CHAPTER II

REVIEW OF LITERATURE
2.1 INTRODUCTION:

CRM is an interdisciplinary subject; this cannot be studied in isolation. Before making any single move towards improvement propositions, it is worthwhile to first understand and analyze the current and future trends. The literature references on CRM are mainly related to the developed countries points of banking financial service sector. As per TARP research conclusion indicates following:

1. That major customers (95%) do not register any complain and provide chance to improve the competitors.

2. Dissatisfied customer inform approximately 14 persons about failure of service.

3. The same customer informs only approximately 6 persons for excellent service.

This chapter highlights major review developments related to CRM relevant for the study. The review of related literature involves systematic identifying, locating and analyzing sources containing information related to the research problem. These sources in the present research includes books, journals, articles in journals, published researches, dictionaries, unpublished dissertations and theses as well as internet and websites. A review of the literature is an exploratory step in all scientific research.

Classifications of available literatures On CRM are in Indian banks are mentioned below:

1. Banking sector CRM.
2. CRM application in banks
3. Framework of CRM for Banks in India
4. Technological developments in banks inside and outside India.
5. Indian banking sectors - challenges and opportunities
Malandrakis, Y., (2001), Measurement of customer satisfaction in the Banking. Study has specifically concentrated on Customer Satisfaction Measurement in Banks. Here are five specific CRM findings which are key area of focus of each bank

1. **Percentage of highly profitable customers retained:** What some banks have done is identify the tier of customers that represent the most profitability and then foster a very transparent effort to keep them in place and happy. They are identified as a top-tier customer to every employee that inquires on one of their accounts.

2. **Percentage of customers that have moved from one product to two or more:** The overall products/services per household is a great statistic to track. Some banks have put a bit of a different spin on it and said they will track how successful they have been in taking one-product customers (not a relationship yet) to a second or third (have a relationship).

3. **The percentage of business customers who have moved their personal relationships some banks have two categories:** “Business-only right now” and “Have both” – and actively track and publish the success in increasing that number. As with the other campaigns/targets, this progress is tracked and published.

4. **Core account open/closed ratio:** This is one statistic which is closely tracked in this research. Results shows on average, close four accounts for every five we open. This not only makes no sense if a sales/service culture is working effectively, it is also plain inefficient.

5. **Percentage of customers who use multiple channels:** A growing body of evidence shows that customers who use multiple with you.
A vast, scientific, check group-based project examining Institution sales related financial base, service and CRM strategies summary findings are:

| Percentage of financial institutions with a service differentiation strategy | 99.999% |
| Percentage of FIs with a service culture that is a competitive advantage | 99.998% |
| Percentage of FIs that are migrating from an order taking culture to a sales culture | 99.997% |
| Percentage of FIs that have made an investment in sales/CRM systems to support this strategy | 99.996% |
| Percentage of FIs that are focused on relationships, not accounts or transactions | 99.995% |
| Percentage of FIs that will win with a compelling customer value proposition, not price, in the long-term | 99.994 |
| Percentage of FIs that think they will get to invest more money sales/CRM systems in 2009 given the current economic climate | 0.001% |
| Percentage of FIs that say, “Well, we tried to build a service culture but the truth is, our service really isn’t as good everybody else’s.” | 0.0001% |
| Percentage of FIs that say, “Oh, forget service and value. Let’s face it. If we just open our doors we’ll probably get our share of the business just on the, luck of the draw.” | 0.00001% |
The popular CRM systems for software vendors and academic researchers appear to be:

1. Call centre
2. Contact management
3. Data warehousing,
4. Portals,
5. Workflow
6. Business process management

**Hiroshi (1997)** mentioned in his study “Electronic commerce for new management and information system infrastructure”, he had given stress on electronic information provided to customer in various banking sectors to make the system more efficient to fulfill the needs of customer using banking services and help in CRM.

As per comment of **Thampy (1999)**, after recommendations of the Narasimhan Committee, customer service expectations increase in many folded area due to entries of new private banks and international banks.

**Kaujalgi (1999)** stated that Information Technology (IT) performs an important role for giving better customer service, at a lower cost. Further he stresses that, due to presence of advance automation technology, foreign banks have the advantage in many banking area.

