Chapter 1

Introduction

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Importance of the study
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1.A. Introduction

History of the concept of marketing goes back to the origin of life on the Earth. Right from the evolution of plants to animals and then human beings, marketing has been the part and partial of daily life, to fulfill their basic needs. Major changes in the development of marketing concept and its in-depth study happened during the era of industrialization. Large number of competitors with comparatively fixed market size and number of customers forced the sellers to have detailed study of their customers' markets and accordingly improve the sale of their products.

1.A.1. Marketing- Two well known management authors, through their studies in the area of marketing have suggested different definitions of marketing, which are mentioned below:

A very interesting definition of Marketing by Philip Kotler (1954) states that, "Marketing is a process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services, organizations, and events to create and maintain relationships that will satisfy individual and organizational objectives".

Peter Drucker (2000), famously defined marketing as, "Marketing and innovation are the-two chief functions of business. You get paid for creating a customer, which is marketing. And you get paid for creating a new dimension of performance, which is innovation. Everything else is a cost center."

Further, Kotler (2003) in his book titled 'Marketing Insights from A to Z' puts forth more detailed definitions of Marketing function as:
a) Marketing Management is an art and science of choosing target markets and getting, keeping and growing customers through creating, communicating and delivering superior customer value.

b) Marketing is usually focused on one product or service. Thus, a marketing plan for one product might be very different from that for another product. Marketing activities include "inbound marketing," such as market research to find out, for example, what groups of potential customers exist, what their needs are, which of those needs you can meet, how you should meet them, etc. Inbound marketing also includes analyzing the competition, positioning your new products or services (finding your market niche), and pricing your products and services. "Outbound marketing" includes promoting a product through continued advertising, promotions, public relations and sales.

Marketing is a business function that identifies, unfulfilled needs and wants, defines and measures their magnitude and potential profitability, determines which target markets the organization can best serve, decides on appropriate products, services and programs to serve these chosen markets, and call upon everyone in the organization to think and serve the customer.

Another definition by Phillip Kotler (2008) in his book on Marketing Management says that, "Marketing is the set of human activities directed at facilitating and consummating exchanges".

There are several major differences, including:

1. The buyer purchases an intangible
2. The service may be based on the reputation of a single person
3. It's more difficult to compare the quality of similar services
4. The buyer cannot return the service

Stuart Riley (1995), in addition to traditional four Ps of marketing i.e. Product, Promotion, Price and Place, suggests 3 more Ps in services marketing that are People, Procedures and Physical environment.

With reference to services marketing, the then CEO of IBM, Gerstener (2001) says that “Services are going to move in this decade to being the front edge of the industry”.

Nineteenth century saw some significant changes on the economic front throughout the world, and India was no exception. Changes were more conspicuous after 1990s, when regulatory bodies like the Reserve Bank of India (RBI) changed the economic face of the country. This was the time when service industry became equally important as manufacturing.

Zeithmal and Bitner (2000) in their book on Services Marketing define service as deeds, processes and performances. Further, the authors move on to state the distinction between service and customer service. Customer service is the service provided in support of a company’s core products. In 1999, the service sector represented 80 percent of the total employment, at least 78 percent of the gross domestic product of the United States. The cascading effect of these changes was reflected in India during the same period. People who shifted from goods and manufacturing to banks, healthcare or
other service industries found that their skills and experiences were not directly transferable. Possible reasons for this difference can be cited as intangible nature of services, heterogeneity in customers, and very short gap between productions and consumption is almost simultaneous, services cannot be stored like manufactured goods and there is lot of variety in demand.

1.A.3. Shift in marketing approach - Both, in case of goods marketing and services marketing, traditional approach has been on individual transaction and does not concern continuous relationship with customers. Customers were treated as outside entities. As viewed by Sheth and Parvathiyar (1995), one aspect of transaction based marketing is the belief that it is through competition, buyers have a choice of suppliers and that further acts as a motivation to high-value offering.

This aspect of competition was then challenged by the proponents of relationship marketing who believe that mutual cooperation, as opposed to competition and conflict, leads to higher value creation; state Morgan and Hunt (1994).

Another aspect of traditional marketing is based on the assumption that keeping a distance from customers, other stakeholders in the market increase efficiency in the marketing system and distributing marketing value. This further allows purchase at low cost and at a bargain. This belief was also challenged recently in economics, by Williamson (1975). The argument was that every transaction involves transaction costs in search, negotiation and other associated activities, which add to, rather than reduce the cost, and thus lead to inefficiencies instead of efficiencies for the firms engaged in exchange transactions. These new theories from different schools of thought were later
on reflected in the shift in the ways of marketing also. In pre-industrial era which was mostly agriculture based, farmers sold their products directly to the buyers. The producers were acting as manufacturers and retailers. This led to a very strong relationship between the producers and the customers. The relationship orientation in marketing and trade continued into the early years of the Industrial Revolution and the emergence of capitalism. Fullerton (1988) describes some of the efforts adopted by marketers during this period to build and maintain relationships with buyers. This continued even in initial years of industrial era. It was towards late sixties in India that there was significant change in the scenario. Marketing, branding and advertising became more conspicuous during this period, basically aiming to promoting mass consumption. During this era, producers were busy in building distributors’ network and long-term contracts with customers. The popularity of the system integration began to extend to consumer packaged goods, as well as services, suggest Shapiro and Posner (1979). It was during the post-industrial era, that there was almost a rebirth of concept of direct marketing which once again brought the concept of relationship marketing to forefront. Some other factors that influenced the pattern of marketing during this era were:

- Substantial advancements in the technology area, especially, information technology.
- Consciousness about quality e.g. TQM
- Growth of service economy
- Changes in organizational structure leading to greater importance to teams and individuals
• More concern about customer retention due to enormous increase in competition.

The journey of relationship marketing discussed above illustrates different stages of evolution. It clearly indicates that, except during the peak period of industrialization, there has been due importance given to the relationship with the customers.

1.A.4. Relationship Marketing- This is an offshoot of marketing function, which lays emphasis on customer retention and satisfaction. This aims at long-term relationship between the buyers and the sellers with the goal of better services. According to Berry and Leonard (1983), relationship marketing can be applied when there are competitive product alternatives for customers to choose from; and when there is an ongoing and periodic desire for the product or service. In a nutshell, we can say that the relationship marketing is expected to build and maintain a base of committed customers who are profitable for the organisation. Basic reason behind so much of stress on Relationship Marketing is that a long-term customer is less likely to switch over to other brand or product. Also, long-term relationship with customers acts as free mouth publicizers of the company’s products and services. This not only helps in smoother interaction between employees and customers but also makes the employees’ job easier.

According to Dawkins and Reichheld (1990), relationship marketing focuses on four major activities: Customer valuations, customer retention measurement, identifying reasons for defection and develop a corrective plan. Christoper et al (1991) look at relationship marketing as a “tool to turn current and new customers into regularly purchasing clients and then progressively move them through being strong supporters
of the company and its products to finally are active and vocal advocates for the company". As mentioned in the book by Mohamed and Sagadecan (2002), an organization has to have a strategic approach towards relationship building program. Such a strategy depends upon internal as well as external factors like nature of business, its size and its market share, nature of product, product type, and volume of sale, geographic concentration, socio-economic status and life style of customers. Some of the strategic initiatives towards implementation of relationship management program, generally used in combination, are: People, Process, Product, Organization (top management), service standards, concentration on competitors, customer analysis, cost analysis, buying patterns, customized services, attention to changing requirements of the customers, training to service providers, incentive for customers, total care program and building switching barriers.

