CHAPTER-V

REVIEW OF LITERATURE
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Introduction

Survey of related studies helps the researcher in identifying the exact topic on which he/she wants to do research. It gives a clear picture of the related studies that have already been done. It enables the researcher to focus on the exact area on which he/she wants to do the work. This helps in sharpening the area of research. Thus, a collection of research studies is a bird eye-view of the various allied researches that have taken place.

Mouly (1964) states, “The review of related literature is an exacting task, calling for a deep insight and clear perspective of the overall field. The review of the literature promotes a greater understanding of the problem and its crucial aspect and ensures the avoidance of unnecessary duplication. The published material is a fruitful source of hypothesis”.

Best & Kahn (2003) write that a summary of the writings of recognised authorities and of previous research provides evidence that the researcher is familiar with; what is already known and what is still unknown and untested. The present study aims at finding the role functions of customers, staff members of banks especially public sector banks in rendering highest level of customer satisfaction. Therefore, the researcher’s task has been to locate studies pertaining to these parties. An attempt has been made to organize the review of related studies under the section– ‘Review of Literature’. It will be proper to mention
here that, in addition to this chapter, also in earlier two chapters (Introduction and Customer service); various studies made on customer service are incorporated.

The collection of allied research studies can be presented in different ways. In the present case, the researcher has conducted elaborate studies of the related aspects. Abstracts of studies so collected are presented here in broadly three sub headings:

(i) Studies on customer service and customer satisfaction in general

(ii) Studies on customer service and customer satisfaction in service organisations

(iii) Studies on customer service and customer satisfaction in banking

(i) Studies on customer satisfaction in general

This section deals with the abstracts of studies pertaining to organisations in general.

“Work for the customer, with the customer and not around him” says Raha (2007). Further he adds, “The customer is the source of all business activity. We need to align all our plans keeping in view his goals”.

Laying emphasis on ‘customer’, Gopinath (2007) says, “Customer signifies the single purpose of business. We are what we are today because of our customers and nothing else. Listen to him carefully and constantly to serve him better and you will see profits growing. This is the only viable business model that I know of.”

Customer service satisfaction research has become an intricate part of the customer service strategy for virtually all large and many medium sized companies- reveals Polaris (2007). “Wherever customer service satisfaction
questions were once appended to a company's more general customer satisfaction program, they have become independently executed and funded programs dedicated exclusively for achieving quality customer service. Often referred to as interaction or transaction satisfaction surveys; customer service satisfaction programs differ from general satisfaction surveys in structure and design. Within the category of customer service satisfaction research are call center or remote contact vs. in-person contact; each of which have special considerations when planning the research for the customer service strategy. For example, due to the nature of the interaction being measured, a call center customer service satisfaction survey program will almost always have a more detailed and easier to acquire sample file (customer contact records), which can significantly and positively impact response rates. With in-person contact customer service satisfaction surveys, more creative approaches often need to be employed to distribute survey invitations to recent customers.

"Are there economic benefits for improving customer satisfaction? Many firms that are frustrated in their efforts to improve quality and customer satisfaction are beginning to question the link between customer satisfaction and economic returns", investigate Anderson, Fornell and Lehmann (2007). They discuss how expectations, quality, and price should affect customer satisfaction and why customer satisfaction, in turn, should affect profitability; this results in a set of hypotheses that are tested using a national customer satisfaction index and traditional accounting measures of economic returns, such as return on
investment. The findings support a positive impact of quality on customer satisfaction and in turn, profitability. Further, they demonstrate the economic benefits of increasing customer satisfaction using both an empirical forecast and new analytical model. In addition, they discuss why increasing market share actually might lead to lower customer satisfaction and provide preliminary empirical support for this hypothesis. Finally, two new findings emerge: First, the market's expectation of the quality of a firm's output positively affects customers' overall satisfaction with the firm; and second, these expectations are largely rational, albeit with a small adaptive component.”

Talking on TQM, Muthuraman (2007) advocates, “We need to ask ourselves what promise we have made to the customer, and then work to deliver beyond the promise. The next year, the level of promise has to go up. This is important to ensure that the customer places his complete trust in you. This alone will sustain increased growth and profits. Customer centricity is the focal point of all TQM (Total Quality Management) philosophy”

“All strategy is to win the customer not with mere words but with service, not sheer promises but with swift delivery. Global consumer is independent, more aware and with many choices today. This truly makes him our motto”, says Singhal (2007).

