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A. Background

Customer relationship management (CRM) is that part of an enterprises’ business strategy that enables the entire enterprise to understand, anticipate and manage the needs of any current and potential customers. CRM is not an event or a technology, or even an application or a process. Ideally, CRM is a comprehensive strategy that integrates all areas of business that touch the customer – though mainly, it is limited to marketing, sales, customer service and field support — through the integration of people, process and technology.

B. The study

In order to emulate the international trends with respect to the implementation of technology enabled CRM, banking institutions in India are working rigorously on deployment of right technology for their organizations. With the expectation that this strategy would yield benefits to the banks, customers and the decision makers, huge amounts of money are being poured in such technologies. According to a survey by Database Group conducted in 2006, sixty five percent of financial institutions across the globe, inspite of having CRM policy in place, failed to reap the expected benefits through technology enabled CRM. With this as a background, the researcher undertook the study in the area of IT-enabled CRM in retail banking in two economically significant cities in Maharashtra i.e. Pune and Mumbai. The study was conducted from five different perspectives. For primary data collection, the researcher interacted with bankers, customers, CRM consultants and CRM vendors. Further as a part of secondary data
collection, financial details of 54 banks were studied for the period of 2001-2009. In order to appreciate the customer' experience about the IT-enabled CRM for banks', structured interviews as well as open end discussions were carried out conducted in Pune and Mumbai. In this process, branch managers and IT heads of the public, the private and the cooperative banks in Pune and Mumbai were interviewed to get their opinions about IT-enabled CRM in banks. An interaction with CRM consultants and CRM vendors also revealed some important aspects about the use of e-CRM technology in banks.

**Research questions**

1. Whether satisfied customers provide a competitive advantage to Indian banks?
2. Whether there is any relationship between use of information technology for improving customer relationship management and customer satisfaction in Indian banks?
3. What are the factors that affect the deployment of e-CRM (Electronic customer relationship management) in Indian banks?

**C. Objectives of the study**

The study was undertaken with the following objectives:

- To examine whether there is any relationship between the level of customer satisfaction and / or customer retention and extent of implementation of e-CRM in banks.
- To study the role of e-CRM vendors, e-CRM consultant/s and the implementation partners towards implementation of e-CRM in Indian banks.
To have comparative study of the status of e-CRM projects in private sector, public sector and cooperative banks.

To identify / study CSFs, milestones and bottlenecks in the implementation of e-CRM projects.

To study appropriateness of information technology (hardware, software and different customer communication channels) for e-CRM projects.

D. Hypotheses

The study revolved around following hypotheses:

- H1: The successful implementation of e-CRM projects in Indian banks is a result of optimum combination of information technology and management of internal customer related business processes.

- H2: Information Technology helps in improving trust amongst bank customers in India.

- H3: The higher the e-CRM competencies and implementation, higher is the organisations’ ability to generate profits.

E. Findings of the study

Following are some of the salient outcomes of the study:

a. Along with technology aspects of customer interaction and relationship management, maturity of organisation in banking plays an equally important role in retaining and improving relations.
b. Vendor selection and support is a critical aspect as far as implementation of e-CRM is concerned.

c. CRM consultants, whether vendor supported or independent, play a key role as far as use of e-CRM for better customer orientation is concerned.

d. Secondary data on financial performance of banks suggest that the overall expenses on computerisation do have a significant impact on retention and acquisition of customers, though the existence of the IT-enabled CRM, whether in the form of modules in core banking solution or exclusive e-CRM packages, have a comparatively less significant impact on the improvement of the interaction with customers.

e. The private banks have started using specialised e-CRM packages whereas most of the public and the cooperative banks are using built-in CRM-oriented modules in core banking solutions, though it shows only marginal difference in the level of customer satisfaction.

f. IT-enabled CRM, whether through core banking solution or through specialised e-CRM packages, have helped decision makers in banks to better align businesses with constantly changing economic environment.

F. Major conclusions of the study

1. The banks studied as a part of the primary data collection have explored collaborative and operational part of e-CRM, but the analytical CRM is still in process. Private banks have been using specialized CRM packages whereas the public and the cooperative banks have opted for core banking solutions, with certain customer related functionalities. All
the 34 branches of 11 banks considered for primary data collection are using customer-oriented modules from core banking solution. However, four private banks and one public sector bank, in addition to CBS are using specialized e-CRM solutions. Commonly used CBS packages in the banks studied during primary data collection are Finacle CBS by Infosys, B@nks by TCS and Flexcube by i-Flex (Now taken over by Oracle). Most commonly used e-CRM packages in these banks are Finacle CRM by Infosys and Talisma.

2. All the banks are aggressively deploying IT enabled CRM, and are following safe strategy to go for readymade packages (solutions provided by vendors) rather than tailor-made or open source solutions. (Table 4.15)

Considering the huge amount of money invested into automation of customer related functionalities, banks are reluctant to take risks. Further, banks do not have in-house expertise to customize open source solutions or to develop tailor-made packages. Experience available with the vendors in the area of developing and implementing IT enabled CRM is another reason for banks are to choose ready-made packages.