Both the stakeholders, i.e. customers as well as the firms are in a win-win situation through relationship marketing. Some of the benefits to customers are as follows:

- Sense of confidence and trust in the supplier / service provider
- Sense of personal relationship and familiarity
- Special treatment by the suppliers / service providers

On the other hand, the firms also get some benefits out of this long-term relationship. They are as follows:

- Long-term relationship with the consumers
- Free mouth publicity through satisfied customers
- Increased level of comfort in the interaction between employees and customers

"Comparative study of e-CRM in Indian Banks with specific reference to banks in Pune and Mumbai" by Ashwini Renavikar-Doctoral research-University of Pune-Chapter 1
In the view of Phillip Kotler (1997), Relationship marketing emphasizes on two important issues. They are - optimize relationships with customers if you understand and manage relationships with other relevant stakeholders. The tools and techniques used in marketing to customers, such as marketing planning and market segmentation, can be used equally as effectively in managing non-customer relationships.

Relationship-based marketing involves another major activity i.e. estimating customer lifetime value which in turn aims at lifetime profitability.

1.A.5. Customer Relationship Marketing - Relationship Management is now popularly known as CRM-Customer Relationship Management, which emphasises more focus on the customers than any other stakeholders. Post-industrial era (information era) saw re-emergence of relationship marketing and the following four key factors are responsible for the change:

a. Rapid advancement in technology
b. Intensive competition in most markets
c. Growing importance of service sector, and
d. Adoption of total quality management programmes

Initial approaches to CRM (in 1990s), as mentioned by Coote (1994) can be broadly classified into 3 approaches

- The Anglo-Australian approach: This integrated the contemporary theories of quality management, service marketing and customer relationship economics to explain the emergence of relationship marketing.
-The Nordic Approach: It views relationship marketing as confluence of interactive network theory, service marketing and customer relationship economics. This network theory views marketing as an interactive process in a context where the relationship building is an area of primary concern for marketers.

-The North American Approach: More stress was on the relationship between buyer and seller operating within the context of organizational environment which facilitated the buyer seller relationship.

Different authors and groups have defined CRM in different ways. Some of the definitions are mentioned below:

Parvathiyar and Sheth (2000) suggest an overall definition of customer relationship management as “...ongoing process of engaging in cooperative and collaborative activities and programs with immediate end-user customer to create or enhance mutual economic value at reduced cost”.

“CRM is about dealing with each customer individually by means of adding value to each customer’s daily life.” aver Temporal and Trott (2001).

“CRM is perhaps best described as an overarching business strategy built on a three-legged stool of technology, new business processes and cultural transformation. Neglect any one of the three legs, and project teeters.” says Engen (2001).


Wellemin (2003) defines an internal customer as any recipient of services within an organization, whereas all the end users of products or services are external customers.
Kracklauer, Mills and Seifert (2004), describe the concept of customer management as a set of four stages:

- Identification
- Attraction
- Retention
- Development

From the CRM point of view, retention stage is very important, which further can be detailed into exploring, evaluating, establishing strategies and examining feedback.

Recently, Payne and Frow (2005) published a more sophisticated definition of CRM as a strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationship with the key customers and customer segments. CRM unites the potential of relationship marketing strategies and to create profitable, long-term relationships with customer and other key stakeholders. It provides enhanced opportunities to use data and information to both to understand and co-create value with them. This requires a cross-functional integration of process, people, operations and marketing capabilities that is enabled through information technology.

Gartner Group, possibly the largest group of consultants involved in extensive research in the area of customer relationship marketing, define CRM as “...an enterprise wide business strategy designed to optimize profitability, revenue and customer satisfaction by organizing the enterprise around customer segments, fostering customer-satisfying behaviours and linking processes from customers through suppliers.”

Shainesh and Sheth (2006) in their book on CRM mention that CRM is not a new
concept. Merchants and traders have been practicing it for centuries. Their business was built on trust. They could customize their products and all delivery aspects and payments to suit the requirements of their customers. They paid personal attention to their customers and had a lot of knowledge about their customers. The industrial revolution changed these relationship-oriented practices and businesses adopted mass production, mass communication and mass distribution practices to achieve economies of scale. More stress was laid on manufacturing and operations to reduce cost. Intermediaries like distributors, wholesalers and retailers took the responsibilities of warehousing, transportation, and distribution activities as well as sale to final customers. These resulted into greater efficiencies and lower the costs but inadvertently introduced many layers of restrictions between them and the customers. There was a huge gap and lack of direct contact between them and their customers which adversely affected their relationship with their customers.

CRM has replaced traditional marketing techniques that were focused on key marketing mix elements, such as product, price, promotion and place. By being too functionally-based, traditional marketing techniques had neglected the customer in the after-sales process and failed to meet customers' desires. The CRM emphasizes customer retention over customer acquisition and is recognized as one of the most viable tools used to further a company's success in the highly competitive business world.

Berry and Parasuraman (1991) have identified four levels of bonding for customer relationship:

- Financial bonds: Volume and frequency of rewards, bundle and cross-selling and stable pricing
- Social bonds: Personal relationships, continuous relationship and social bonds with other customers
- Customization bonds: Customer intimacy, mass customization and anticipation/innovation
- Structural bonds: Integrated information systems, joint investments and shared processes and equipment.

It is equally important to know the reasons for defection of customers, even before deciding on the strategy for customer retention. Some of the factors that are normally cited for customer defection are as under:

- Specific needs of the customers are not fulfilled
- Shift to different product category
- Dissatisfied with the elements of marketing mix
- Perceived better value for money from the competitor's offerings
- Development of misunderstanding regarding the value delivery system
- Displeasure at the point of purchase
- Dissatisfied with after-sale performance
- Inherent feeling of trying new product
- Changes in environment or technology
- Change in lifestyle
- Moved to other demographic area

A strong customer care program can really help the defection rate. Wellem (2003) mentioned the following as major activities to be performed, for building a strong customer care programme:

*Comparative study of e-CRM in Indian Banks with specific reference to banks in Pune and Mumbai* by Ashwini Renavikar-Doctoral research-University of Pune-Chapter 1
a. Analyze current customer care requirements

b. Establish its own position

c. Specify desired position

d. Identify options and the relevant resource requirements to move from current position to a desired position.

e. Scrutinize ‘best practices’ in customer care areas selected (benchmarking)

f. Appoint working parties to process specific options selected.

g. Review results of working parties and develop a company-wide customer care plan and standards for each task.

h. Develop an implementation plan

i. Monitor initial results and adapt programme as necessary

j. Review the progress at frequent intervals and provide feedback throughout the organization.

Figure 1.1: Major components of CRM
While discussing customer care programme, one cannot lose sight of the fact that sometimes it is difficult to even understand that customer is moving away from the current brand.

Shaines and Sheth (2006), in their book on CRM discuss the results of the survey by TARP, the major findings of which are:

- Ninety five percent of the customers do not bother to complain, they just take their business elsewhere.
- Most loyal customers take time to complain. This enables the product / service provider to improve and ensure that such mistakes do not recur.
- A typical dissatisfied customer will tell an average fourteen others about their experiences, who in-turn will convey this to an average other six people.
- Seventy percent of customers who complain will do business with the company if it quickly takes care of service problem.

No customer care program can start without a well defined goal. Freeland (2003) suggests the guiding principles following which companies should define the goal of implementing. Organizations wanting to reshape the focus of their CRM programs should follow these three guiding principles:

- Customer experience is essential to creating brand value. Organizations should place their logos, catchy styles, or memorable commercials in such a way that they can give the customers an impression or an awareness that is their product or service.
Customer insight should inform and drive customer treatment. Every contact that the company has with its customers determines the economic value of its future since a happy customer will be back.

CRM programs should be executed in a pragmatic way that mitigates financial and delivery risk. CRM programs should be planned according to both financial ability and risk elimination to the best of the company’s practice. It is not to be built with elegant capabilities, or the latest version of the software, or serving the customers at any cost. However, it must be practical, realistic, and provide the capabilities that the users need.