“We see Indian business organizations at a crucial juncture. The process of liberalization and globalization is exposing them to unprecedented competition. Many organizations that are showing profitability at present may disappear unless
they gear up for global competition and take steps to enhance and sustain their competitive edge” expresses Khan (2006). He further elaborates, “Although the awareness for change is increasing; the sense of urgency to initiate change is still not adequate. In this rapidly changing and turbulent scenario, only those organizations will survive that initiate steps for change well ahead of others. The best time to change, as pointed out by Narayan Murthy of Infosys, is when change appears to be least needed.”

Cochran (2006) says, “The customer is the sole reason for which organisations exist. He outlines process controls around internal and external customers’ true needs”. He adds, “Understand the importance of customer-satisfaction training, and motivate top management to instil a customer-focused orientation.”

Sen (2006) discusses on a different aspect ‘promotional marketing’. “History has proved time and again that ‘promotions’ work. Way back in 1789, when George Washington was elected the president of USA, commemorative buttons were given out to the public during that time. This was the first known usage of a promotional product. Promotional marketing is different from any other form of advertising. Advertising brings awareness of a product. Promotional marketing goes a step further in demanding a call for action. Advertising gives consumers a reason to buy a product whereas consumer promotion gives consumers a reason to buy a product now”.

Ramachandran (2006) makes a point on marketing, “Marketing is about persuasion. It becomes a prime business function in societies where consumers
buy goods, not because that is what they are required to buy and there is no alternative; but because they are privileged to exercise a free choice as to what they do. Marketing is therefore about communication and communicating arguments in favour of one's own brand. It is about persuading consumers to first try and then to continue to buy at a price, which will give the brand owner a fair profit. It is about persuading retailers/wholesalers to stock the brand and make it readily available to consumers. It means also being able to anticipate what customers might find satisfactory or attractive and leading customers in that direction”.

Nafees (2006) focuses on the concept of ‘360 degrees branding’. He pleads, “The term ‘360 degree’ is the proprietary brand name of Ogilvy & Mather (O & M). Ogilvy’s philosophy of 360-degree brand stewardship essentially means building a brand at every point of contact. Just doing things better than the competitor is no longer a guarantee of success. The cutting edge in markets often lies at the intersection between markets. Retailers are banks. Airlines are holiday companies. Car manufacturers are financiers. Sports-goods makers run theme parks. Hardware manufacturers are software consultants. This means brands have more and different competitors”.

Analysing the concept of marketing from a completely different angle, Haque (2005) narrates, “Change or perish is the new mantra for most corporate. Some minimal change is therefore essential for companies to stay relevant in their
markets or in the minds of their customers lest they become obsolete and die".

Further, he mentions, “Change is an inevitable, growth is an option”.

Dealing with the linkage between business and customers, Venu Srinivsan (2005) says, “Fifty years after Peter Drucker expounded it people have begun to accept the precept that the fundamental reason for existence of a business is to create a satisfied customer. This is not empty management rhetoric. It is very clear today that whether you are an R&D manager or production engineer or in design, advertising or sales, any manager or front line executive worth his salt must understand the business holistically and demonstrate leadership based on this understanding. Asia is changing the business landscape of the world. Aggressive, bold innovative competition and new business models are threatening traditional responses, rapidly changing customer expectations and necessitating agility of response in a magnitude hitherto not witnessed in India. This demands a response from frontline managers to act and behave like ‘owners’. By deduction every level of leadership needs to behave like an ‘owner’. The term ownership deserves some elaboration. Ownership is not a matter of employees owning stock in the company. It is all about treating every customer as your own and not that of the sales department or the dealer alone. Today, service industries such as hotels, airlines and banks exemplify this. In a front desk or customer-counter, there are hundreds of daily ‘moments of truth’ that offer an opportunity to meet and exceed the customer’s expectations. And the place where leadership skills are most needed is middle management”. She further narrates, “Traditionally, middle
management has viewed information as a source of power and, with the advent of
the information technology era; it was felt that their power in the organization
would reduce significantly. However, accepting the central precept that serving
the customer is indeed the purpose of organization, one sees that middle
management’s role has transformed from working in silos to one in which they
have to use cross-functional management and task forcing as a means of
extending their influence to deliver business results.

