CHAPTER- II
THEORETICAL BACKGROUND TO CRM
REVIEW OF LITERATURE AND HIGHLIGHTS

2.1 INTRODUCTION
This chapter is designed to give a short account of the theoretical background and highlights of Customer Relationship Management. As this present study elaborately explores the concept of CRM based on the Elementary variables like Initiation, CRM Maintenance Strategies, Technology and Impact of CRM strategies. It concentrates also on ascertaining the impact of CRM and its customer satisfaction emerged between two domains namely customers and bankers. The present study highlights bird’s eye view of certain crucial research works performed by numerous innovative research works.

2.2 CRM
CRM has been one of the most talked subjects recently in corporate circles. It is a strategy used to learn more about customers’ needs and behaviors in order to develop stronger relationships with them. Over all good customer relationships are at the heart of business success. The concept of CRM has been a core concept which has attracted all facets of business. CRM has relevant and demanding applications in service marketing. Retail banking and financial services have also not been an exception to this phenomenon.

CRM in the field of retail banking has attracted much of researchers and practitioners. There has been continuous research in the field of CRM and its applications in banking and financial services. But in India, research in the field of relationship marketing has not taken off to the expectation and is still in the infant stage when compared to other countries in the west. However, the available contribution from the following authors and researchers in India and other parts of the world in the area of CRM in retail banking is worth mentioning. Hence, the empirical works relating to relationship management of the review is presented in this chapter.
2.3 CUSTOMER

“According to L.L.Bean what is a customer? A customer is the most important person ever in this company in person or by mail. A customer is not dependent one, we are dependent on him. A customer is not an interruption of our work, he is the purpose of it. We are not doing a favour by serving him, he is doing us a favour by giving us the opportunity to do the go. A customer is not someone to organisation or match with-nobody but his wants—it is our job to handle them profitably to him and to ourselves”.

2.4 HIGHLIGHTS AND STUDIES PERTAINING TO CRM

This chapter is dedicated to present many Research works pertaining to the present study. As this present study elaborately explores the concept of CRM based on the Elementary variables initiation, strategy maintenance, satisfaction, technology and CRM strategies. It concentrates also on ascertaining the impact of CRM and its customer satisfaction emerged between two domains namely customers and bankers. The present study highlights bird’s eye view of certain crucial research works performed by numerous innovative research works.

2.5 INITIATION OF CRM

CRM is the latest philosophy most organizations, service sectors (banks) are adopting successfully. Particularly for initiation of CRM, most of service sectors identified the customers’ requirements and fulfill the customers’ requirements timely services, hospitality, behaviour, loan facilities and customizations of the bankers’ services. Hence, the prospect customers are monitored regularly so as to build the CRM in long term. The following Research articles provide the necessary insights about Initiation of CRM of this Revolutionary concept.

Aihie Osarenkhone (2007) an exploratory study on components of Customer Relationship Management (CRM) strategy to its implementation. This study finding that relationships are not a tactical approach to buyer-seller exchange.
CRM strategy requires and commitment from top management, systematic cross-functional communication, and customer loyalty training programmes for all employees. CRM is a strategy business and process is a continuous learning process where information about individual customer is transformed into a customer relationship. Future researcher analysis should be based when conceptualizing CRM should consist of business strategy, business philosophy and a database application.

**Arvind Singh (2004)** in his article argues that the truly most productive and desirables assets are not buildings and fixtures but a profitable customer base. He also states that enhanced customer relationship implies taking customer service and associated profitability to new heights by increasingly interactive banking and client links. He also suggests that banks globally must consider themselves as innovative solution providers satisfying the customer rather than just a product driven or a profit driven distribution. He also discusses extensively, now the advancements in technology have changed the face of banking and have compelled banks in UK and the use to rethink their strategies. He also suggests that banks must reassess their strategies and must acquire a mindset in managing customer relationship to be successful in the ever changing markets.

**Bennett and Durkin (2002)** in their article discusses how the concept of relationship marketing has attracted increasingly the attention of academies and practitioners in the recent years. Issues relating to the practical and context specific implementation of relationship, marketing cultures have been less developed. Indeed, recent literature pinpoints many difficulties associated with the implementation of relationship marketing. This paper addresses a number of key issues associated with the implementation of a relationship culture in the context of a leading and long established retail banking institution. Specifically, the form which such a culture should take is discussed, together with a critical review of how successful the bank has been in its establishment. In light of this analysis, a conceptual model is proposed for the development of relationship cultures within the banking industry.
Berry Mentions (1983) in his paper on relationship marketing on attracting new customer, but hardly there is any work which had been done on finding the way to retain customers. He suggests about the marketing strategy, which will help the businessmen to develop the relationship marketing plan. Berry mentions about five such strategies, 1. Core Service Strategy, 2. Relationship Customization, 3. Service Augmentation, 4. Relationship Pricing, 5. Internal Marketing.

Biswa and Bhattacharrya (1991) presented a report made by NCAER (1971) &NIBM (1975) NCAER made a study to find the reason for the poor quality of customer service in banks. The result after the study was that more than 50% of the customers who made complaints cited inefficient service being the main cause. The delay in encashment of cheque was the next reason for customer complaints. A similar study was also made by NIBM in 1975, to know how well the commercial banks serve their customer in the city and suburbs of Bombay area. The result of the study pointed out that there was considerable delay in the service rendered which resulted in total dissatisfaction among customers.

Deepak Sirdeshmukh, Jagdip Singh and Barry Sabol (2002) the authors developed a frame work for understanding the behaviour and practices service providers that creates or depletes consumer trust and the mechanisms that covert such trust into value and loyalty in relational exchanges. The result of the study reveals that the conversion of trust to loyalty involves complex, multiple-loop processes that require an understanding of 1. How specific trust-worthiness dimensions can build greater consumer trust. 2. How increased consumer trust can enhance value for the consumer and 3. How value translates into loyalty. Although there are significant pay offs from building consumer trust in relational exchanges-realizing them is neither the straight forward nor inevitable.