Shainesh and Sheth (2006) opine that non-traditional competition, market maturity and misalignment between revenue and profits are key challenges faced by businesses which increase the criticality of the concept of CRM. Support of information technology has given a new perspective to CRM programmes in organizations. Such IT-aided CRM is also called online CRM. e-CRM is a combination of software, hardware, application and management commitment towards customer oriented marketing (Dyche-2001).

Chandra (2004) has proposed a very interesting concept about e-CRM in which he suggests that with the movement of business application to the internet, CRM has enhanced an organization’s capability by providing access to its customers and suppliers via web. This ‘web experience’ or communication through the web is called e-CRM.
The CRM Community group has put forth a definition of e-CRM which takes into consideration e-business aspect. The definition says, e-CRM is customer relationship management for e-Businesses that must confront the complexity of managing sophisticated customers and business partners in a variety of media, including online and offline media, personal contact, and more automated and electronic forms of communication. As far as difference in CRM and e-CRM is concerned, Mohamed and Sagadevan (2002) state that from philosophical, methodological, systematic and process functional point of view, there is minimal difference. But the engineering and architecture for the execution is significantly different.

E-CRM can be seen as a means of gaining competitive advantage, especially through the acquisition of intangible assets such as knowledge, commitment and trust.

Electronic customer relationship management systems help organizations improve the profitability of their interactions with current and potential customers while at the same time making those interactions safer and friendlier through individualization and personalization. The importance of quality in customer service has been recognized by companies worldwide. Several major companies have applied prioritized quality in customer services, resulting into positive business outcomes. Customer satisfaction, loyalty, employee satisfaction and profit growth are some of the main advantages of this business practice.

Above details can be summarised by stating a definition of e-CRM by Kalakota and Robinson (2001) that within the context of e-CRM... , “The timely delivery of customer service is customer relationship management”.

'Comparative study of e-CRM in Indian Banks with specific reference to banks in Pune and Mumbai' by Ashwini Renavikar-Doctoral research-University of Pune-Chapter 1
1.A.6.1. A Brief history of CRM technology

Common sense dictates that it is cheaper to generate more revenue from existing customers than to acquire new ones. According to various surveys, the cost of finding new customers is estimated at three to five times the cost of customer retention. Retaining customers is not easy, though. The Internet has lowered the cost of switching and made markets more price-sensitive. Customers increasingly are asking for custom solutions to their problems, using comparative shopping services and freely available rating systems to pit companies against each other. In this increasingly competitive environment, businesses must differentiate not only their products, but their customer experience. In fact, customer experience is emerging as the most important competitive differentiator amongst vendors in many markets. The focused ability to anticipate and respond to customer needs will separate market leaders from 'also-rans'.

In a white paper by Oracle (2006), a brief history of CRM technology is discussed. According to the paper, during last decade, the CRM technology has undergone a tremendous change. The first generation was introduced in the early 1990s in the form of Sales Force Automation (SFA), which was geared exclusively towards automating the activities associated with field sales, including contact management, opportunity management, and revenue forecasting. Also, applications were in the form of silos. In the mid 1990s leading CRM vendors started offering integrated packages. A major milestone during this journey was in the late 1990s, when these applications took a global shape, because of web support. There was also a significant addition on functionalities front. Today’s CRM applications address specific vertical industry requirements along with smooth flow of organizational processes. A new wave of
further sophisticated range of CRM packages which will provide 'anywhere applications' facility is waiting to enter the market.

Figure 1.2 displays functional architecture of e-CRM with a set of widely available functionalities in e-CRM packages currently available in the market. A typical CRM package can be comprised of three parts—Analytical CRM, Collaborative CRM and operational CRM.

![Functional architecture of e-CRM](image)

*Figure 1.2: Functional architecture of e-CRM*

According a survey conducted by AMR Research, Inc. (2003), e-CRM market has grown from $8.3 B in 1998 to $16.5 B in 2003, which is almost 49%.

Initially, it was thought that CRM is a buzzword like many other buzzwords used in management. Jutla, Craig, and Bodorik, (2001); Stone, Woodcock, and Wilson, (1996)
aver that companies are becoming increasingly aware about the benefits of initiatives taken towards CRM, like

- Increased customer retention and loyalty
- Higher customer profitability
- Creation value for the customer
- Customization of products and services
- Lower process cost, higher quality products and services

But the authors further stated that more rigour was necessary in these efforts. This was duly supported by IT and became popularly known as e-CRM. Further, more stress was given to integration of existing legacy application and other enterprise applications such as ERP. E-CRM, as a suit of functionalities, is available in two forms – client-server based and web-based. Shainesh and Sheth (2006) explain the phenomenon of evolution of IT based CRM, which started attracting the attention of academicians and practitioners during early 1990s. Thereafter, many conferences were organized, to explore this area in Sweedish School of Economics and Business during 1994-2000. Forums and associations like CRM community (http://www.crmcommunity.com) and American Marketing Association (AMA) along with Special Interest Group (SIG) played significant role in understanding and advancement of the concept of e-CRM. The year 2003 marked the year of adoption of CRM by corporate specifically in the area of financial services. During early 2000s, IT based CRM solution provider SAP-mySAP CRM explored the market to a large extent. Enablers for the growth of CRM are as i. Emergence of service economy ii. Emergence of market economy iii. Global orientation of businesses and iv. Aging population of the economically advanced
Chapelfield (2003) in his paper discusses evolution of e-CRM which is shown in the figure 1.3. Business Process Reengineering, Enterprise Resource Planning, Salesforce Automation, Traditional CRM are some of the stages organizations have passed through before they thought of e-CRM. As indicated in the figure 1.4, the initial steps are aimed towards reduction of costs and the main objective of the e-CRM is oriented towards growth.

Figure 1.3: Evolution of e-CRM

Chapelfield's Paper also mentions the flow of processes from e-CRM to business benefits. It can be represented as follows:
e-CRM provides access

Access creates information

Information enables measurement

Measurement leads to process improvement

Process improvement leads to growth in revenues, and profits

Figure 1.4: E-CRM contributing towards profits


Goldenburg (2002) suggests 3 components of e-CRM as operational CRM, analytical CRM and collaborative CRM.

Operational CRM deals with the automation of certain business processes. Examples of business processes that are connected to operational CRM are marketing and sales. When a connection is made to a customer, the information related to this interaction will be automatically stored in a database, and the company can pull up specific information on that customer when it is needed. Operational CRM can further be broken down into three components. These components are Enterprise marketing...
automation, Customer service automation, and sales force automation. The enterprise marketing automation gives company the information about the business climate, and also provides it with crucial data on its competitors, as well as trends within the industry and other important variables. As the name implies, enterprise marketing automation deals with strategies a company can use to strengthen their marketing tactics. The customer service and support automates specific processes that are connected to services. An example of this could be item returns or customer complaints. Sales force automation is responsible for automating some of the company's sales tasks. Examples of tasks that SFA would automate are demographics, customer needs, and accounting management. A number of corporations use call centers to store the data of their customers. Once the customer makes a call, the customer service representative can provide them with relevant information. Many companies also automate processes such as allowing customers to access their accounts.

The next important part of CRM architecture is Analytical CRM. As the name suggests, Analytical CRM deals with analyzing data that is collected by the company. This data can be analyzed so that the company can enhance its customer service capabilities. By enhancing its customer service capability, a company builds a stronger relationship with its customers. There are a number of common ways that Analytical CRM is used to achieve this. A number of companies use the data they have collected and analyzed to cross-sell products to their customers, as well as retaining customers that may normally switch to another company. Analytical CRM can also be used to provide important information to customers within a short period of time. In addition to building stronger relationships with customers, Analytical CRM can be an important tool for fraud.
prevention and detection. It can analyze the patterns of sales, inventory, and profits in order to find any patterns that are not consistent. Analytical CRM is also important when it comes to both product development and risk management. It is important to realize that Analytical CRM is an ongoing process. The company may need to alter its strategies or methods based on the information that is analyzed through this process.

