

CHAPTER – SIX

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6.1 INTRODUCTION

Today, customers are the most significant factor in management of businesses because they are now able to choose the items they want from a variety of choices and therefore change the strategies and programs the organisations have. Hence, having enough information about customer's needs and marketplace is a vital factor to interact with their unexpected behaviors and then act in such a way which is in the direction of organisational objectives. Liberalization, globalization and privatization together have changed the entire Indian marketing operations. Due to the innovation, development in new technologies and changes in the customer expectations there is a major shift from seller's market to buyer's market. The problem of losing market share in this era of intense competition and demanding customer retention of existing customers is more important than acquiring the new one. In the era of globalization and liberalization it has undergone a metamorphic change to cope up with the tight and enhanced competition, changing needs and expectations of the customers, ongoing product improvement, changing market trends from mass marketing to interactive and customized marketing and finally to the relationship marketing. With easy access to the information, today the customers are ready with the product information and have an upper hand in most of the interactions and sellers are bending over backwards to improve their offerings.

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. It is about creating a sustainable competitive advantage by being the best at understanding, communicating, 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.

The Indian Financial Sector has transformed the industry structure in the last decade like no other industry has and this has been made possible due to the precise mathematics of

risk and Information Technology. The customers are changing their banks quite often as they feel that they are cared much better in other banks than the earlier. With the changing trend in these days the customers are asking for almost all the latest facilities which are given by the foreign banks like ATM, Phone Banking, Home banking, TV banking, Internet banking, Draft facility etc and because of non availability of these facilities with their present bank, they are switching over to new players. The extent of change can be seen from the numbers of private banks that have come up in recent times. The significance of these banks lies in the fact that they have successfully bridged the gap that existed between the services and variety that the public sector banks offered and was actually possible to offer. It also has made the industry more customers oriented and raised the bar for excellence for all players. Economists in the past tended to look at the microstructure of banks. But now this microstructure of commercial banking has become equally important. This is an outside-in view focusing on the key parameters of customer base, market segmentation and IT competencies. A greater focus on Customer Relationship Management (CRM) is the only way the banking industry can protect its market share and boost growth.

There is intense competition among the public, Private and foreign Sector Banks and they all are 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. 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. 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.

The proposed research work studies Customer Relation Management in the Indian banking sector, through an empirical survey of customer and executives of various banks. The focus of study is to examine the need of CRM for Indian banking and how far these banks are achieving success in creating and maintaining CRM. The study also emphasizes to understand the view point of customers about their experience in context to the customer relationship management strategies implemented by their banks. Further an attempt is made to suggest some meaningful strategies for developing a long lasting and effective customer relationship between the banks and their customers.

6.2 FOCUS OF THE STUDY

With the above theoretical and conceptual background of Customer Relation Management, the present study intends to focus on tracing out various determinants of CRM in Indian Banks i.e. Public, Private and Foreign Sector Banks. This also revealed that research gaps exist in evaluating the effectiveness of CRM in general; and with special reference to its applications in banking organization in particular. Further evaluation studies exist on multiple fronts but an integrated view is missing. It has been revealed that none of the research work mentioned above has given an integrated outcome for the CRM strategies for Indian banking sector as most of the studies have been conducted on isolated factors. The perception of this sector about CRM strategies needs to be further researched along with benefits which this sector hopes to achieve through CRM. This constitutes a research gap and has been the focus of this paper. As discussed in the previous sections, the existing studies have multiple points of views but none of them have offered an integral and specific study in CRM specifically for the comparison of different sector of banks present in India.

Thus a need is felt to initiate research in this direction so as to evaluate a model and establish relationship between different parameters that will reflect the effectiveness efficiency of CRM. Building a true objective model is not feasible, it is better to identify the practices at industry level and then move to generalization. The present work is an initial attempt at the industry level where the comparison of CRM strategies on Indian Banks will be made and checked through the customer's perception.

The study is mainly focused on the origin and development of the concept of Customer Relation Management (CRM) in India and how it will solve the purpose of improving the marketing productivity and enhance mutual value for the parties involved in the relationship. It has the ability to increases the marketing effectiveness and efficiency that

improve the marketing productivity and creates mutual values. It will help in understanding the effectiveness of CRM programs launched by the various banks. In spite of phenomenal growth in financial sector of the country after 1991, there is a growing general feeling among the users of the financial services about the security and facilities which are not increasing as they might have expected. This feeling may be due to the over reliance of Indian investor on the public sector or nationalized banks than private or foreign banks.