Deepali Singh (2001) the aim of the study was to examine the status of relationship marketing in India and to elicit the techniques to maintain
relationship with customers through information technology and thereby to make a shift from discrete transaction to the enduring relationship. The findings revealed that the development of technology and opening up of the products, services and thereby develop value-based long lasting customer relationship. The only strategy that is perceived to make sense in the emerging marketing environment is that the marketers should learn and practice CRM.

Dibb, Sally, Meadows and Maureen (2004) in their research paper consider the shift towards relationship marketing principles and the implementation of CRM in the retail financial services sector. Many players offering personal banking and related products have now ‘bought in’ to the concepts behind relationship marketing, and are investing heavily (particularly in new information technology) to enhance customer relationships and improve retention rates. This trend is considered from the perspective of an organisation that is one of those leading progresses made in recent years towards the company’s goals, focusing especially on their introduction of new systems and moves to enhance customer data. However, the analysis also suggests that major challenges remain if the benefits of CRM are to be fully realized with particular concerns for the implementation of CRM principles.

Ghosh (1993) in his article focused on the different ways of communicating effectively with bank customers. He made the following suggestions to improve communication.

a) Publication in regional language

b) Use of radios for promoting banking schemes

c) Use of folders, leaflets and posters for giving publicity about new schemes.

Gupta (2001) study is a modest attempt to identify the implementation issues associated with CRM, importance of CRM, its technology and how does it drive customer service particularly in the banking sector. The study comprehends that banks are still in the initial phase of CRM implementation.
With some foreign and private sector banks are taking a initiative on the technology front, public sector banks still have a long way to go in adopting the new technology. The study further revealed the CRM is gradually picking up and is definitely considered as a viable proposition by banks in improving services to their customers.

**Injazz, Chen and Karen Popuich (2003)** in their study provide an integrated by focusing on customer retention and relationship by focusing on customer retention and relationship development. CRM has evolved from advances in IT and organizational changes in customer centric processes. Although a large portion of CRM is technology viewing CRM as a technology-only solution is likely to fail. Managing a successful implementation requires an integrated and balanced approach to technology, process and people.

**Matt, Tim and John (2007)** banks have worked hard to improve their bottom-line performance by focusing on cutting costs. The effort made banks leaner, but essential as those efficiency gains have been, as they did little to reduce costly customer defections. This article demonstrates that banks’ long-term growth and profitability hinge on their ability to attract and retain loyal customers and describes the key disciplines which they need to master over to become customer-led organizations. The article is based on the results of a global bench marketing survey of senior executives and customers at 30 major retail banks serving 170 million clients in 15 countries to ascertain what factors they saw to be most important to the success of strategies to promote organic revenue and profit growth. The study revealed that the best-performing banks garner the highest marks across the entire spectrum of managing the customer relationship. On an average, banks that excel across all dimensions of acquiring and retaining loyal customers outgrow their peers and boost their return on enquiry.

**Mosad Zineid (2005)** in his observation that banking has traditionally operated in a relatively stable environment for decades a better understanding of quality and Customer Relationship Management (CRM) impact on, banking
competitiveness. A bank has to create customer relationships that deliver value beyond that provided by the core product. This involves added tangible and intangible elements to the core products, creating and enhancing the product surrounding. The author has one necessary condition for the realization of quality and the creation of value added is a quality measurement and control. The important function is to ensure the fulfillment of given customer requirements. The key way to building a strong competitive position is through CRM, product service quality and differentiation.

Nandi (1985) in his article focused on the different marketing techniques adopted by commercial banks for distribution of banking services. He observed that as days go by, customer exceptions are increasing – as a result customer’s dissatisfaction increases to a great extent. He suggested that the banks should concentrate more on the existing marketing strategies, update it and make it more effective for serving the customers better.

Perrien, Filiatrault and Ricard (1992) in the article analyze and evaluate the competitive pressures as well as the search for fee based incomes, mainly derived from cross-selling, that has forced commercial financial institutions to redefine their marketing strategies and to focus on ‘relationship marketing’. The analyses of identifying the major problems have been raised by the implementation of an effective relationship approach. The critical analysis concludes that relationship banking is a major corporate issue and not the sole responsibility of front-line people.

Ranganathan (1994) in his paper focused on the problems faced by bank customers. He stated that there has been a deterioration ration in the services offered by banks. He offered the following suggestions.

a. In each bank, there should be an enquiry window manned by a staff who should be well versed in banking routine and having abundant human qualities.
b. Training courses should be organized for the bank officials to train them in matters relating to dealing with customer and development of customer relationship.

c. Computerization of transactions should be done to render better services to the customers.

Sajal (2004) the author with the main objective to develop and design strategic business models for CRM for retail banking in India, for gaining sustainable competitiveness and ROI in retailing, acquiring and servicing customers in the next generation banking environment has undertaken a qualitative research. Retail banking customers are demanding a different relationship with bankers and the financial suppliers than the traditional sales and transaction model. Three sets of pre-tested questionnaires have been designed covering important issues in the problem domain meant for three different sets of respondents namely, CRM end users, retail bank customers and vendors and Application Providers. Non-probability convenience sampling technique has been used to collect the data. The data collected has been subjected to factor analysis and z-test. The study concluded that CRM systems development and implementation are a key priority for the most modern Indian retail banks. The study also further insisted that investment in further systems as well as training is to be planned for the future. The fairly narrow scope of the study inhibits generalisability and there were distortive factors identified in the data. Nevertheless clear signals did emerge, which could be the subject of further enquiry. One possible avenue for further research would be to examine how banking related businesses are measuring the success of their CRM programes. The value of this kind of research would have a real impact for both academicians and practitioners.

Stan comber (1990) in his article observed that cash dispensers and automated deposit facilities can take care of the normal business of bank while the staff members are to talk to customers about any financial needs which they may have. He further stressed the need for bank staff to be trained to understand fully about the product and it has a human approach towards the customer.
that they can deliver the bank products according to the individual customer’s needs.