**Bajaj (2000)** He analyzed related issues due to adoption of CRM in banking. He explained ecommerce, payment system, smart card, electronic check etc. He explained that IT has made for big CD’s to raise money in capital market than from banks. He conclude that electronic payment system are emerging and getting acceptance in market place as it help to cut cost by producing check ways of delivering products to customers and to see it that whether technology create new opportunities for banks or they become extinct.
Gopalakrishna (2001) expressed his views that Customer relationship is not an outside element which started exerting its influence on the business. It is an integral part of management and, it has occupied an important and indispensable central place in todays business.

Manickarj & Hemalatha (2001) in this article e-banking success identifies that in new digital market place banks and financial institutes are not lagging behind and start providing services electronically to internet. These services lower transaction cost & empowers customers & enhance the value to banking relationship. They discussed also services through banking, their benefits to customers, banks & limitations.

Kassing (2001), have expressed Bankers who lose good customers month in and month out may likewise feel this sense of futility. Those who respond by boosting advertising budgets, (offering low-cost and low-profitability products as a lure) may find they increase their marketing expenses only to obtain unprofitable customers. In addition, other worthwhile prospects or customers are identified in the hope of developing profitable relationships.

According to Mittal and Kumra (2001), the concept E-CRM are the combined process of business and advances technology, which seeds to know the banks customer from a multifaceted perspective. E-CRM system has been recently adopted in the industry. Selecting an E-CRM system is a part of the Customer Relationship Strategy.

Garikaparthi (2002), has concluded that in the present scenario of globalization and liberalization, marketing has undergone a matamorphic change to cope with increased competitiveness, changing needs of customers, continuous product up gradation due to change in technology, changing market trends and many more, because of these continuous changes, the marketing efforts have also slowly shifted from mass marketing to interactive marketing and finally to today's relationship marketing.

Vedpuriswar (2003) has highlighted that ICFAI realized that the growth is the key to long term survival and much of its growth will come from keeping its eyes and ears tuned
to environment and for this ICFAI implemented customer relationship management strategies specially for the students enrolment and processing of examination hall tickets, and this lead to growth of ICFAI which has surprised traditional academic institutions.

**According to Greenberg (2004),** customer having many options among various service provided by banks. He makes business relationship depends on his economy, faith and products, efficiency and services.

**Buttle (2004)** stated that new goals More accountability Creative management of the customer lifecycle Rethink the 4Ps Managing networks, not brands New customer management roles.

**Mohamed and Sagadevan (2005),** has expressed his view that Managing relationship with customer. For a successful implementation, of CRM there must be a common sense that the implementation will affect all parts of the company and that there might be server changes to get positive results. Due to that the project must be supported by the management from the very beginning.

In the words of **Patnaik and Chhatoi (2006),** Customer Services will be better understood if we define it from the customer’s angle. Customer service is the perception of a customer regarding the services he gets from his bank. It is found that retaining customer is often cheaper than finding a new customer. Customer is viewed as a long-term relationship.

**Graham (2008)** explains that there are three elements to consider when aligning your business towards a customer relationship format. These are retention, customer potential and de-selection of customer. He also mentioned four steps if CRM i.e. Segmentation, Analyzing, Developing strategy and behaviour maintenance.

**Uppal R K (2008)** stated that in spite of lack of awareness among the customers of e-banking services, most of the customers uses the e-banks are satisfied with various e-link and available services. It is further observed through the responses of respondents that the
future of e-banking services is bright and that this e-channels will definitely help in the transformation of banking in a positive manner.

**Dutta et al (2009)**, the statistical analysis further reveals that there exists a gap between the customer expectations and perception in the banking sector. The expectations of Bank customer are higher than their perception. This gap varies cross the banking sector with public sector banks showing the widest gap and foreign banks showing a narrow gap. Factor analysis further showed that tangible, assurance, empathy and reliability dimensions are the explanatory variables predicting customers ‘satisfaction in India. ATM machines in convenient places and tele-banking and internet banking facility. The findings further show that public sector banks are neutral about the quality services offered.

**Haque et al (2009)** the study that the study deals with customer insight for the needs and wants. This may important for Bankers to provide better services, at the same time banks need more publicity about the security aspects in addition to rules and regulations related to security.