The third important aspect of CRM architecture is Collaborative CRM. Collaborative CRM is important because it places an emphasis on the interactions that a company makes with its customers. These interactions could be personal, or they could come through media such as the telephone or the internet. Collaborative CRM give companies a powerful form of communication that utilizes multiple technologies. It can also be responsible for providing services over the internet so that the costs of the service can be reduced. When interactions are made with customers, Collaborative CRM allows the company to provide it with useful information. At the highest level, CRM should be an important part of all interactions that a company makes with its customers.
Table 1.1: Major Representatives from different industries with e-CRM in place

<table>
<thead>
<tr>
<th>Industry</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>GM, Ford, Daimler-Chrysler</td>
</tr>
<tr>
<td>Chemicals</td>
<td>Dow, BASF, DuPont</td>
</tr>
<tr>
<td>Communications</td>
<td>BT Retail, TIM, Deutsche Telekom</td>
</tr>
<tr>
<td>Consumer Goods</td>
<td>Maytag, Nestle, Dial, Hershey Foods, Quaker Oats, Coca-Cola</td>
</tr>
<tr>
<td>Energy</td>
<td>Schlumberger, TXU</td>
</tr>
<tr>
<td>Financial Services</td>
<td>JPMorganChase, FleetBoston, Société Générale, AXA</td>
</tr>
<tr>
<td>Healthcare</td>
<td>Blue Cross Blue Shield</td>
</tr>
<tr>
<td>High Technology</td>
<td>IBM, Sun</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>Bayer, Boehringer</td>
</tr>
<tr>
<td>Public Sector</td>
<td>New York City 311, Consignia (U.K. Post Office)</td>
</tr>
<tr>
<td>Travel and Transportation</td>
<td>Marriott</td>
</tr>
</tbody>
</table>

Figure 1.5: Technical architecture of e-CRM

Customer value is simply defined as the difference between what a customer gets from a product and what they have to give in order to get such a product. Creating value for
customers with diverse and changing needs and wants has been central to the achievement of sustainable competitive advantage. Weinstein and Charles (1999) assert that enhancing customer value is a form of extending quality and customer service for the customers. Implementing the customer relationship management program, the goal is to provide superior customer value which means to continually create business experiences that exceed customer expectations. Value then is the strategic driver that is utilised to differentiate themselves from rivals in the mind of the customers. Value is therefore, is defined by the customers as it directly relates with satisfaction.

To wit, Value could also be defined as the satisfaction of customer requirements at the lowest cost of acquisition, ownership and use. From the customer's perspective, value is the trade-off between the benefits received and the price paid. It is created when the product and the user come together within a particular use-situation. Each situation is evaluated as to a dissatisfaction, satisfaction or high satisfaction experience, in terms of the value received. Creating value implies excellence that is based on desirability and/or usefulness. At the heart of customer value is QSP or quality, service and price. Value is delivered into customers in three ways: product leadership, process efficiency and relationship building.

Going back to quality, it is defined as the characteristics of a product or service that bear on its ability to satisfy stated or implied needs and a product or service free of deficiencies. Quality thereby is a customer-preferred performance and function which are also dependable and reliable. Quality, as Yang (2007) noted, is a part of value, not all of value. Nevertheless, it is a subjective term that has a psychological component. Overall customer opinion of a quality of a particular product or service is called the
perceived quality, regarded as a better indicator of customer value than any objective measures of quality; especially the perceived quality is the foundation of their satisfaction or dissatisfaction. For instance, the higher the quality the higher the levels of satisfaction, hence poor quality equates dissatisfaction.

Reidenbach and Goeke (2005) mention that the most complex element of value resides within the quality component. For a company, quality is merely what it is that makes a product or service "worth it" but for customers, quality could encompass the "hows and whys a products and/or services are worth it." Customers are definitely attentive to literal qualities of the product or service itself, but they are also interested in how that product will be delivered. The total sales experience itself is frequently regarded as a part of the 'quality offering'. The point is that satisfaction is not only about focusing largely on product element but also includes those issues that are influenced by a company's channel system.

Stahl (1999) states that customer value hierarchy identifies three levels at which customers evaluate and experience products: attributes, consequences and desired end states. Satisfaction may be considered as a customer's evaluative reaction to how a particular product performed when compared to how he or she anticipated that it would perform. It is said that customers make use of comparison standard and when this standard was met, customers typically say that they are satisfied. As such, when the experience is below the standard it could result in varying degrees of dissatisfaction and when it exceeded the standard, increased satisfaction and delighted customers are the result.
Satisfaction could also be viewed as the customer's feeling about the value that they received from a particular product experience. Customer value communicated to the customers then should cover what should be delivered to its customers. In this way, customer satisfaction that tells an organization how well customers feel that their existing offers are performing relative to the goal could be implicated. Desired and anticipated values which are driven by quality specs and will therefore drive satisfaction in return are communicated through advertisements. One company that best understood this is McDonald's. According to Dodds (2003), through consistent rollouts of advertisement worldwide, McDonald's believes that it is the total experience of what customers receive for what they pay that is true value equation.

The 'M' logo that symbolizes the neon arches and restaurant roofline remains the advertising symbol for the company and is now one of the most recognized icons in the world. Such a symbol embodies the customer orientation of McDonald's wherein product and service delivery is customer centered. This means that McDonald's primary concern is the satisfaction of its customers, ensured by applying a strict standard of food and service quality. One evident example is that most of the advertisements of the company show the product, a crew servicing a customer, the place which is either inside or outside of the food chain and the prices.

In sum, perceptions of quality affect feelings of satisfaction and measuring quality and customer satisfaction is undertaken to better understand how businesses may better understand how they may enhance customer value.- Ivythesis (2009).

A large part of e-CRM involves technology; however, viewing e-CRM as a technology-only solution is likely to fail - Chen and Popovich (2003); Greenberg (2000); Zablak,
These prior studies suggest that both e-service and people-service play important roles in the e-CRM process. The services literature suggests that personal interaction plays a key part in creating satisfied customers, suggest Crosby and Stephens (1987); Parasuraman, Zeithaml, and Berry (1985). Satisfaction and trust in e-CRM have been identified as important measures of relationship quality -Crosby, Evans and Cowles, (1990) because a good buyer-seller relationship enables reductions in uncertainties caused by service failure and negative outcomes -Roloff and Miller (1987); Zeithaml (1981). These findings lead to the conclusion that organisations should enhance e-service quality for increasing people-service quality to meet the customers' expectations (satisfaction) and interests (trust) in each service interaction towards e-CRM performance that will help measure performance. There is a positive relationship between and among e- and people-service quality, satisfaction with and trust in e-CRM, and e-CRM performance.-Islam, Feng (2006).