**Vijaya Wallia (1992)** in his article focused on the causes of falling profitability and customer services in banks. He pointed out that the manual accounting system used in banks is the main cause for the problems - error in posting, maintaining a large number of ledgers delayed posting in the books of accounts etc., and he suggested that all banks should resort to computerization for overcoming the problem and for quick disposal of customer demands.

**Vishuprasad and Nagadevara (2002)** presented a paper on the strategy of using data mining techniques to identify, categorize and segmentize the customer and profile them for a specifically targeted product and to cross sell other products has been demonstrated in this paper. In the study of demographic clustering was one of the commonly used tools for customer’s segmentation. Few of the customers were analyzed to demonstrate the appropriate strategies for acquisition of new customers as well as cross selling. The objective is to use the characteristics of there customer segments to maximize life time value.

**2.6 CRM MAINTENANCE**

To understand the customers and their needs, preferences and behaviors, the bank employees need CRM maintenance. Most of the organizations are to maintain their through the segregation of high value current customers, fulfillments of the customer’s grievances, special attention to most valuable customers, redressal of grievances are accelerated, periodic evaluation of customer needs and to organize the permanent customer program regularly. In this respect, the following article highlights the CRM maintenance.

**Alok Mittal, Jayant Sonwalk and Akhilesh (2003)** the paper aimed to explore the aspect of CRM orientation among bank employees of both public and private sector banks. The findings of the research highlighted that there is need for improvement on some of the components of CRM such as customer communication, orientation, care and handling complaints in both private and
public sector banks. The aged employees in the public and private banking institutions need to improve CRM skills in order to compete with their younger counterparts.

Archana Mathur (1988) studied the problems faced by customers with regard to delayed service, lack of proper guidance and customer discrimination made by bank staff. Her given suggestion after the study was that banks can solve all the above problems if banks can go in for automation. If discrepancies are made by bank staff it can reduce customers to a great extent.

Benjamin (2006) his paper seeks to examine how customer expectations, perceived service quality and satisfaction predict loyalty among bank customers in Nigeria. A survey research was conducted that included qualitative technique to explore customers’ expectations from bank services on the basis of which measurement scales were developed to measure the variables of the study. Respondents for the qualitative research include 18 participants for focus group discussions and 24 for in-depth interview; they were operators of savings, current, and electronic bank accounts. The quantitative research had 247 bank customers who responded to questionnaire items that measured the research variables. A hierarchical regression analysis carried out revealed that perception of service quality and satisfaction are significant predictors of customer loyalty, with customer satisfaction contributing more. It is implied that management of banks in Nigeria should intermittently conduct market survey to identify the desires of their customers and attempt at satisfying their customers. Management of Nigeria banks could design appropriate marketing strategies towards achieving customer satisfaction and this would of similar in enhanced customer loyalty. The papers improve the external validity of similar findings in the west and demonstrate the generalisability of service quality perception and customer satisfaction as predictors of customer loyalty.

Biswa, Bhallachayay and Ghose (1989) in the article focused on the areas of problems and perspectives of marketing of banking services. They highlighted the major challenged Indian banks have to face and the role of banks in relation
to customer satisfaction. They concluded that banking in the nineties required new market oriental service with a disciplined, dedicated, professional and committed manpower specialized bank branches and strong marketing organization.

**Farrance (1993)** in his article discusses the demand-side changes, stimulated by higher levels of consumer awareness and sophistication, have been combing with supply-side changes, mainly induced by legislation, to create a difficult climate for banks. They find themselves competitively disadvantaged, particularly in cost terms, against the building societies. The article also explains the difference in the way in which consumers perceive banks and what they expect from banks and suggests that relationship banking may offer a way forward but this requires a better understanding of marketing, organizational flexibility and a clear customer focus.

**Jeremy Galbreath and Tom Rogers (1999)** in theirs described that CRM is a new management concept a new approach to managing customers. CRM is about management of technology, processes, information resources and people needed to create an environment a business to take a 360-degree view of its customers. CRM environment, a new way of thinking about customers and about a business. Creating more adequate management of the customer relationship (or) new technologies. He concluded that CRM environment improve business performances, initiatives undertaken in this new management field require sound leadership as well. CRL is recommended approach to bridge the gap between a CRM and its reality.

**Koushiki Choudhury, Avinandan Mukerjee and Ashish Banerjee (2001)** this paper explores the kind of relationship marketing strategies that the Indian banks are pursuing in today’s high competitive environment and what is the effect of these strategies on service quality as perceived by the customers on a comparative basis the private sector banks gave a positive result in relation management of demand and supply, customer complaints, customer retention and customizing relationships. This is because public sector banks have not yet
forayed into the world of home banking; internal banking and only recently they have attracted using ATM network. In private banks innovative electronic banking has already replaced the traditional banking system.

**Krishnaveni and Divya Praba (2002)** in an article reveals that, managing Customer Relationships. This article has highlighted a suitability of CRM, it will be more suitable for companies having customers and high profit marging, when products/services and complex and involve a high degree of uncertainty on the part of the buyers, the likelihood of customers seeking a relationship is increased, and CRM can be exercised when the customer would find it costly and rightly to switch to another vendor and the seller would find that loosing this customer would be a major loss, Hence, this article also concentrated that, How to introduce CRM, there are some keys steps: such as: identifying your customer, differentiating your customers, interacting with customers and customizing your enterprise’s behaviour. Finally, it is forced to conclude that, customers prefer marketers who can sell, deliver, service, repair, solve problems and improve products. So, management, and marketers had to create strong long CRM, because it has become a necessary for survival and success in today’s scenario.