**Selvan V et al (2010)**, it is observed from the results that awareness level of college level education group respondents is high while the same is the case for the respondents having income of above Rs 10,000 and in the case of satisfaction level of respondents; the difference is significant between small and large size families.

**Dixit et al (2010)**, the bank management may classify the market strategy on age group basis. They obtain their opinion to enable imparting necessary guidance for use of online banking transactions. Interestingly, the study reveals that online banking has a very promising future, as emphasized by the majority (84%) of respondents.

The study **by Desari (2011)** has concluded that Relationship Marketing orientation comes naturally to Indians who treat guests as gods (**Athithi devo bhava**) and imbibe the spirit of service from their parents and senior members of the family. It is not concept new to India and has been practiced from ancient time. While there have been some
aberrations to this philosophy, post-independence, Indian marketers have quickly rediscover the importance of being customer-centric and building long-term relationship with the customer whether individuals or other business organizations. The Indian ethos that regards customer as a king or even a god (none other than Mahatma Gandhi endorsed this view), and their exposure to global business practices post-liberalization, ensured that Indian marketers whether big or small; organized or unorganized, have fine-tune their relationship marketing skill and practices, which have been in their veins of centuries, for greater success and consolidation.

The study by Singh and Kumar (2011) indicated that people term CRM as technology based initiative, but the fact is that it is an enterprise wide activity which uses technology to facilitated various functions sales, marketing, service etc and CRM initiative starts with identification of customers with the objective of differentiating from customer to customer and he further mentions that it is not the products or services that please the customers, but the right attitude of handling them and building a closer relationship with them. The bank with a huge number of customers with close bonding would enjoy higher revenues and profitability.

Kumar (2011) had mentioned that, customer relationship management is the buzzword in the Indian market place has rendered undertaking customer relationship management, as an imperative than just an optional feature and now it has been recognized as one of the major tools for enhancing customer loyalty and in the process reducing customer defections to competing firms. Customer relationship management practices leave a lasting impact on their customer relationships in this era of competition, there is a need

Ganesamurthy et al (2011) have focused on the study related to the perception of the customer on Customer Retention Management of the Commercial banks. The results reveal that the total employee involvement, special events, empowered employees, usage of advanced technology, low charges and safeties are better practiced in public sector banks. Customer feedbacks are better practiced in private sector banks. The findings
further revealed that Customer Retention Management in banks does not change irrespective of different demographic classification.

**Moorthy (2011)**, The Researcher has suggested that the bank should make the customer aware of the terms and conditions should have proper redressal mechanism while aggressively promoting credit/debit cards/other electronic channels, the customers should have proper awareness and knowledge of these products/services. In customer service, it has been concluded stating that fair treatment to all customers should be considered as an important factor.

**Metal (2011)**, researcher have explored the crucial factors responsible to achieve the customer base of the Indian scheduled commercial banks by assessing the extent of utilization of banks services by their customers while ascertaining the customer satisfaction through structural equation model (SCM). The study revealed that there are vast opportunities as well as challenges for Value Added Services provided by banks in India and that due to technological innovations and significant change in demographic profile of customers, there is huge market potential lying ahead. It is further revealed that the awareness level of Value Added Services is restricted to only a certain section of the society.

**Khan (2011)** the author has concluded that some businesses outperform their rivals in offering superior relational value to their target customer and convert these advantages into superior performance because the company focuses on their customer relating capability, which acts as important source of advantage and has 3 interrelated components like orientation, which reveals the organizations priorities towards customer relationship, information, which includes customer information systems and the configuration.

**Gupta et al (2012)** have expressed on the current levels of clients' satisfaction and also tried to explore the factors that led to satisfaction in Indian banks. Data from 400 respondents were collected from various branches of the prominent banks of India and
the service ambience and hygienic, involvement factors showed a positive relationship with relative clients' satisfaction.

**Hattangadi (2012)** is of the opinion that marketing is the heart of any business and marketing strategies represent the plan by which the firm delivers its value to the customers and it doesn’t matter what is your product, companies are ultimately in the education based business.