6.3 OPERATIONALISATION OF THE CONCEPT

On the basis of review of literature and conceptualization, the customer relationship management can be defined as comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service and the functional areas of the organisation to achieve greater efficiency and effectiveness in delivering customer value.

6.4 OBJECTIVES OF THE STUDY

On the basis of the researches conducted on the topic of customer relationship management (CRM), personal observation and findings recorded through the survey of the existing literature, the following objectives could be set for the present study.

S. No.	Objectives of the study	Particulars of the objective
1	Objective 1	To study the significance of CRM in Indian Banking Industry
2	Objective 2	To examine what CRM strategies the banking industry has formulated for the convenience and greater satisfaction of the customer
3	Objective 3	To assess that how far the CRM strategies designed by bank succeeded in enhancing the satisfaction level of the customer
4	Objective 4	To examine the drawbacks or shortcomings of designed and implemented CRM Strategies
5	Objective 5	To recommend that how the CRM strategies followed by Indian Banks can be strengthened and what could be the possible new strategies for effective CRM for optimum satisfaction of the customer

6.5 HYPOTHESIS OF THE STUDY

Customer Relationship Management leads to the ultimate satisfaction and retention of the customer especially in the service industry. After the era of free economy the new entrants have crowded the market and attracting the customers of existing players by providing the better services than the existing one. To examine the factors related to CRM strategy and customer satisfaction dimensions of executives and customers, the following three null hypotheses were framed.

- H⁰1: The CRM is highly significant for the banks
- H⁰2: The factors of CRM do not have any relation with the CRM strategies of the banks
- H⁰3: There is no difference in the CRM strategies of the public, private and foreign banks operating in India

6.6 RESEARCH METHODOLOGY

The design of the present study is exploratory to some extent and descriptive and diagnostic to a large extent. Further the study is diagnostic due to the fact that an attempt has been made to see the relationship between the implemented CRM strategies and how far these strategies have succeeded in enhancing or maximizing the level of customer's satisfaction and retention.

UNIVERSE OF THE STUDY

The universe of the study is confined to all nationalized, private and foreign banks operating in India, which carried out different kinds of retail banking operations and practices the CRM programme.

SURVEY POPULATION

The survey population of the study includes only those banks, which have implemented the CRM programme or strategies.

SAMPLE SIZE

The study has been conducted on the basis of dual sample in the area of NCR (Delhi and neighborhood cities). The first sample is of banks. The sample for the study has been taken from the survey population and that is too being confined only to the four nationalized, two private and two foreign banks. The sampled banks have been chosen on the basis of non – random purposive sampling and the second sample is of customers. The respondents have been selected on the basis of random and purposive sampling and for this purpose the user's list has been obtained from the sampled banks. Twenty five executives and hundred customers from each category of banks have been taken for the study.

DATA COLLECTION

The data was collected by administering the questionnaire with the participating respondents. The individual heads related to CRM were interviewed with an objective to understand their CRM organizational practices, culture, problems and plans. Since the nature of the proposed is empirical and, therefore, the data has been used is mainly primary. However secondary data has also been used in the study. The secondary information has

been collected from the research articles, available brochure, records, and reports of the banks and rest of the secondary data has been collected from the Internet. For the purpose of collecting primary data as per the requirement of the objectives of the study, a comprehensive schedule / questionnaire was designed and administered to the sampled respondents of the bank.

STATISTICAL TOOLS USED

In order to analyze the collected data for converting it into valuable information, the following statistical tools have been used.

- a) The percentage analysis of each factor was done to develop the understanding on the position of each variable of these factors
- b) Simple Arithmetic Mean has been used for the reliable representation of the entire data.
- c) Standard Deviation has been calculated to measure the level of deviation present in the data.
- d) Kaiser-Meyer-Olkin and Bartlett's test to measure the adequacy of the sampling to use for exploratory factor analysis (EFA).
- e) Exploratory factor analysis for deleting the questions with lower factor load (for more preparation to do the confirmatory factor analysis).
- f) Two-sample t-test with independent samples to study the difference between the respondents' point of view in the three groups of executives and customers of public, private and foreign sector banks.
- g) Analysis of variance (ANOVA) or comparing the means of some communities to investigate the difference in respondents' point of views in public, private and foreign sector banks.