**Leo and Alan (2005)** in their article focused on their practical implications of CRM is a critical success factor for business performance. Firms wishing to improve their relationships with customers need constantly to monitor their behavioral and internal process. The scale in this study could be used as a diagnostic tool to identify areas specific improvements are needed, and to pinpoint aspects of the firm’s CRM that require work. They suggested that four dimensions of CRM: key customer focus, CRM organization, knowledge management and technology based CRM. Future researcher studies should collect time series of data for the testing of the casual relationship between CRM and business performance.

**Monica, Theresa and Wong (2003)** Analyzing three perspectives on Customer Relationship Management developed by academics, numerous paradoxes are
illustrated, as it can be an integrated corporate approach, a specific strategy to
customer behavioral modification or differential customer treatment. The paper
highlights that an evolutionary change in the concept of customer relationship
management is required. Three key findings have been made. First, Customers
should be the major focus, as companies are actually dealing with Customer-
Managed Relationships (CMR). Second, it is not just a one-to-one relationship
pattern. The linkages with other parties are the cores of the relationships
between customers and companies. It should therefore be a one-network-one
relationship. Third, a co-creative approach should be used in order to integrate
the CRM and CMR concepts to enable customers to participate in corporate
strategy formulation and to encourage companies to cooperate with third parties
in serving customers. The financial service sector has taken as a major role as
an example to illustrate the full concept of CRM and CMR. Managerial
implications arising from the implementation of the co-creative approach are
explored, which include market share and mind share.

**Ramachandran (2002)** the study has stressed on improving customer loyalty
and to measure the depth, stages of relationship development in banks. The
study proved that the concept of CRM needs to make its impact in the banking
scenario, especially, in the nationalized bank, state bank group and old private
banks. Being customer centric rather than product centric goes a long way in
laying the right foundation for better CRM. Retention of old customer must be
given precedence over acquisition of new customer for it to promote cross
selling of products and thereby increase profitability.

**Seal (1998)** in his research paper analyses the personal, institutional and
behavioral bases of trust in banking relations, arguing that banks should pay
attention into intra-as well as inter-firm policies for developing trust and
assessing trust-worthiness. Trust may derive from person-to-person interaction
and or from an impersonal, symbolic presentational base. Marketing strategies
can both analyses the trust characteristics of customers as well as proactively
pursue those relational forms of marketing that can generate long-term
competitive advantage. However, the most relational levels of marketing
require a system-delivery approach which must itself derive from internally nurtured forms of trust based on appropriate personnel policies, organizational routines and training.

**Sudhir Sharma (2008)** in his study highlights on this paper is customer relationship, banking industry, development of CRM steps taken by the banks to improve the CRM, customer retention and customer selection. His author’s conclusion is that paper on banking industry is concerned, excelling and managing customer relationships will be the future of this industry as customer focusing is not to be viewed just as a business strategy but it should become a corporate mission. Unless this mission percolates throughout the organization at all levels, the chances are that the attempts to address customer issues will receive only lip sympathy. Building value for customers and building shareholders value the challenge for banking industry in India should be treated as two faces of the same coin in the area of people (changing their beliefs and attitudes), technology and quick adaptation in CRM.

**Viswanathan (1993)** in his article observed that in banks a number of business grievances arise every day because of the volume of growth in business, number and varieties of transaction, and the different types of customers who transact with banks every day. The only way to solve the problem as suggested by the author was to use banking ombudsman as a conciliation medium to solve customer complaints.

### 2.7 TECHNOLOGY ON CRM

Technology is essential of the CRM, to implement the CRM in the modern technology, potential customers, and modern technology, core banking, time consuming, computerizing the banking transactions. The following Research articles provide the necessary insights about technology on CRM of this Revolutionary concept.

**Aggarwal, Aggarwal and Sharma (2000)** explore the implementation technique of Activity-Based Costing (ABC) in the banking sector on the
example of an Estonian bank in order to analyze the cost structure for traditional and electronic channel transactions. The article shows how it is possible to implement ABC in banking and proves empirically those electronic channels help reduce the cost of both banks and their clients.

Arvinthan and Prithwiraj (2003) in their article contribute their research finding on how the role of trust encompasses the exchanges and interactions of a retail bank with its customers on various dimensions of online banking. Specifically, they lay stress on the bank-to-customer exchanges that takes place through the technological interface. The study hypothesizes a shared value, communication and opportunistic behaviour ads antecedents to trust on banks. Trust and commitment also have a casual relationship. They empirically test five hypotheses with a sample of 510 internet users of various profiles in India and develop a structural equation model (lisrel) and establish all hypotheses. They observe that shared value is most critical to develop trust as well as relationship commitment. It is also found that higher perceived trust significantly, enhances customers’ commitment in online banking transaction. An important contribution concerns how trust is developed and sustained over different levels of customer relationship in online banking. The future commitment of the customers to online banking depends on perceived trust.

Booz Allen Hamilton (1997) conducted a global survey covering 386 retail and corporate banking institutions in 42 countries to assess the strategic impact of internet banking on the financial service industry. According to the study, there is a huge perception gap between North American/European banks and Japanese banks regarding the future of internet banking. The study also indicates the rapid growth potential of internet banking. Many of the banks that responded have plans to upgrade the functionality of their internet service offerings.

Chang (2003) has examined behaviour of firms (banks) and consumers (banks customers) in the event of a new technology (internet banking) introduction. The determinates of consumer adoption of internet banking are characterized
using survey data from Korea in both static and dynamic frame work. It finds evidence that adoption of internet banking is influenced by, sex, age, marital status, degree of exposure to internet banking, and the characteristics of the banks. A duration analysis shows no evidence of first mover advantage (order effects) in internet whilst the largest bank (rank effects) in commercial banking remains dominant in internet banking. The results imply that social norm effects dominate the internet banking adoption.

Corrocher (2002) investigated in the determinants of the adoption of internet technology for the provision of banking services in the Italian context and also studied the relationship between the internet banking and the traditional banking activity, in order to understand if these two systems of financial services delivery are perceived as substitutes or complements by the banks. From the results of the empirical analysis, banks seem to perceive internet banking as a substitute for the existing branching structure, although there is also some evidence that banks that provide innovative financial services are more inclined to adopt the innovation than the traditional banks.

