The purpose of CRM is to improve marketing productivity and enhance mutual values for the parties involved in the relationship. CRM has the potential to improve marketing productivity and create mutual values by increasing marketing efficiencies and enhancing marketing effectiveness. By seeking and achieving operational goals such as lower distribution costs, streamlining order processing and inventory, reducing the pressure of excessive customer acquisition cost, and through customer retention economics, firm could achieve greater marketing efficiency. They can enhance marketing effectiveness by carefully selecting customers for its various programs, individualizing and personalizing their market offerings to anticipate and serve the emerging needs of individual customer ,building customer loyalty and commitment; partnering to enter new markets and develop new products ,and redefining the competitive playing field for their company.

b) **Defining the purpose would help in:**

- Clarify the nature of CRM programs and activities ought to be performed by the partners.
• Identifying suitable relationship partners who have the necessary expectations and capabilities to fulfill mutual goals.
• Evaluating CRM performance by comparing result achieved against objectives. These objectives could be specified as financial goals, marketing goals, and strategic goals operational goals.

c) SELECTING PARTIES FOR APPROPRIATE CRM PROGRAMS

Customer partner selection is another important decision. Therefore in the initial stage company has to decide which customer type and specific customer or customer groups will be focused for their CRM effort.

d) DEVELOPING PROGRAMS FOR RELATIONSHIP

STEP2: CRM GOVERNANCE PROCESS

The governance and management responsibilities are independently or jointly under taken by relational partners several issues must be addressed.

• ROLE SPECIFICATION

Determining the role of partners fulfilling the CRM tasks as well as the role of specific individuals or teams in managing the relationship and related activities.

• COMMUNICATION WITH CUSTOMERS

It helps in Relationship development, fosters trust, and provides the information and knowledge needed to undertake cooperative and collaborative activities of relationship marketing.

• PLANNING PROCESS

For managing cooperative and collaborative relationship with customers should be involved in planning process but practically it is not possible to involve all customers so important and large customers should be involved.

• PROCESS ALIGNMENT
Company operating process need to be aligned with customer partners, this alignment depends upon the nature and scope of the existing relationship.

- **HUMAN RESOURCE DECISION**

  Decision related to human resource is necessary for creating the right organization and climate for managing relationship marketing. For this right kind of training to the employees, motivation through incentives, rewards and compensation systems towards building stronger relationship bonds and customer commitment.

- **PROPER MONITORING PROCESS**

  Monitoring process includes periodic evaluation of goals and results, initiating changes in relationship structure.

  Over all governance process helps in maintenance, development and execution aspects of CRM.

**STEP3: CRM PERFORMANCE EVALUATION PROCESS**

Periodic assessment of results in CRM is needed to evaluate if programs are meeting the expectations and if they are sustainable in the long run. Performance evaluation also helps in making corrective actions in terms of relationship governance or in modifying relationship marketing objectives and program features.

**STEP4: CRM EVOLUTION PROCESS**

Individual customer relationships and CRM programs are likely to undergo evolution as they mature. Some evolution paths may be preplanned, while others would naturally evolve. In any case, several decisions have to be made by partners involved about the evolution of CRM programs. These include decision regarding continuation, termination, enhancement and modification of relationship engagement. When performance is satisfactory, partners would be motivated to continue or enhance their CRM programs. When performance does not meet expectations; partners may consider terminating or modifying the relationship.
RECOMMENDATIONS FOR BETTER CUSTOMER RELATIONSHIP MANAGEMENT

P-factors in implementation

For implementing CRM, the company has to start with three P-factors namely people, processes, and planning. The P factors affect sales, productivity, service, and profitability. The well management of the banks and right mix of these factors will lead the company to grow and prosper.

People factor

A positive interaction among employees, customers, and vendors will create a successful enterprise. Contact with the customers and vendors will create a successful enterprise. Contact with the customers and vendors are essential in order to understand their likes and dislikes of a company's product and the way for further improvement of company's business. The next people factor is employees. If there are complaints from employees about the customers, vendors, other departments as well as complaints about employees from the side of customers, the gaps have to be bridged before starting a CRM initiative.

The importance of people's change favorable towards the work and interaction with each other is a valuable contributor for the successful implementation of the CRM concept. Establishing a consistent process of reviewing and resolving the issues will create a good image on the company's management. The perception of employees, customers, on the bank also reflect on a positive mood.

Process factor

The CRM success is also influenced by the process factor. Before introducing a new technology, the bank management needs to review their business and workflow processes. In reviewing the workflow, it is essential to look at the natural flow of orders, product and information. It is also important to note at the source of order namely internet, the mail or the call center and continues through the shipment of product. This will facilitate to notice any bottlenecks, employee conflicts and inter departmental issues. Once these are mitigated, the next step is to document the procedures, policies and processes.