1.A.6.2. e-CRM Tools —Today’s market offers a wide variety of CRM tools which support CRM functionalities. Table 1.2 gives list of widely used commercial as well as open source e-CRM tools.
<table>
<thead>
<tr>
<th>Sr</th>
<th>Vendor</th>
<th>Percentage of global market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Siebel (Oracle)</td>
<td>51.90</td>
</tr>
<tr>
<td>2</td>
<td>SAP</td>
<td>10.13</td>
</tr>
<tr>
<td>3</td>
<td>Epiphany</td>
<td>3.80</td>
</tr>
<tr>
<td>4</td>
<td>Oracle</td>
<td>3.80</td>
</tr>
<tr>
<td>5</td>
<td>PeopleSoft (Oracle)</td>
<td>2.53</td>
</tr>
<tr>
<td>6</td>
<td>salesforce.com (E)</td>
<td>2.53</td>
</tr>
<tr>
<td>7</td>
<td>Amdocs</td>
<td>1.27</td>
</tr>
<tr>
<td>8</td>
<td>Chordiant</td>
<td>1.27</td>
</tr>
<tr>
<td>9</td>
<td>Microsoft</td>
<td>1.27</td>
</tr>
<tr>
<td>10</td>
<td>Metus Technology</td>
<td>1.27</td>
</tr>
<tr>
<td>11</td>
<td>SAS</td>
<td>1.27</td>
</tr>
<tr>
<td>12</td>
<td>Others</td>
<td>18.99</td>
</tr>
</tbody>
</table>

Source: Gartner study 2007 (http://www.gartner.com/technology/home.jsp)
<table>
<thead>
<tr>
<th>Sr no</th>
<th>Name of CRM package</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>VTiger</td>
</tr>
<tr>
<td>2</td>
<td>Zoho CRM</td>
</tr>
<tr>
<td>3</td>
<td>Salesforce.com (Personal edition)</td>
</tr>
<tr>
<td>4</td>
<td>FreeCRM</td>
</tr>
<tr>
<td>5</td>
<td>SugarCRM</td>
</tr>
<tr>
<td>6</td>
<td>Highrise</td>
</tr>
<tr>
<td>7</td>
<td>Leadsimplified</td>
</tr>
<tr>
<td>8</td>
<td>Talisma</td>
</tr>
<tr>
<td>9</td>
<td>BatchBook</td>
</tr>
</tbody>
</table>

1.B. Importance of the study

1.B.1. History of Financial Institutions in the world

The most prominent international financial institutions of global importance are the IMF, the World Bank and the WTO:

- The International Monetary Fund keeps account of international balance of payments accounts of member states. The IMF acts as a lender of last resort for members in financial distress, e.g., currency crisis, problems meeting balance of payment when in deficit and debt default. Membership is based on quotas, or the amount of money a country provides to the fund relative to the size of its role in the international trading system.

- The World Bank aims to provide funding, take up credit risk or offer favourable terms to development projects mostly in developing countries that could not be obtained by the private sector. The other multilateral development banks and other international financial institutions also play specific regional or functional roles.

- The World Trade Organization settles trade disputes and negotiates international trade agreements in its rounds of talks.

International financial institutions (IFIs) such as the World Bank (WB) and regional multilateral development banks (MDBs), the International Monetary Fund (IMF) and World Trade Organization (WTO)-are among the most powerful institutions in the world today.

In general, the stated purpose of these institutions is to develop rules to govern global trade and investment and provide policy advice and financial support (e.g. loans) to
enable governments and corporations to meet national development objectives. In actuality, the organizations function to advance the interests of the wealthier nations and the multinational corporations that stand to profit the most from neoliberal trade arrangements and from the new global economic order. They do so by promoting a vision of economic development characterized by hyper-reliance on unregulated markets (while ironically leaving untouched the growing consolidation of industry players). Together these institutions exert enormous influence over national and international approaches to rural development and the management of natural and agricultural resources.

Lending institutions such as the World Bank and the regional development banks provide loans, frequently in exchange for specified economic policy "reforms" to be undertaken or adhered to by the borrower country. These institutions maintain intense pressure on borrower countries to adopt policies of "free" (unregulated) trade and macroeconomic structural adjustments that prioritize foreign investment, hard currency earnings and, in recent years, the privatization of social services and public goods. Forced by loan conditionality to cut domestic spending, most governments sacrifice the social, economic and environmental programs that are vital to safeguarding the livelihoods of millions of poor farmers, fishers and rural communities the world over.

For decades, civil society groups and movements have condemned the IFIs for the devastating effects of their policies and practices. In recent years, popular protests have swelled into a global movement challenging the legitimacy of the IFIs, and putting these institutions on the defensive. New partnerships and coalitions between Southern and Northern movements and organizations and across issues and sectors of society are
forming and will be required in order to successfully expose and challenge the systemic and deep-rooted problems of global governance today.

**World Financial Institutions**

The International Monetary Fund and the World Trade Organization rule trade worldwide, ostensibly helping developing countries enter the 21st century by investing in their modernization, and regulating trade to allow smaller nations compete with the big boys. Nevertheless, this "aid" often comes with a heavy price. Developing nations are often driven into deep debt, and then forced to turn their public services over to multinational corporations. Meanwhile, trade rules force developing nations to weaken rules on labour and environment in order to remain competitive. Following is a list of major players in world financial institutions:

- Julius Baer Group
- Morgan Stanley
- Royal Bank of Canada
- Bank of America
- Washington Mutual
- Bank of New York Mellon
- ING Group

1.B.2. **World Financial banking institutions**

Following is a partial list of most influential global financial banking institutions.

- ABN AMRO
- Julius Baer Group
1.B.3. Financial institutions in India

Financial institutions in India mainly comprise of the Reserve Bank of India, the commercial banks, the credit rating agencies, the Securities and Exchange Board of India, insurance companies and the specialized financial institutions.

Reserve Bank of India: The Reserve Bank of India was established in the year 1935 with a view to organize the financial framework and facilitate fiscal stability in India. The Bank acts as the regulatory authority with regard to the functioning of the various commercial bank and the other financial institutions in India. The Bank formulates different rates and policies for the overall improvement of the banking sector. It issues currency notes and offers aids to the central institutions and governments.

Commercial Banks in India: The commercial banks in India are categorized into foreign banks, private banks and the public sector banks. The commercial banks indulge in varied activities such as acceptance of deposits, acting as trustees, offering loans for the
different purposes and are even allowed to collect taxes on behalf of the institutions and central government.

Credit Rating Agencies in India: The credit rating agencies in India were mainly formed to assess the condition of the financial sector and to find out avenues for more improvement. The credit rating agencies offer various services as:

- Operation Upgradation
- Training to Employees
- Scrutinize New Projects and find out the weak sections in it
- Rate different sectors

The two most important credit rating agencies in India are:

- CRISIL
- ICRA

Securities and Exchange Board of India: The securities and exchange board of India, also referred to as SEBI, was founded in the year 1992 in order to protect the interests of the investors and to facilitate the functioning of the market intermediaries. It supervises market conditions, register institutions and indulge in risk management.

Insurance Companies in India: The insurance companies offer protection against losses. They deal in life insurance, marine insurance, and vehicle insurance and so on. The insurance companies collect the little saving of the investors and then reinvest those savings in the market. The insurance companies are collaborating with different foreign insurance companies after the liberalization process. This step has been incorporated to expand the Indian Insurance market and make it competitive.

Specialized Financial Institutions in India: The specialized financial institutions in India
are government undertakings that were set up to provide assistance to the different sectors and thereby cause overall development of the Indian economy. The significant institutions falling under this category include:

- Board for Industrial & Financial Reconstruction
- Export-Import Bank Of India
- Small Industries Development Bank of India
- National Housing Bank

Financial institutions are basically of two types: Banking and non-banking financial institutions.

1.B.4. Non-Banking Financial Institutions: Non-banking Financial Institutions carry out financing activities but their resources are not directly obtained from the savers as debt. Instead, these Institutions mobilize public savings for rendering, other financial services including investment. All such Institutions are financial intermediaries and when they lend, they are known as Non-Banking Financial Intermediaries (NBFIs) or Investment Institutions such as—

- UNIT TRUST OF INDIA
- LIFE INSURANCE CORPORATION (LIC) of INDIA
- GENERAL INSURANCE CORPORATION (GIC)

Apart from these NBFIs, another part of Indian financial system consists of a large number of privately owned, decentralized, and relatively small-sized financial intermediaries. Most work in different, miniscule niches and make the market more broad-based and competitive. While some of them restrict...
themselves to fund-based business, many others provide financial services of various types. The entities of the former type are termed as "non-bank financial companies (NBFSCs)". The latter type is called "non-bank financial services companies (NBFSCs)".