Egland (1998) conducted the first important study that estimated the number of U.S. banks offering internet banking and analyzed the structure and performance characteristics of these banks. They have found no evidence of major differences in the performance of the group of banks offering internet banking activities compared to those that do not offer such services.

Furst et.al. (2002) provided a comparative study of internet and non-internet banks in U.S. and found that institutions with internet banking outperformed non-out performed internet banks in profitability. Also, banks in all categories of size are offering internet banking tended to rely lesser on interest yielding activities and deposits than non-internet banks do.

Hasan (2002) found that online home banking has emerged as a significant strategy for banks to attract customers. Almost 75 percent of the Italian banks have adopted some form of internet banking during the period 1993-2000. It also found that the higher likelihood of adopting active internet banking
activities is by larger banks, banks with higher involvement in off-balance sheet activities, past performance and higher branching network.

Janice et.al. (2002) based on interviews with four banks in Hong Kong noted that banks view the internet as being a supplementary distribution channel for their products and services in addition to other forms of distribution channels such as Automated Teller Machines (ATMs), phones, mobile phones and bank branches. Basic transactions and securities trading are the most popular types of operations that customers carry out in internet banking.

Parimal vyas (2000) this paper attempted to study empirically, customers’ satisfaction from the services provided by different banks and also to analyse the response of customers towards the actual time taken by banks to complete the banking transactions. The findings of the study revealed that the nationalized banks and co-operative banks need to improve on reducing the overall time taken to complete banking transaction. Comparatively, the private and foreign banks take much lesser time for completing their transaction. The nationalized banks and co-operative banks need to increase the use of information technology and CRM to deliver standardized customer-specific banking service to its target customers.

Peru Mohamed and Elgina Sweetline (2003) the study provide an idea as to how call centers has developed customer relationship, its functional advantages and how call centers are useful to acquire new customers and retain the existing customers on making a cost-benefit analysis the author proves that, the web based call centers are much more cost effective than the ‘pc’ based system. It was further found that organizations are evolving strategies to attract and retain customers, who desire to be listened to by the organization. Call centers emerge as strategic tools in building such customer relationship.

Ragunath and Joseph Shields (2001) the study focuses on the reaction of the agents and customers to the introduction of e-crm call centers and internet products in the insurance sector. The findings of the study was that general insurance agents preferred personal interaction and e-mail interaction while life
insurance agents preferred personal interaction though they expressed their willingness to be part of the network for setting up a database for their customers. Customers attached a high weight age for human interaction and customization.

**Rajeev Kumar and Mitial (2002)** this paper discusses some of the important managerial issues, which are vital for the Indian banking sectors, survival and growth to compete globally. The result of the study reveals that if banking industry needs to be taken to the heights of international excellence, it will require having a combination of new technologies, better processing treasury management, product diversification, better internal control, customer centric approach and improved human resources. The task is mammoth but a beginning has to be made. Ultimately, the challenge should be to build a safe and sound banking system for a vibrant economy.

**Ramachandran (2001)** made the purpose of the study was to highlights the reasons for the lack of success of the current crop of CRM tools and review the strengths and weaknesses for the current approaches to CRM. The studies stressed on the point customer needs are dynamic, and there should be new methods to capture them. This means, new dimensions have to be added to the set of IT based CRM tools. A mix of quantities and qualities inputs will provide an insight into the requirements of customers. Computers and packages are only tools. The organization should decide the purpose and make use of a mix of CRM tools.

**Sanjay and Bhayani (2005)** in her article discussed that the objective is the subject matter or the scope of this research project is confined to the comparison of the services provided by the private sector banks in the Rajkot city. The study also attempts to know the customer’s awareness about the services provided how often they utilize these services. An attempt is made to know the post purchase behaviour of the customers and customers’ awareness. He pointed out that the findings and suggestions of (i) one of the most important reasons for which people are opting for private banks is due to the
services and inter connectivity between the branches. (ii) The use of e-banking services has still not been up to the mark as expected by the banks. This requires awareness among the customers about benefits of these services. The customers should be educated about the benefit of these services. This would help the bank in a long run. (iii) The machine, which was earlier used, as a tool for adding customer service is now considered as a revenue earner. The maximum use of ATM has usually been done for the purpose of cash withdrawal and balance inquiry but in Rajkot, it is just a mini bank, where one can access most of its functions, which would help the bank to reduce its burden at the branches. Moreover, there is a need to increase the number of ATMs. (iv) The debit card is used only as a substitute for ATM. The customers do not have faith in this facility. This requires awareness among the customers so that they can make efficient use of the card and the facility. This in turn, will increase the flow of funds in the bank. (v) Moreover, private banks should start the facility of cash credit and overdraft to some of the preferred customer’s base of nationalized banks. They should also provide loans for purchase of premises, machinery etc. (vi) The fundamental thing that banks need to do is to build up an IT savvy customer base. In India due to various factors like illiteracy, the IT awareness of the people is still very low. It is clear that the disposable income of the people is growing, but many still have a mental block towards using IT selected services, due to various reasons like security apprehensions. Efforts towards educating the customer on this aspect.

Saurbhi Chaturuedi and Rishnu Roy (2007) have focused on Customer Relationship Management provides interactive, personalized and relevant communication with customer to develop and maintain relationships. Customer Relationship Management (CRM) is a strategic orientation which is the most important long-term customers and develops an understanding of these customers whom can be retained. Technologies used by companies to attract successfully and retain customers for the maximum corporate growth and profit. CRM is the goal of meeting customer expectations and needs to value them. CRM includes the breaking down of departmental barriers, improving
information flow and work processes. These changes influence effectiveness of
an organization. CRM is not a technology thing, though technology is
fundamental in making it successful: CRM is a business philosophy.