It should be noted that the software packages SPSS 17 and Lisrel 8.5 have been used to perform the calculations mentioned above.

6.7 MAJOR FINDINGS

From the analysis and discussion it could be vividly observed that CRM is highly significant for the Indian banks as it results in to various benefits like retention of customers, customer loyalty, reducing sales cost, increasing market share and profits, building up the image and competitive advantage and customer satisfaction. The analysis has indicated that the both executives and customers have similar opinion on the significance of CRM in banks and agree with regard to its benefits.

Further, analysis of data concluded that the pace of development for the Indian banking industry has been tremendous over the past decade. As the world reels from the global financial meltdown, India's banking sector has been one of the very few to actually maintain resilience while continuing to provide growth opportunities, a feat unlikely to be matched by other developed markets around the world. In this study, data analysis is done in two parts by descriptive and inferential statistics. In the descriptive part, the demography of statistical sample is investigated and the results were shown in frequency tables and diagrams, but in the inferential part, the data is analyzed by using a series of steps. The final results of hypotheses test show that the first hypotheses as explained in the first chapter are accepted. Therefore, according to the first hypothesis, the CRM is significant for the banks, which illustrate the various benefits associated with the CRM.

The second hypothesis has been rejected which means that the explored factors of this study i.e. customised products and services, customer focus, CRM organisation, Customer knowledge management, communication management, technology process and tool and facilities for CRM have the direct effect on the CRM strategies of the banks. The third (the last) hypothesis has also been rejected and reveals that CRM strategy of public sector banks is not better than the private and foreign sector banks.

According to the result of two sample t - test, it could be summarised that there is significant difference between the groups of public and private sector banks where as the difference is insignificant in the group of foreign sector bank with respect to the research variables from the respondents' points of view. Indeed, the respondents have assessed the situation of foreign sector banks better than private sector banks and much ahead than the public sector banks in relation to the research variables.

6.8 RECOMMENDATIONS

From the loading of items, customised product and services, customer focus, CRM organisation, customer knowledge management, communication management, technology process and tools and facilities for CRM, a variety of recommendations and conclusions may be inferred. The significance of these factors indicates that respondents have given regard to these factors in formulation and implementation of CRM strategies for banking industry in India. On the basis of the findings in this study it is visible that for the success of CRM strategies in banking, some transformation in these strategies is needed to be done. After

analysis of data certain strategies are suggested which will help in better formulation and implementation of CRM strategies in banks.

The factors CRM organisation and customer knowledge management reveals that knowledge management and attitude of top management and bank employees are considered to be the main aspects in a bank - customer relationship. The research indicates that the most important aspect for the bank customers is the face-to-face personal contact and interaction that they have with their bank. Financial matters are important for the customers and they want to feel that their money is safe and secure. Therefore, the customers desire their bank's employees to be knowledgeable about the bank's products and/or services. Additionally, if bank employees are positive and indicate satisfaction and self-confidence regarding their tasks, customers feel more comfortable. Specifically, this indicates that the bank employees at the front desk/enquiry desk and tellers, whom customers directly interact with, should be knowledgeable regarding the bank matters and should display positive attitudes towards their working environment and the customers. In other words, bank managers can increase their bank's level of CRM and ultimately their service quality level by focusing on the customer knowledge management and attitude of their bank employees. Further the factors customised product and services, customer focus, communication management, technology process and tools and facilities for CRM also have immense importance for the banks in managing the customer relationships.

6.8.1 MACRO LEVEL STRATEGIES FOR BETTER CUSTOMER RELATIONSHIP MANAGEMENT IN BANKS

In the competitive environments, customer retention has been shown to be a very important managerial issue in especially the markets with decreasing rate of acquiring new customers. Customer satisfaction and surviving in today's competitive environments require a heart to understand the customers; a brain to analyze; and hands to deliver the products and services to them. However various additional strategies can be implemented in order to ensure the effective management of customer relationships in the Indian banks. On the basis of current research following strategies for Customer Relationship management are being suggested.