Post 1996, the Reserve Bank of India has set in place additional regulatory and supervisory measures that demand more financial discipline and transparency of decision making on the part of NBFSCs. NBFSCs’ Regulations are being reviewed by the RBI from time to time keeping in view the emerging situations. Further, one can expect that some areas of co-operation between the Banks and NBFSCs may emerge in the coming era of E-commerce and Internet banking.

1.B.5. Banking Industry in India

History of Indian banking can be traced back to 1870, when Bank of Hindustan was set up. This was followed by addition of presidency banks under Presidency Bank's Act 1876 i.e. Bank of Calcutta, Bank of Bombay and Bank of Madras. In 1921, all the presidency banks were amalgamated to form the Imperial Bank which worked as the central authority to control rules and regulations for Indian Banking, before the emergence of RBI (Reserve Bank of India). It was in 1934, that the RBI act was passed and RBI became the apex bank without any major government ownership. 1955, RBI acquired Imperial bank, which was then renamed as State Bank of India in 1959. Early 90s was a milestone in the journey of banks in India in which Amendment of Banking Regulation Act in 1993 witnessed the entry of many new private banks.

"Comparative study of e-CRM in Indian Banks with specific reference to banks in Pune and Mumbai" by Ashwini Renavikar-Doctoral research-University of Pune-Chapter 1
1.B.6. Indian Banking Industry

When the economy starts slipping, banks are usually the first to feel the heat. Business organizations start cutting on investments and amount of deposits on account of cut down on purchases. Banking is an area where customer interaction is very high. Also, money management is an issue very close to everybody's heart, whether individuals or organizations.

1.B.6.1. Types of banks in India

![Figure 1.6: Structure of Scheduled Banks in India](image_url)

According to the Indian Banking Association, banks can be categorized into four types, public sector banks, private sector banks, cooperative banks and foreign banks. Initially all the banks in India were private banks, which were founded in the pre-independence era to cater to the banking needs of the people. In 1921, three major
banks i.e. Bank of Bengal, Bank of Bombay, and Bank of Madras, merged to form the Imperial Bank of India. In 1935, the Reserve Bank of India (RBI) was established and it took over the central banking responsibilities from the Imperial Bank of India, transferring commercial banking functions completely to IBI. In 1955, after the declaration of the First-Five Year Plan, the Imperial Bank of India was subsequently transformed into State Bank of India (SBI). Following this, occurred the nationalization of major banks in India on 19th July 1969. The Government of India issued an ordinance and nationalized the 14 largest commercial banks of India, including Punjab National Bank (PNB), Allahabad Bank, Canara Bank, Central Bank of India, etc. Thus, the public sector banks revived to take up leading role in the banking structure. In 1980, the GOI nationalized 6 more commercial banks, with control over 91 percent of the banking business of India.

In 1994, the Reserve Bank Of India issued a policy of liberalization to license limited number of private banks, which came to be known as New Generation tech-savvy banks. Global Trust Bank was, thus, the first private bank after liberalization; it was later amalgamated with the Oriental Bank of Commerce (OBC). Then Housing Development Finance Corporation Limited (HDFC) became the first (still existing) to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector.

Private banks, are further categorized into the old and the new private sector banks.
1.B.6.1.a. New Private sector banks

1. Bank of Punjab Ltd.
2. Centurion Bank Ltd.
3. Development Credit Bank Ltd.
4. HDFC Bank Ltd.
5. ICICI Bank Ltd.
6. IndusInd Bank Ltd.
7. Kotak Mahindra Bank Ltd.
8. UTI Bank Ltd (Now AXIS).

1.B.6.1.b. Old private sector banks

1. Bank of Rajasthan Ltd.
2. Dhanalakshmi Bank Ltd.
3. Federal Bank Ltd.
4. ING Vysya Bank Ltd.
6. Karnataka Bank Ltd.
7. Karur Vysya Bank Ltd.
8. Ratnakar Bank Ltd.
9. SBI Commercial and International Bank Ltd.
10. South Indian Bank Ltd
11. United Western Bank Ltd.
1.B.6.1.e. Other Public sector

1. Industrial Development Bank of India (IDBI) Ltd

1.B.6.1.d. Public sector banks

Among the Public Sector Banks in India, the United Bank of India is one of the 14 major banks which were nationalized on July 19th, 1969. Its predecessor, in the Public Sector Banks, the United Bank of India Ltd., was formed in 1950 with the amalgamation of four banks viz. Comilla Banking Corporation Ltd. (1914), Bengal Central Bank Ltd. (1918), Comilla Union Bank Ltd. (1922) and Hooghly Bank Ltd. (1932).

Oriental Bank of Commerce (OBC), a Government of India Undertaking offers Domestic, NRI and Commercial banking services. OBC is implementing a GRAMEEN PROJECT in Dehradun District (UP) and Hanumangarh District (Raiasthan) disbursing small loans. This Public Sector Bank India has implemented 14 point action plan for strengthening of credit delivery to women and has designated 5 branches as specialized branches for women entrepreneurs.

List of public sector banks in India-

1. Allahabad Bank
2. Andhra Bank
3. Bank of Baroda
4. Bank of India
5. Bank of Maharashtra
6. Canara Bank
7. Central Bank of India
8. Corporation Bank
9. Dena Bank
10. Indian Bank
11. Indian Overseas Bank
12. Oriental Bank of Commerce
13. Punjab & Sind Bank
14. Punjab National Bank
15. State Bank of India
16. Syndicate Bank
17. UCO Bank
18. United Bank of India
19. Union Bank of India
20. Vijaya Bank

1.B.6.1.e. Foreign Banks

Foreign Banks in India always brought an experience of prompt services to customers. After the set up foreign banks in India, the banking sector in India also became competitive and prone to be more prompt. New rules announced by the Reserve Bank of India for the foreign banks in India in this budget have generated greater hopes among these banks which allow them to grow unfettered. Foreign banks in India are now permitted to set up local subsidiaries. The policy restricts the foreign banks in India may not acquire Indian ones (except for weak banks identified by the RBI, on its
terms) and their Indian subsidiaries will not be able to open branches freely. Following is the list of foreign banks functioning in India till date-:

1. ABN-AMRO Bank N.V.
2. Abu Dhabi Commercial Bank Ltd.
3. American Express Bank Ltd.
4. BNP Paribas
5. Barclays Bank PLC
6. Citibank N.A.
7. DBS Bank Ltd
8. Deutsche Bank AG
9. HSBC Ltd.
10. Standard Chartered Bank
11. State Bank of Mauritius Ltd

1.B.6.1.f. State Bank Groups

1. State Bank of India
2. State Bank of Bikaner and Jaipur
3. State Bank of Hyderabad
4. State Bank of Indore
5. State Bank of Mysore
6. State Bank of Patiala
7. State Bank of Saurashtra
8. State Bank of Travancore

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1.6.1.g. Cooperative banks

The Cooperative banks in India started functioning almost 100 years ago. The Cooperative bank is an important constituent of the Indian Financial System, particularly from the point of view of the role assigned to the co-operatives, the expectations that they are supposed to fulfil, their number, and the number of offices that the cooperative banks operate. Though the co-operative movement originated in the West, the importance such banks have assumed in India is rarely paralleled anywhere else in the world. The cooperative banks in India play an important role, even today, in rural financing. The businesses of cooperative banks in the urban areas also have increased phenomenally in recent years due to the sharp increase in the number of primary co-operative banks.

Cooperative Banks in India are registered under the Co-operative Societies Act. The cooperative bank is also regulated by the RBI. They are governed by the Banking Regulations Act 1949 and Banking Laws (Co-operative Societies) Act, 1965.