Singh and Malhotra (2004) found that there has constantly been a literature
gap on the issue in India. The purpose of this paper is to help fill significant
gaps in knowledge about the internet banking landscape in India. The paper
presents data, drawn from a survey of commercial banks websites, on the
number commercial banks that offer internet banking and on the products and
services they offer. It investigates the profile of commercial banks that offer
internet banking, using univariate statistical analysis, relative to other
commercial banks with respect to profitability, cost efficiency and other
characteristic area. By the end of first quarter, 2004, differences between
internet and non-internet banks had begun to emerge in funding, in sources of
income and expenditures and in measures of performance. It was also found
that the profitability and offering of internet banking does not have any
significant correlation.

Versha Mehta and Alka Sharma (1999) in their research paper find out the
conclusion on it can be said that the banking technology in the years ahead is
going to have a lot of impact on customer service and profitability of the
organization. It would not be incorrect to say that in the coming century the
banking industry would be presented by the pyramid which will rest of three
stones viz 1. Technology 2. Productivity and 3. Service. To raise productivity as
well as to enable the banking system to cope up with increasing complexities,
there is an urgent need to introduce new work technologies. Notwithstanding
the phenomenal growth of the banking industry with industry during the last 16
years, it has been almost remained insulated from technological upgradation.
Give the magnitude and complexity of task before the banking system, a degree
of mechanization is called for to improve not only customer service,
housekeeping and control by bank head offices over branches but also to enable
better policy formulation through quicker availability of information.
2.8 CUSTOMER SATISFACTION

Customer satisfaction is the indispensable determinant for CRM. Customer relationship has been exploited for goodness of the organization. So, the lucrative customers are magnetically attracted and problematic and unwanted customers are discouraged. In this context, numerous Research Articles Explores in all the aspects, so as to build the CRM.

Ashok and Kumar (2006) in their endeavour to elicit the opinion of the customers on their satisfaction with selected bank branches have carried out this empirical study. Banks are the mart of the world, the nerve centers of economics and barometers of nation’s property. Today, the cost of retaining a customer is one-tenth when compare with the cost of acquiring a new one. Banks do offer tangible services but that cannot satisfy the customers, who need intangible services which could be experienced like behaviour and efficiency of staff, speed of transactions and the ambience. The focus of this study is to bring out by what extent the selected bank branches cater to the needs of the customers. Customer awareness has to be created and their satisfaction should be known to the customers. Quartile deviation has been used to find the customers level of satisfaction with their banks. Chi square test is applied between the personal and the independent variables to study the factors influencing the level of customer satisfaction. The study concludes that the focus of banking business will have to be customer centered. It also further indicates that nationalized banks are attempting its best to attract higher rate of customer satisfaction.

Augustine and Prasana (1994) made main objectives of the study were to access the deposit holders level of satisfaction and to identify the most common areas of customers dissatisfaction. The area wise analysis indicated a wide gap between the expectations and reality. The gap is higher in the metro and lesser in the urban and rural areas. The customers expect speed, courtesy and concern from the bankers. Customers in metro areas have a higher level of expectations
from the bankers. As a result there is a low level of satisfaction among them when compared to urban and rural customers.

Clacs fornel (1992) study pinpoints out that Sweden become the first country to establish a national economic indicator to reflect customer satisfaction, the extent to which the business firms were able to satisfy their customer, indicating its general health and prospect for the future. The results indicated that in industries selling homogenous products to a homogenous market typically had higher Customer Satisfaction Parameter (CSP) than other industries. The result further suggested that customers in Sweden are satisfied with many of their products and services. Hence companies to be competitive in the world markets should invest in productivity as well as ensure quality of what is produced. Such quality should be measured by evaluating how quality affects customer’s satisfaction.

Dilshath (1992) in his main object of the study was to find the extent of customer satisfaction with regard to the service rendered by nationalized banks. Some of the important findings were.

a. Customers are not satisfied at the cash counter due to the long time taken for drawing money.

b. Customers are also dissatisfied because certain services like investments advice and tax advice are not given to them

c. Borrowers are dissatisfied because of the cumbersome procedural formalities in getting loans sanctioned.

Kallas Srivastava, Sunita Deh and Prasad (2001) The objective of their study was to assess training effectiveness and customer satisfaction from the training programmes offered by the in-base training and centre of Tata steel. The results showed a decline in the satisfaction level of the participants and their immediate supervisors. Training effectiveness and transfer of learning in the job, as reported by participants were also moderate. This could be due to either not following the needs of participants or non delivery of training, as
reported by departmental heads. Updating and redesigning the content of the training programmes as per the requirement of the customers was needed in order to make them more effective.

Katherine et. al. (2002) says that the trend in marketing towards building relationships with customers continues to grow and marketers have become increasingly interested in retaining customers over the long run. Many practical and theoretical models of customer retention have explored satisfaction as a key determinant in customers’ decision to keep or drop (discontinue) a given product or service relationship. Indeed, satisfaction measures have been accounted for up to 40% of the variance in models of customer retention. In this research, the authors seek to understand what other factors may influence the customers decision to keep or drop a product or service, over and above satisfaction. Current models of customer retention have not incorporated a customer’s future orientation. To keep or drop decision estimated as a logistic model, in which the decision of whether to remain in the service relationship is modeled as a function of unexpected future use and overall satisfaction with the service. The results reflect the effect of the independent variables on the consumers’ decision to continue the service relationship. The logistic regression procedure from SAS 6.12 has been used for the estimation. The study brings out the fact that marketers now need to understand customers in a dynamic changing environment and engage in dynamic customer relationship management understanding that customers take into account the aspects of the past, present and the future, including future expectations, when determining whether to continue to do business with a firm. If firms fail to take into account this idea that consumers are involved planners and forecasters, as well as evaluators of their services, they will miss a key opportunity to manage customer relationship.