3. Customers are rather sceptical about the use of technology-based interfaces to perform monetary transactions, due to the concern about security. Though ATM facility is being extensively used as compared to the facility of call centers and net-banking, the lack of IT-savvyness of the customers and deficiency in user friendliness of the software applications can be considered as the reasons for low less of these facilities. (Tables 4.4 and 4.5)
4. In very few banks, there exists a system for formal feedbacks, that too with irregular frequency. Few banks are providing updating their customers about the rules and regulations, new products launched and change in policies. (Figures 4.8, 4.9 and 4.10)

5. Banks are providing a wide array of services (15 were considered in the study). The A-B-C analysis of these services indicated that only 4 services i.e. Net-banking, Online balance enquiry, ATM transactions and Online statements are frequently used by the customers. The remaining 11 are either rarely used or not at all used. (Table 4.1)

6. Bank customers are experiencing upto 50 percent of saving in time through IT based services, as compared to their earlier bank interactions. Complaint resolving system was found to be the most efficient in the cooperative banks and better in the private banks rather than in the public sector banks. (Figure 4.12)

7. In order to understand technology related factors that affect customer satisfaction, Pearson correlation test (using SPSS) was applied on the customers’ data. The results indicated that the quality of ATM service has a large impact on customer satisfaction; whereas level of customer satisfaction is negligibly affected by the quality of other two services i.e. call center and net-banking.

Sector-wise comparison based on the impact of the technology enabled services on customer satisfaction showed that there is a very strong positive relation between the level of customer satisfaction and the quality of ATM service only in the case of the public sector banks. (Tables 4.4 and 4.5)
8. Regression test was applied (using SPSS) to check the fitness of model for predicting the level of customer satisfaction based on technology enabled services to the customers. The results (adjusted R square value - 0.23) showed that only 23 percent of the overall customer satisfaction depends on IT based services. However, the results of regression between the type of bank (public / private / cooperative) and customer satisfaction show no significance. (Table 4.6)

9. Results of ANOVA for the 3 technology based services and the average customer satisfaction level returned the value of 0.021 (less than 0.05). This indicates that information technology plays significant role in improvement of the level of customer satisfaction. (Table 4.7)

10. Confirmatory factor analysis of 14 elements related to customer satisfaction, using Varimax method resulted in 2 major components. They were identified as technology related and customer oriented internal processes related. Thus, the customer satisfaction in banks can be considered as a result of the quality of technology based services and customer related internal processes. The above results also support hypothesis H1. (Tables 4.12, 4.13 and figure 4.13)

11. There was a consensus amongst the banks as far as the reasons for adopting IT-based CRM were concerned. As was suggested by the bankers, some of the important reasons that emerged during discussion were: designing customized services, expansion of
markets to global level, increase in profits and better transaction processing capabilities. Other reasons differed from public banks to private banks and cooperative banks. (Table 4.14)

12. Quality of software providing IT enabled services was one of the angles studied by the researcher. As far as the ratings for features available in software packages were concerned, after-sale support, trainings, multilingual interface were found to be the areas of weakness. On the other hand, security and volume of data storage were found to be areas of strengths. (Table 4.16)

13. e-CRM packages are being used by banks to make strategic decisions as well. The solutions are helping the banks to make effective decisions in the areas of designing customer-centric drives, re-engineering of business processes, avoiding redundancy of work, better understanding of customers’ profiles and interconnecting with other organizations (for e-billing, e-payments of EMIs etc.) (Table 4.17)

14. Most of the banks, with which the researcher interacted, have appointed an independent e-CRM consultant, in addition to the consultant provided by the vendors for smoother implementation of e-CRM products (Table 4.18). These consultants have made significant contributions in the following areas:
   a. Faster implementation
   b. Reducing risk areas
   c. Measurement of results
15. Top management in banks was found to make significant contribution in the areas of
   a. Prompt decision-making
   b. Sanctioning of funds
   c. Selection of team
   d. Allocation of tasks
   e. Rigor about training
   f. Scheduling Meeting
   g. Finalizing objectives
   h. Measurement of results.

For further details, refer table 4.19.

16. During interaction with the e-CRM consultants, some of the factors that govern the
    success of implementation were found to be Process orientation, transparency and strong
    legal systems. (Table 4.20)

17. As far as the choices for e-CRM implementation methodology were concerned, the
    consultants suggested unit-wise deployment over the option of starting all units at once.
    Preference was given to e-CRM consultants suggested by vendors rather than
    independent consultants. Incremental mode of deployment of functionalities in the
    packages was suggested safer than big-bang approach. It was indicated by the consultants
    that organizational budget should be considered on the priority rather than technology
while making any decision about e-CRM implementation. About the selection and the size of the core e-CRM project team, it was suggested that small experienced team should be preferred over large inexperienced team. The consultants suggested that before designing e-CRM policy, e-CRM strategy should in place. Commercial e-CRM packages developed by the vendors can be a better choice rather than open source or tailor-made software, according to the consultants. (Table 4.21)

18. Pearson correlation value for expenses on computerization and savings deposits was found to be very significant (in the order of 0.9) for the period of 2003-2009. This can be attributed to the result of trust on account of better customer satisfaction, which in turn is a result of extent and the quality of technology used. This supports hypothesis H2. (Table 4.22)

19. Pearson correlation between operating profits per branch and expenses on computerization was tested for the period of 2001-2009 and was found to be non-significant for the period 2001-2005 whereas 2006 onwards it was found to be highly significant (Pearson coefficient in the order of 0.9). It can be inferred from these results that while technology was being deployed, there were no returns to the banks in terms of operating profits because of the automation. However, 2006 onwards, most of the banks had CBS in place and some were also going for specialized e-CRM packages, ROI in terms of operating profits per branch has improved. (Table 4.23)