**Tamilarasan R (2011)** has mentioned that customer relationship management becomes effective when customers are involved CRM process and it is necessary the organization include the customers into the mix and if CRM practices are conceived and implemented properly, it will enable companies to retain customers for life, get maximum value out of each customer and generate exemplary customer bonding. Has noted that CRM involves more than just gathering data and developing programmes to identify the most profitable customer, then managing the relationship by offering them more suitable products and services. Handled well customer relationship management can allow for stages in the relationship to be identified and managed and the organization s that use CRM systems sensibly can often change customer’s opinions and behavior.

**Nilsson (2004)** explained that the main benefit of having good customer relationships is that it helps one to stay in business and argued that the company's good customer relationships facilitates the customer interaction when the salespersons were not available and moreover the customer relationship results in higher sales because a relationship builds trust and trust leads to repeat business and this also broadened the market access of the company.

**Murthy**: The author has well illustrated there aspects through real life experience of customers with the bank. He suggests that traditional banking service with a personal touch would often be smoothing to the customers. The articles in book gives an account of the benefits of CRM Initiatives that include, Customer usage Patterns or CRM, Integrate warehouse Data, etc. It focuses on benefits of the initiatives such as Mobile
ATMS, Bulk Deposits etc. The bottom line for future of competition is the quality of interaction between customer and the bank.

**Sujatha:** This book is an attempt to provide an insight into the concept of user profiling its significance as an e-commerce tool and its application in industry and in banking sector. The authors feel that beside trust, a regulatory and legal framework should be established along with effective mechanism of enforcing it.

**Garikaparthi:** The paper focuses on the significance of CRM adoption in financial institutions have been cited for throwing light on the adoption, issues and implementation processes of CRM. The book "CRM in Financial Services" is divided into four section-I Introduction to CRM in financial Service." Which provides an overview by emphasizing the CRM concept in financial service & II- Service " CRM in banking" – IT covers CRM in banking industry. The third section " CRM in Insurance" and III- Section deals with " Case Studies" illustrating CRM experiences of a few Companies. In Section II- CRM in banking: The first Article is about "Retail Banking Going the CRM way" which is written by V Gopal, throws a light on the benefits that can be obtained in retail banks by implementing CRM.

**Mukerjee:** This book covers the various conceptual aspects that govern CRM implementation and enough focus has been laid on the aspects of the technology concerned with the implementation process. Additional principle which is applicable is opportunity management and pipeline analysis as well as analyzing the sales to discover cross-selling and up-selling opportunities.

**Ghavami and Olyaei: Researcher** found that is why computerized CRM System can perform a vital role in success of company. Highlight of research is getting to realize that "Customer Retention" requires strategy and it should be considered by management team a mainstream activity which requires same level of attention that other marketing and sales strategies may require.
Nandy: After introduction of reforms the business environment of banks has undergone a vast change as compared to the pre-reforms era. Liberalization, globalization & privatization has given rise to numerous growth opportunities. On the other hand, threads and challenges have emerged as a result of intensifying competition globalization & increasingly stricter prudential norms. The Indian banking industry needs to brace up for the challenge when the new global financial players are permitted enter domestic market. Sophisticated marketing techniques for customer delight & an overhaul of business processes supported by technology are needed to meet this challenge in the knowledge economy the study contains details of reforms of banking sector.

Pedhiwal: The study is about to search the achievement factors for an CRM implementation effect within banks & important information on viability of a CRM the obstacles that are related. Which underline significance of CRM in Service industry? So, Banks should focus on delivering to customers by having a concise and precise ways of doing things through effective CRM solution rather than developing product strategy.

2.2. FINDING OF REVIEW:

The Finding of these CRM systems is still to make a mark in most Indian banks. This is strong recognition of its benefits for the long term organizational survival in Indian banks. However there is no clear direction for implementation. The study has demonstrated the critical capabilities which the bank seeks to have in their future CRM systems. The clear picture towards acquisition of CRM capabilities provides a conceptual framework for its implementation.
2.3. **GAPS IN THE EXISTING LITERATURES**

As discussed, the existing studies have multiple points of views but none of them have offered an integral and specific study in CRM. Thus a need is felt to initiate research in this direction so as to evaluate a model and establish relationship between different parameters that will reflect the effectiveness and efficiency of CRM.