Planning Factor
Planning is a particular kind of decision-making that addresses the specific future that managers desire for their organizations. A well-developed plan will give the managers to stretch boundaries and achieve organization goals.

**The primary features of a good plan are:**

* Specific particulars: each goal and the step must be indicated. For example increase customer retention by 20%* Responsibility: the responsibility should be assigned to a team or person for completion.

* Deadlines: Specific deadlines and contingencies need to be mentioned.

* Flexibility: Modifications are essential for the plan when necessary.

* Integration: the area affected by CRM must be integrated in to the plan.

* Metrics: Benchmarks are essential in order to measure the success or failure.

Addressing the P factors will reflect on small gains initially and latter there will be tremendous growth in profitability. There will be a rise in profits, decline in cost, satisfactory customers and motivating employees.

**Conclusion**

Indian Banks have recorded a phenomenal growth in the past decade with the initiation of Economic Reforms. The banks, both Public and Private, have transformed themselves into profit-oriented business organizations besides playing a developmental role in the economy. In an attempt to be more profitable, the banks have become competitive and more customer – oriented. This new orientation has compelled them to take a more pragmatic approach for conducting the business. The CRM is one such tool which helps in meeting the customer’s expectations according to their changing needs. While analyzing the CRM Implementation in both the sectors, it was found that the Private Sector Banks have been able to implement the CRM practices more effectively when compared to their Public Sector counterparts. This indicates that strategically speaking, the Private Sector Banks have been more innovative in understanding their customers and in building good relations with them.

However, a micro analysis reveals that the Public Sector Banks have highest scores in terms of reliability and assurance whereas the Private Sector Banks have lower in terms of tangibility,
reliability and assurance. This indicates that the banks are in a dire need to make proper strategies to improve their working. This will make the banks more efficient in serving the customers and in maintaining the long term relations with them. The analysis of the results received suggests that the banks (whether Public or Private) are equally affected by the kind of CRM initiatives they undertake. The banks are now under tremendous pressure to retain the older customers because of the competition in the Banking Sector. This would not only ensure better customer relations but also loyalty among them, which is very critical and important in today’s competitive world. Banks have started acknowledging the importance of the customers in developing their business. They have recognized that it is essential to protect and grow its customer base and ultimately its profitability. The banks can do this by building a strong relationship with the customers. To meet the customer needs and to beat the competition, they must deliver superior quality service. The CRM approach adopted by banks focuses on maximizing the value for the customer and the bank. The key drivers to customer loyalty are:

(a) Positive Staff Attitude.
(b) Honesty, Integrity and Reliability.
(c) Productive advice and delivery of the promised service.
(d) Consistent delivery of superior quality service.
(e) Simplicity and easiness of doing business.
(f) A fair and efficient complaints resolution.

To There is an immense need of adequate training and motivation to the bankers to create fruitful and everlasting relations with their valuable customers. They should also come out with more efforts to make their customer literate in order to incorporate the best potential available. No doubt CRM is here to take on the business world and essential to compete effectively in today’s market place. The more effectively you can use information about your customers to meet their needs, higher the satisfaction the more profitable we will be. Operational CRM needs analytical CRM with predictive data mining models at its core. The route to a successful business requires that you understand your customers and their requirements, and data mining is the essential guide. Extensive usage of Internet is going to be a standard and it’s the challenge for the corporate world to fulfill desire of the customers. Customer Relationship Management, as referred to in some literature, is 10% strategy and 90% action. It is a business strategy that adds value to the customer service in Banks and brings the customers near and dear to your business. A proper strategic alliance between various partners in the process of implementing CRM should be decided well ahead and once the concept is accepted it should be implemented in good faith and spirit so as to derive customer delight.
8. Limitations of existing study

Any generalized idea is not right due to variations in size, goal, and region followed. The limitation of the present study is that it suffered from lack of representative of the sample. The support staff was not taken into consideration. Secondly there was lack of response from some respondent. Finally the study was restricted to a particular sample size as otherwise the study scope would have been extremely wide. Further response rate was also sometime slow. However given the length, complexity and subject matter we consider it reasonable.

9. Directions for Further Research

The present efforts are directed to study the Customer relationship management in banks. This is an empirical study which would be a useful contribution. However, for arriving at any generalization it is highly desirable to undertake more such empirical studies. The further research must direct itself for conducting such investigations. This will make the applications more meaningful to make CRM more effective.

Further the suggested model needed to be tested for its application across the sector and benchmarks to be identified for others to follow. Further the views suggested are macroscopic; this can be further extended to microscopic level.