P-FACTOR STRATEGY

For implementing CRM, the banks have to start with three P-factors strategy namely people, processes, and planning. The P factors affect sales, productivity, service, reputation, trust, knowledge, retention and above all the profitability. The effective CRM organisation

in the banks and right mix of these factors will lead the banks to grow and prosper along with the customers.

CUSTOMER EXPERIENCE STRATEGY

The banks can design the customer experience strategy by understanding the overall organisational vision and mission, defining the organisation's customer service direction, slogan and values, ensuring customer service, sharing the customer experience strategy via a comprehensive communications program and ensuring that this strategy does not conflict with other business strategies.

SERVICE DELIVERY STRATEGY

Effective processes and procedures provide the foundation for smoothing or inhibiting the material service element of the customer interaction. Efficient service delivery systems appear transparent to the customer. Poor systems create those 'speed bumps' that necessitate personal intervention in order to satisfy the customer requirements. The service delivery strategy should be designed by mapping the service delivery processes, evaluating critical success points in the process, defining service standards and objectives for these essential points, establishing service delivery procedures to optimize material service and creating service level agreements to smooth internal service delivery.

CUSTOMER TOUCH – POINT STRATEGY

The banks can adopt the customer touch point strategy to satisfy the customer up to the maximum extent. The strategy can be implemented in three phases i.e. Pre-purchase Phase, at purchase phase and post purchase phase touch points.

6.8.2 MICRO LEVEL STRATEGIES FOR BETTER CUSTOMER RELATIONSHIP MANAGEMENT IN BANKS

The study reveals that the public sector banks have a huge scope of improvement in their existing CRM strategies in terms of the explored factors. The public sector banks have to improve upon almost all the factors to make their CRM strategy more effective and meaningful.

The results clearly depict the underprivileged performance of these banks and shows that the public sector banks are needed to design the CRM organisation in such a way that it focus on the customers more effectively by using the latest technology for serving the customers with the latest product and services. The banks are also required to strengthen their customer knowledge management to make their communication management and tools and

facilities more effective. However, the private sector banks are maintaining the superior relationships with their customers whereas the foreign sector banks have been found as the leader in maintaining the healthier relationships with the customers.

For making the CRM organisation more efficient and successful the public sector banks can design specific training sessions for their employees emphasising on the better and improved customer service. These training sessions can be made compulsory to attend for new employees as well as for all employees, to reinforce the importance of these aspects. The top management of these banks is required to provide leadership, allocate resources, designing the easy systems which increase customer convenience at all touch points for building and maintain the customer relationship management. The banks have to clearly define the role, responsibilities of front line employees to empower them for serving the customers better. The banks can incorporate these principles as key values in its mission statement and ensure that each employee has a copy and understands the bank's mission statement. In order to have knowledgeable employees with positive attitudes, awards, for example an "employee of the month" award can be used to motivate employees to display these characteristics. However the private sector banks are also required to further strengthen their CRM organisation to implement their CRM strategy in a manner as desired. Though the private and foreign sector banks are arranging training programmes for the development of their employees, their frequency can be increased.

Additionally the public sector banks have to make their customer knowledge management stronger and effective so that this information can be utilised to improve the existing and new product and services. This can be achieved by identifying the best and important customers and assess the customer satisfaction level of these customers. The feedback system from both customers and employees need to be fortified so that this information and knowledge can be used in focusing on the customers better than the earlier. The public sector banks shall try to win back their lost customers which they are not doing so far because it is easier and profitable to acquire these customers. There is a scope of improvement in management of customer knowledge in case of private sector banks which can be achieved by making the feedback system more effective and transparent. The foreign sector banks can bring new techniques of customer knowledge management for further improvement in their relationship with the customers.

The public sector banks must develop a formal process to measure the current and potential needs to develop new product and services and do the segmentation of the customers on the basis of the level of usage of the product and services. As the demand for

innovative products and services is increasing, the private and foreign sector banks have to come up with latest, innovative and customised products and services. The banks must focus on their customers while formulation of their CRM strategies and for making the effective strategy, a bank may provide special benefits to loyal customers, for example, lower bank charges. Bank employees should be motivated to acknowledge customers, personally know customers, interact with customers, and generally make customers feel welcome. A pleasant atmosphere should be created in a bank branch to ensure that customers feel relaxed and important and that they can trust the bank. These actions might increase the level of CRM of the bank and lead to higher levels of service quality, as perceived by customers.