Ronald, Shankar Ganesan and Noreen (2003) together presented an article in which the main focus of the study was to understand how customer relationships either buffer or magnify the impact of service failures on customers satisfaction and also to learn about the conditions under which a
service organization is more or less vulnerable to the effect of such service failure. The result of the revealed was that customer organization relationships can help to shield a service organization from the negative effects of failures on customers satisfaction. Customers who accept the relationship to continue will have however service recovery expectations, which in turn results in greater satisfaction with the service performance after recovery.

**Sangeetha Aurora, and Minakshi Malhotra (1997)** the main objectives were to study, the factors determine customers satisfaction at the different levels and marketing strategies for increasing the level of customer satisfaction. Factor wise average scores revealed that there is significant difference between the satisfaction level of public and private sector bank customers. The latter are much more satisfied than their counterparts in public sector banks. The most distinguished and outstanding factors responsible for the satisfaction of private bank customers were staff and service factors. It is further evident that public sector banks need to adopt certain specific marketing strategies to survive in the present day world of competition.

**Shirley Taylor (1994)** her main objectives for the study were to explore customer reactions to delayed service by assessing the relationship between delays and evaluations of service empirically and examining some variables that mediates the relationships. The author presents a model of the waiting experience. An empirical test of the model with delayed airline passengers showed that anger and uncertainty were affected directly by the length of the delay. The degree to which the service provider takes an action to reduce uncertainty and anger by filling time with the service related activities would reduce the delays’ negative impact on customer evaluation of service.

**Waltried and Robert (2000)** in their research paper examines the effects of service quality on customer satisfaction from two distinct methodological perspectives, specifically, a study utilizing a sample of international private banking customer is conducted where in service quality is operational via two distinct and well-known measures –SERQUAL and technical\functional
quality. These two service quality measures are subsequently compared and contrasted as to their ability to predict customer satisfaction. To further assess the validity of these findings, two moderators of the service-quality\customer-satisfaction relationship are introduced and evaluated. The findings are of importance to service managers as they strive to identify efficient and effective approaches.

2.9 IMPACT ON CRM

The moderate variables like reputation of the firm, refined market strategies, unaffected profit margin, sale or output, increased customer satisfaction is achieved, establishment of service centers, prompt service and well defined market strategies are impact of CRM on customer. In this context, the following research papers presents about impact of CRM

Eapan Varghese and Ganesh (2003) have an empirical study focus mainly on how to measure the speed in which commercial banks are rendering service to their customers in thirteen different dimensions. The result obtained from this study suggests that there is no difference between the public sector banks and private sector banks in the customer’s time consumed for transacting business with the bank. It is generally observed that bankers measure only action time and do not take into account the access time and queuing time which are critical to customers.

Jayakumar and Sathiya (2010) together presented an article main focus of the study was retaining the customer through Customer Relationship Management is quite easy for a company, until they actively or passively slip into erosion. Customer Relationship Management is necessary for achieving high customer profitability- customer revenues over and above customer costs, which demands matching customer expectations with customer satisfaction. High cost of customer acquisition is making today’s businesses understand the importance of retaining the customers for long-run sustainability. Increasing dependences on efficient customer management systems is breaking distance barriers, thus enabling companies to come closer to their customers. Building a strong and
knitted relationship with customers enables better understanding of the customer expectations, and thus, forms a foundation for constructing customer retention.

Joshua and Moli (2005) in her article objectives are 1. To evaluate the service quality of selected banks in the coastal Karnataka region of Dakshinakannada and Udupi districts. 2. To compare service quality across the banks especially those between old and new generation banks. 3. To identify the areas which need improvement so that the quality service of these banks is enhanced to find out the conclusions is, thus modified servqual instrument can be used to quantify the various dimensions of the service quality in banks and there by identifying areas which require improvement. Thus, it can be used for comparisons of service quality across different banks. This could be used for inter-branch comparisons of the various branches as well as comparisons of performances at different points of time. It was found out that the ICICI bank has outperformed the three selected banks in providing quality service. It is seen that the performance of the new generation banks across all the service quality dimensions are better than those of old generation banks in the region selected for study.

Purohit, Avinash and Pathardikar (2007) research papers find the conclusions of the study clearly that the nationalized banks have almost all same policies regarding the customer dealings and financial transactions. The perception of the consumer’s too different banks may differ due to the behaviour of the individual employees or officers. Almost all the services were rated as good by the respondents: except for loaning interest rate and mortgage facilities. The five dimensions of SERVQUAL were observed as an ideal in all the banks. The slight difference in the reliability of the employees was an exception: it may be due to transferable service nature of the employees. As the banks are also conducting quality measurement surveys on routine basis and accordingly improving their policies at par to the exception of the consumers. The oriental bank of commerce got a position amongst the top ten last year. The criteria adopted by the bank for their ratings were capital, consolidation and
corporate governance. In addition, management of banks will also need to focus on building awareness and educate the various stakeholders on interpretation of information to assist in the better understanding of the banks, its operations and performance. The Indian banking industry has a significant role to play in the economy, and appropriate management of the challenges arising out of managing capital, growth risks and governance will be critical to success.

Robert Jacob and Anandan (2002) study was made to find out which bank is considered as the most admired bank, the top 10 banks etc. the annual banking and finance. Tamilnadu had made opinion poll for 2002 anoints a new winner; ICICI bank. The recently merged super bank has emerged as a world-class, world-scale, player with broad and deep interest in corporate and consumer service. CITI bank emerges as the most admired foreign bank while the SBI tops the public sector category.

Samson (1999) focuses of the study was to identify the important factors in customer choice of bank in urban areas of Nigeria and also to find out if these factors influenced all customers in the same way. The result of the study revealed that in case of individual customers- liquidity, speed and secrecy were the critical determinants for the choice of banks. Liquidity ranking first in contrast, interest rate scored very low. The same study made on corporate customers revealed that speed in service gained highest priority while interest rate fell down in its scoring. All customers exhibited basically the same attitude in their choice of bank. Hence banks should minimize discrimination between individual customers and corporate customers.