Cooperative banks in Indian finance rural areas are as under:

- Farming
- Cattle
- Milk
- Hatchery
- Personal finance

Cooperative banks in India finance urban areas under:

- Self-employment
- Industries
• Small scale units
• Home finance
• Consumer finance
• Personal finance

Some facts about Cooperative banks in India

• Some of the cooperative banks in India are more foresighted than many of the state and private sector banks.

• According to NAFCUB the total deposits and lending of the Cooperative Banks in India are much more than Old Private Sector Banks and also the New Private Sector Banks.

• This exponential growth of Cooperative Banks in India is attributed mainly to their much better local reach, personal interaction with customers, and their ability to catch the nerve of the local clientele.

1.B.7. Technology deployment in Indian Banks

Banks are next to the defence departments as far as the deployment of new technology is concerned. Information technology is no exception. From technological exploration in banks in India, the overall journey of techno-savvy banks can be described in five distinct phases.

• First wave – 1980 - Back Office Automation
• Second wave – 1985 - Branch level automation
• Third wave – 1990 - Core banking – Any time any where
• Fourth wave – 1995 - ATMs

'Comparative study of e-CRM in Indian Banks with specific reference to banks in Pune and Mumbai' by Ashwini Renavikar-Doctoral research-University of Pune-Chapter 1
Challenges before Indian banking sector

- Entry of foreign banks
- Constantly changing technology
- Providing Customized services
- Risk Identification and mitigation

1.8. Evolution of IT in Indian banking

In the September 2001, interest rates dropped down from 7 percent to 6.25 percent. These banks that were not into retail operations started opening retail outlets, to have a broader and more stable base for business. Another reason for going into retail operations was that these help banks to build trust and a positive image in the minds of the customers at large. On the basis of this trust and the image, a bank can attract corporate customers, target more loan accounts and establish itself into investment banking as well.

Any institution that is involved in financial business faces a huge risk. Along with services, financial institutions sell their image to every customer. Every bank, either in retail or loans business has to take important decisions while handling financial risks. Some of them are as follows:

- Decide credit worthiness of individuals / organizations
- Right time and right target customers to launch a new product
- Strategic Alliances with other organizations (e.g. MSEB, Telecom companies for customer e-billing)
• Location / nature for new branches from geographic, demographic psychographic point of view
• Identify and Get rid of NPAs (Non-performing Accounts)
• Control operations cost

Commencement of present millennium saw a number of significant reforms in the banking sector in India. Following changes are indicative of these reforms:

• Financial Sector reforms- Regulatory bodies took a series of steps to adopt international standards, increase supervision and governance on the banking system and strengthen financial systems.

• Raising sustenance barrier- Basel committee guidelines forced the banks to merge, change the scope and scale of their operations and transform themselves to adapt to new rules.

• Government divestments- With the decision of government divestment in public sector banks, many banks were forced to build upon their core strengths to reach to a large customer base.

• Globalization- Rules laid by WTO and its impact on foreign banks had a significant effect on the banking sector. This phenomenon resulted in some unexpected changes in the market share of banks. Foreign banks increased their market share, whereas some of the new banks were struggling to establish themselves.

• Cooperative banks reforms- Many incidences of scams in cooperative banks pressurized changes in cooperative act in the form of 'Demutualization of Cooperative Act'. This resulted in closing down of some cooperative banks.
Department of Information Technology of the RBI, in its vision for technology in financial sector, published in June 2007 (http://rbi.org.in accessed on 28/10/09), mentions its corporate objective as “Enabling financial sector to leverage on IT for better customer service, improved housekeeping and overall systemic efficiency”. The objective stresses the importance of customer satisfaction on first priority as a part of its long term objectives.

As a part of this vision, the RBI states some of the benefits that the Indian banking has received through deployment of information technology. Some of the visible benefits are as follows:

- Storage capacity has increased by leaps and bounce.
- Data mining tools providing better and more accurate customer profile
- Any time banking through ATMs
- Any branch – anywhere banking through Core banking solution
- Connectivity to other banks through INFINET - INdian FInancial NETwork (A network of banks developed by IDRBT-Institute for Development and Research in Banking Technology, Hyderabad)

According to the RBI road-map as published on the RBI website, India will have competitive banking market after 2009. More foreign banks will enter the country with more freedom to grow and acquire.

Like any other industry, managing technology has been a major activity in Indian banks. Rapid developments in Information Technology and high rates of technological obsolescence resulting into continuous need for up-gradation have had an impact on the
achievement of some of the milestones forming part of Financial Sector Technology (FST) vision published in 2005.

Replacement costs do have a role to play in final decisions taken by organizations. Costs arising out of technological obsolescence have shown an unexpected pattern.

Many IT related tasks in banks have been outsourced, including hosting critical IT systems, which needs close supervision. Also, such outsourcing requires relatively longer time period in the first instance.

The RBI in its vision for 2008-2010, saw a great scope for technology related changes. Few of the remarkable areas as a part of this vision are sighted below:

- RBI expects IT to continue to be a predominant factor as a catalyst in the forces of changes.
- All banks would have gone for CBS (Core banking solution) and large portion of their branches will be operational on CBS.
- Introduction to XML (Extensible Markup Language) for reporting to the RBI
- Centralization of banks that will benefit Customer Relationship, customer profiling and differentiation for better customer service.
- Integration of Computerized Currency Operations and Management Systems (ICCOMS) for effective information collection about currency notes movement in the country.

During the keynote address at Banking Technology Awards for IDRBT on May 18th, 2009 (http://rbi.org.in, accessed on 28/10/09), Dr. D. Subbarao, the Governor, RBI took the review of IT related developments in Indian banking. He recollects the days in which IT systems were smuggled into the banks when the entire world was sleeping,
this was because of the strong opposition by Unions. But, IT has come a long way, beyond such basic issues. Dr. Subbarao, then highlighted some of the IT related achievement to explain the status of IT today in financial sector. In addition to 24/7/365, Anytime, Anywhere banking, the Indian payment systems due to the introduction of Real time Gross Settlement (RTGS), has resulted into compliance with BASEL. It was the beginning of risk-free, credit push-based fund transfers. As against half a percent transactions on RTGS few years back, today, approximately 30 crore transactions per year are cleared on RTGS. It is supported by Public Key Infrastructure based electronic data transfer with high security levels. IDRBT has setup National financial Switch for interconnecting banks' ATMs. In the year 2000, there were only 4000 ATMs; the number has grown to almost ten times today, all interconnected.

As a part of the agenda for years to come, the keynote speaker identified some areas such as- Expansion of Smart cards, mobile ATMs, post offices under electronic payments in rural and semi-urban areas. Infrastructure related problems such as discontinuous electricity supply, absence of internet in rural areas are being overcome through solar power and mobile technology based connectivity. He finds huge potential in IT for enabling differentiation in customer service, facilitating CRM, improving asset liability management, compliance with BASEL II norms etc.

1.B.8.1. Level of computerization

The results of a survey jointly conducted by CII and PWC (Confederation of Indian Industry and Price Waterhouse Coopers) in January 2007; there is a clear distinction in

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the total number of computerized systems between the private sector as well as the public sector banks as shown in the table 1.4 below:

Table 1.4: Extent of computerization in banks (Number of systems)

<table>
<thead>
<tr>
<th>Number of systems</th>
<th>Average</th>
<th>Maximum</th>
<th>Minimum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sector Banks</td>
<td>18</td>
<td>35</td>
<td>10</td>
</tr>
<tr>
<td>Private Sector Banks</td>
<td>170</td>
<td>411</td>
<td>22</td>
</tr>
</tbody>
</table>


On the face of it, a large number of systems extant could be an indicator of greater readiness of banks with respect to information technology

1.B.8.2. Status of e-CRM in financial institutions across the world

The initial implementations of the CRM in banks unfortunately became a misnomer for a range of IT-based solutions vendors providing their own spin on the idea. CRM is a strategy that places the customer at the heart of all organizational processes and policies, to improve customer satisfaction which in-turn is expected to improve the profits.