Further the public sector banks can reframe their communication system by providing the integrated account information, sending the latest information on products and services and account statements by using the innovative communication channels. The CRM strategies of the public sector banks are also required to be more customers focused. It could be attained by delighting the customers by wishing the customers on important occasions which can help these banks in taking the leverage of word of mouth. The banks are also suggested to regularly assess the live time value of each customer so that they can serve these customers better. The banks shall maintain the high level of privacy and security of the customer's data and records as it can enhance the trust level of the customers in the bank. The communication system of private sector banks is also required to strengthen whereas the foreign sector banks can introduce more channels of communication.

Technology plays an important role in enlarge the customer relationships and the public sector banks have to acquire the latest technology and tools to automate their sales, marketing and service functions. The public sector banks have to continuously maintain and monitors the customer information by using right hardware and software. The websites of these banks are needed to be more users friendly and equipped with the latest features which offer the centralised interface with the customers. The private and foreign sector banks are suggested to upgrade their existing technology and adopt the changes as and when inverted to serve the customers in a better manner.

The public sector banks have to deliver the latest tools like home banking, TV banking, E – mail management to make the customer relationship healthier. The improvement in the performance of call centres, help desk, ATM, phone banking, mobile banking and internet banking is also required in case of public sector banks. However the rest two categories of banks are advised to invent new and convenient tools and facilities of CRM.

6.9 THE UTILITY OF THE STUDY

In terms of utility, the study certainly has filled in the existing gap in the literature relating to Customer relationship management industry. The findings of the present shall be of interest to the academicians and researchers on the one hand, and the corporate sector in general and selected units in particular, on the other.

For the academics, it would highlight the concept of Customer relationship management, its growth and the problem faced by the Customer relationship management industry. It also enlightens the present status of Customer relationship management industry in India and its comparison with rest of the developed or developing countries.

The present efforts should certainly lead us to generate a meaningful set of statistics in the field of Customer relationship management in India. The study also shows the real picture of the Customer relationship management, which is useful for the industry to draw certain assumptions in general and very much particular to the units, which were examined. The factors, which are important for growth of industry, the importance of investor-investee relations, quality of successful entrepreneur helps to understand the industry clearly. Clearly, this will aid the corporate management in general and those of the firms investigated in the study in particular, in resolving a series of problem.

6.10 DIRECTIONS FOR FUTURE RESEARCH

The present study opens a wide area for future research. This can be studied on the basis of various parameters such as scope in various industries, regional scope, extension and depth of theoretical framework of the study etc. Future research regarding this topic can be extended to include other geographical areas and additional, smaller banking groups. The variables that determine the CRM and level of service quality, in other financial services, for example in the insurance branch of the financial services industry, can be identified and compared to this study.

There is a huge scope of similar kind of study in the allied industries such as capital market and other retail services in the financial sector. Studies can be carried out in different areas also.

The present research is in Delhi and other areas of National Capital Region. Now the scope for the study moves to the other semi urban and rural areas. A comparative study of various regions can also give significant inputs regarding the CRM strategies of various banks.

Further, the in depth studies in the same field such as the present course and future challenges for modern tools and techniques of CRM, Traditional Vs Modern CRM can also become the issues of vital interest in research.

The theoretical framework can also be extended like consumer behavior and CRM in banking industry and advertising and CRM in banking industry can also serve as the research problems for scholars and industry. Additionally, it is possible that other external variables (which have not been specified in this study) can have an influence on the CRM strategies of banks.

Thus, from the analysis conducted in previous chapters finally, it could be concluded that the customized product and services, customer focus, CRM organization, customer knowledge management, communication management, technology processes and CRM tool and facilities are the major factors, which have direct impact on the formulation and implementation of the CRM strategies by Indian banks. The banks have realised the significance of CRM as it result in developing customer loyalty and trust, customer retention, enhancing the customer satisfaction which eventually provides the competitive advantage to these banks in the era of this passionate competition. The study also point out that the CRM strategies of foreign banks have been found as the most effective in compression to public and private sector banks. Further it could moreover be summarised that public sector banks have to change there mind set regarding the needs and expectation of their customers for developing and maintaining the better customer relationship.