Verma and Hema Israney (2001) have made a study on selected banks in Delhi. The study intended to measure the extent of market orientation on a comparative basis in each of the three major group’s of commercial banks viz., the public sector banks, the private sector banks and foreign banks. The study revealed that all the three groups of commercial banks differed significantly in terms of both the overall and component-wise means scores of market orientation. Both private and foreign banks are neck-to-neck in competition to
gain the largest share of the market by providing superior customer service. The public sector banks are the least market-oriented because, of slow response to change in the customer’s tastes and preferences.

Werner and Kumar (2003) present the following objectives to measure empirically life time duration for non-contractual customers and to test the factors that affect customers’ profitable lifetime duration and to develop managerial implications for building and managing profitable relationships. The outcome of the study stressed the relevance and importance of establishing Customer Relationship Management capabilities. Customers are heterogeneous on an important relationship characteristic-life time duration. Under such condition an appropriate firm response should be made to develop Customer Relationship Management capabilities which will help such first to establish competitive advantage in the market.

Michael Lewis (2005) the study examined that, incorporating strategic consumer behaviour into customer valuation. This research study systematically to focus. The calculation of customer value without regard to marketing policy is problematic because the value of managerial flexibility and impact of consumer learning are neglected. This study also develops a structural dynamic programming model of consumer demand that includes marketing variables and consumer expectation of promotions. The author uses the methodology for collecting both primary and secondary data with the help of 1,578 samples. He applied estimated parameters to conduct policy experiments that yield more accurate purchase of customer value and to study the impact of alternative marketing policies. In the context of this article, the policy experiments based approach evaluates the impact of alternative marketing policies. In the context of this article, the policy experiments based approach evaluates the impact of alternative marketing policies and yields more accurate forecasts of customer value. From a substantive prospective, the results are relevant to audience who are interested is pricing aspects of CRM.
2.10 OTHER RELATED REVIEWS

Katherine lemon, Tiffany Barnett white, Russess and Winer (2002) study found that dynamic CRM: incorporating future considerations into the service retention decision. The authors achieved the following objectives to establish the basic notion that future considerations affect keep/drop decision. In their study, they examined the relationship between consumers, future expectation of the own behaviour and the consumers keep/drop decision in an actual customer service context. Specifically, they examined the differential impact of expected future use and overall satisfaction on this decision. They also examined the factors that influence the consumers perception of expected future use through the expected future use integration model. To test the individual and interactive effects of satisfaction and anticipated regret on consumers decisions to continue or discontinue exchangers with ongoing as well as transactional service providers. The methodology of this study is the empirical analysis was conducted on data collected from customers of an interactive television entertainment service. They selected a random sample of 490 households from sampling frame of current subscribers. This study forces to suggest that the firms must recognize that consumers are active forecasters, taking future considerations in to account in their current decision making efforts. It’s a result that the firms must begin to develop dynamic CRM strategies. These strategies should take into account not only the actions the firm takes to build and manage the relationship but also in so far as is possible, the future projections of customers.

Lynette Ryals (2005), in his research found making CRM work. The measurement and profitable management of customer relationships. The author demonstrated that the implementation of CRM activities generate better firm performance when managers focus on maximizing the value of the customer. For the purpose of the research, author selected two case studies, two participating firms from the financial services industry on the basis of activity, size, availability of data, willingness to commit the necessary resources to the research. The second case study was business to consumer and its examined
unsecured lending to people by the personal loan division of a major UK bank. The authors have adopted research methodology of collecting both primary and secondary data with the help of two collaborative longitudinal case studies. One to explore individual customers and other to explore a customer’s base. This research suggested, that the value of the customers and customer management strategies are interlinked and that a stringent forward analysis of the value of the customer leads to a change in customer management strategies. This research also indicates that by using relatively unsophisticated analysis firms can make a difference to their CRM performance. The research suggests that the important issue is not customer loyalty or customer retention but profitable customer retention and profitable customer portfolio management. As such, CRM is unlikely to succeed unless marketing members give proper consideration to these issues.

**Peter Verhoef (2003)** in an innovative research which he has identified the understanding of the effect of CRM efforts on customer retention and customer share development. The author aimed at achieving the objectives to the effect of (CRP) Customer Relationship Perception and (RMI) Relationship Marketing Instruments on customer retention and customer share development over time. The authors also examined the effect of customer relationship perception and relationship marketing instruments on customer retention and customer share development in different areas. Hence, he analyzed questionnaire data on CRPs operational data on the applied RMIS. He has adopted the methodology of combined survey data from customers of a Dutch financial services company with the help of usable sample size 1677 customers for the first measurement and 918 for the second measurement. This study concluded that the effective commitment and loyalty programs that provide economic incentives positively affect both customer retention and customer share development, whereas direct mailings influence customer share development. However, the effect of these variables is rather small. The results also indicate that firms can use the same strategies to affect both customer retention and customer share development.
Sudhir and Kale (2002) in her article focus, the reasons for unsatisfactory CRM outcome are viewing CRM irradiative as a technology initiative, lack of customer centric version, insufficient appreciation of customer life time value, inadequate support to top management, under estimating the importance of change management, failing to re-engineer business processes and under estimating the difficulties involved in data mining and data integration. Hence, the author also suggested about CRM, a valuable customer relationships in increasingly emerging in most prized strategic capability a firm can possibly provide home. CRM when correctly visualized and implemented, CRM uniquely provide an organization with this strategic capability.

2.11 RESEARCH GAPS

The following research gaps are identified by a reviewing both national and international literature regarding CRM. It is consequently found the many foreign literature failed to acknowledge the effectiveness of initial strategies, maintenance strategies, and technology and service satisfaction to identify the effectiveness of CRM in any industry.

Another important gap which is induced the present research is that the previous researchers did not give any relationship between the service seekers and service providers this present thesis numerically identified the gap between perception of customers and bankers.

The reviews conclude that there is no empirical measure the effectiveness of CRM and the factors influencing CRM. Therefore the present study aims at giving suitable numerically representation for the effectiveness of CRM.
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