Worldwide, banking institutions have been in the forefront of technology adoption. This behaviour can be attributed to a range of operational characteristics that banks inherently work with. In the view of Sanjeev Kumar (2008), some of them being:

- Huge volume of operations
- Geographically scattered nature of its networks
- Security concerns
- Scattered workforce

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Today, a handful of retail banks can boast of globally integrated delivery channels that are built on standard technology principles. These channels can, for example, deliver consistent balances regardless of the customer’s location because of the consistent architecture. Business Value, Improving customer relationship management in banking with integrated delivery channels need to be taken into account as suggested by Eckenrode (2005).

1.B.8.3. E-CRM (special CRM packages / specific modules in Core banking solution) software used in Indian banks- Irrespective of the nature of the bank, i.e. public / private or cooperative, banks in India are implementing e-CRM in the form of in-house developed software, standard CRM package or CRM based modules in core banking solutions. On the basis of a survey conducted by Intello group (2009), the number of banks with core banking solution software in place is much higher than the banks deploying specialized CRM packages. Major CBS players in Indian banks, are as follows:

<table>
<thead>
<tr>
<th>Sr no</th>
<th>Name of the software</th>
<th>Name of the vendor</th>
<th>Number of clients (As on December 2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3iInfotech</td>
<td>Kastle</td>
<td>Not available</td>
</tr>
<tr>
<td>2</td>
<td>B@ncs-24</td>
<td>Tata Consultancy Services</td>
<td>92</td>
</tr>
<tr>
<td>3</td>
<td>Finacle</td>
<td>Infosys</td>
<td>108</td>
</tr>
<tr>
<td>4</td>
<td>Nucleus</td>
<td>Finnone</td>
<td>Not available</td>
</tr>
<tr>
<td>5</td>
<td>AMBIT</td>
<td>Sunguard</td>
<td>53</td>
</tr>
<tr>
<td>6</td>
<td>Flexcube</td>
<td>Oracle</td>
<td>324</td>
</tr>
<tr>
<td>7</td>
<td>Misys</td>
<td>Bankmaster</td>
<td>201</td>
</tr>
</tbody>
</table>

Source: Survey conducted by Intello Group in December 2009

'Comparative study of e-CRM in Indian Banks with specific reference to banks in Pune and Mumbai' by Ashwini Renavikar-Doctoral research-University of Pune-Chapter 1 Page - 52
Table 1.6: Status of core banking solution in Indian banks

<table>
<thead>
<tr>
<th>Nature of bank</th>
<th>Branches Under Core Banking Solution(A)</th>
<th>Branches Already Fully Computerised (B)</th>
<th>Fully Computerised Branches = (A+B)</th>
<th>Branches partially computerised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sector Banks</td>
<td>81.4%</td>
<td>14.3%</td>
<td>95.7%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Nationalised Bank</td>
<td>73.4%</td>
<td>20.4%</td>
<td>93.8%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Private banks</td>
<td>100%</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
</tbody>
</table>


1.B.8.4. Status of e-CRM in Indian Banks – As mentioned above, most of the banks have e-CRM in place in the form of customer oriented modules in core banking solution. However, many private banks have rigorously implemented specialized CRM packages to large extent and many others are on the verge of the commencement of the implementation. Following is a list (alphabetically ordered) of specialized CRM software deployed in Indian banks.

Table 1.7: List of e-CRM packages used in Indian banks

<table>
<thead>
<tr>
<th>Sr no</th>
<th>Name of package</th>
<th>Name of the vendor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chordiant</td>
<td>Pegasystems</td>
</tr>
<tr>
<td>2</td>
<td>Finacle</td>
<td>Infosys</td>
</tr>
<tr>
<td>6</td>
<td>Flexcube</td>
<td>Oracle</td>
</tr>
<tr>
<td>7</td>
<td>Misys</td>
<td>Bankmaster</td>
</tr>
<tr>
<td>8</td>
<td>New gen</td>
<td>Open source</td>
</tr>
</tbody>
</table>

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1.B.8.5. Possible Reasons for failure of e-CRM in banks - Any use of Information Technology for competitive advantage to the business organization needs to be supported by three pillars i.e. people, process and technology. A survey by Database group (2006) revealed that approximately 65 percent of the e-CRM implementations in the banks worldwide have either completely failed or have not yielded expected results. The survey indicated possible reasons frequently observed for these failures were as follows:

a. Objectives of e-CRM projects were not clearly stated
b. Lack of involvement of top management
c. Inadequate funds
d. Business organizations were not prepared for the project
e. Inappropriate core team
f. Non-availability of experienced consultant
g. Technology obsolescence and replacement
h. Lack of measurement of results

The above mentioned results needed to be tested in the Indian scenario.
That was another reason that highlights the importance of the current study.

**Guidelines by Reserve Bank of India**—With ever increasing global competition in the financial sector, developing country like India has no option but to be on its toes to face the challenges of changing scenario. Reserve bank of India, during the last decade has not only suggested, but now made it mandatory to use IT to support basic operations in banks as well as to form a network of banks to facilitate global, anytime, anywhere banking. Real Time Gross Settlement (RTGS), e-transfers, treasury management, FOREX are some of the areas where the RBI is pushing IT. On the other hand, efforts are being taken to increase awareness of public about these services.

According to the vision for financial sector technology published by the RBI (2007), all banks should switch over to core banking solution before March 2011. According these guidelines IT will be used as a vehicle for performing core banking functions as well as for regulation and supervision. Anti-money laundering will be another area of concern where IT can be of tremendous help.

Customer satisfaction is another major area which the RBI is targeting for deployment of IT. This basically aims to better Customer Profiling, Differentiation and for improved customer service.

1.C. Relevance of Pune and Mumbai as the geographical scope for the study—Mumbai is the financial capital of India and hosts data centers of all major banks in India. Large business houses have their representative offices in Mumbai. The volume of transactions is enormous and there is a lot of scope for banking business in Mumbai.

"Comparative study of e-CRM in Indian Banks with specific reference to banks in Pune and Mumbai" by Ashwini Renavikar—Doctoral research—University of Pune—Chapter 1
Obviously, customers are very demanding and the banks are equally concerned about the quality of service to customers.

Pune is considered as the ‘IT hub’ of India. There exists a large population which is IT literate in Pune. This has made the banks in Pune conscious about the importance of their technology-based services like net-banking, call centers and ATMs. Pune is considered to be a potential area to explore techno-based customer interaction and further strengthen customer relationship.

Figure 1.6. Political Map of India state

Figure 1.7. Political Map of Maharashtra state

(Geographical scope for the study highlighted)

1.0. Statement of the problem-Technology has always been at a pivotal point in sustained growth of the financial sector. Banking, which is a more sensitive area, is keen on right way of deploying technology. With all banks providing similar kind of services, better customer interface can act as a competitive advantage. The perception that IT-enabled customer relationship management (e-Customer Relationship Management) helps to improve customer satisfaction and reduce operating costs, is not borne out by research. The study under consideration is an attempt to test the relationship between existence of IT-enabled CRM and customer satisfaction, further
resulting into financial benefits to the banks, in the light of huge investments in technology in general and e-CRM in specific.

The researcher has studied the scenario of IT-enabled CRM (e-CRM) in different aspects like nature of bank (private / public / cooperative), bankers’ perspective about factors affecting the CRM projects, consultants’ and vendors’ role in the entire process and financial impact of IT enabled CRM. The study reveals some interesting but critical aspects about e-CRM in banks, which are elaborated in detail in chapters to come.

1.E. References


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