Delighting the customer; probably retaining his custom for ever in the process,
was the sole aim. Managers must focus not so much on developing a personal
style or charisma but on setting an example by practice of values, and by
becoming role models so that others can act without fear. A shared purpose along
with frequent and consistent communication is the bedrock upon which effective
leadership rests. Empowerment encompasses both delegation and competency
development”

Focusing on the importance of consumer in an organisation, Pandey (2005)
opines, “Consumer is the ultimate boss of any corporate organisation. Indian
consumer has been presented with many choices and with the power to exercise
his discretion. In this context, ‘Survival of the Fittest’ has become the by-line of
any industry, resulting in the closure, take over, or sale of inefficient units.”.

today’s tough global economy, businesses are focused more than ever before on
retaining their existing customers and on lowering their operating costs. Customer
Relations Management (CRM) strategies and systems, once thought to be the silver bullet that would catapult companies to higher profits, are now coming under increasing management scrutiny. The ‘problem’ with CRM if there is one, which we doubt, is that capturing customer information and acting upon it is only one piece of a much larger challenge confronting today’s businesses. Customers do not just want to be marketed to; they want to be well served. Our companies are notoriously ill prepared to meet the challenges posted by today’s increasingly demanding business and consumer-customers”.

Kramer (2005) pinpoints on customer-centric analytic applications, “These can help your company become more customer-focused. These are tools that can help you better understand your customers’ behaviour so that you can improve your knowledge about them. Improved knowledge can improve the customer-experience that you provide. And with better experiences, come higher satisfaction, greater loyalty and more profitability”.

Stressing on the need for a ‘World Class’ customer service, Gopalakrishnan (2005) says, “Key to world class; incremental and continuous improvements are necessary, but not sufficient for becoming world class, which additionally looks for rapid, leap-frogging and quantum-jumps in business performance. The most important key to world class measures is customer satisfaction. It measures customer-perceived quality and value. In the scale 0-100 per cent, an average of 80 per cent is ‘good’, 90 per cent is ‘better’ and 100 per cent is ‘best’. The higher it is, the more is the customer delight, and so are customer loyalty and retention.”
Linking TQM in HRM, Bhatia (2005) explains, "The business objectives of Total Quality Approach are to increase customer satisfaction and market share through improved quality and to develop a more co-operative, flexible, loyal and innovative work environment. It is based on according pre-eminence to human resources in meeting customer needs with a focus on sharing information, responsibility and rewards. Employee involvement within and between levels and functions becomes a way of life, with ongoing education and multiple skill development.

Speaking on customers' loyalty, Srinivasan (2005) narrates, "In a survey that covered over 212 global executives in 2004, Strativity Group (a global research and consulting firm) found that 59 per cent of them agreed that they did not deserve customer loyalty. A horrendous 83 per cent did not know the average annual customer value, two-thirds of them did not meet frequently with customers, and only 31 per cent felt that they had the tools and authority to serve their customers – down from 37 per cent in a 2003 survey on customer experience management (CEM) by the same group. These results indicate a major vote of no confidence by executives, an inability to move from intention to execution and an overall failure to deliver successful customer strategies. Are companies paying lip service to customer loyalty instead of really doing something to improve it? Quite clearly, companies are not investing enough in customer relationships. The 2004 CEM survey shows that only 31 per cent felt that they had the tools to do the job when as many as 76 per cent also claimed that their companies had put customer
strategies higher on their agenda than they did three years ago. This underinvestment in customers shows up in the lack of basic information about customers. Some 89 per cent did not know the cost of a customer complaint, 90 per cent did not know the cost of total resolution and 62 per cent did not know the annual customer retention rate”. Further he adds, “More revealing is the willingness to invest in technology rather than people. The survey shows that only 25 per cent of the respondents in North America said they were investing more in people than in technology. Not surprisingly, employees are showing lesser commitment to the job, leading inevitably to lower employee and customer satisfaction. Employee engagement is always the key to greater customer engagement.

Analyzing the concept of ‘profitability’ linked with ‘customer relationship’, Arussy (2005) states, “Companies which fail to understand the costs and revenues associated with customer relationships treat customers as cost. That is why they do not invest in relationship. Passionate relationships with customers can be profitable and must be embraced by companies that look beyond quarterly results. Customers do pay a premium for passionate service.”.

Focusing on ‘marketing’, Dash (2005) says, “A company must learn to think of itself not as producing goods or services but as doing the things that will make people want to do business with it. The concept of marketing myopia was established by the marketing Guru Theodore Levitt in 1960. In a nutshell, selling
focuses on the needs of the seller, whereas marketing concentrates on the needs of the buyer”. Again he adds, “It has become a usual assumption that because customer does not complain, he is totally happy. However this assumption can be very fatal unless verified by research, analysis, and talking to existing customers on regular basis”.

“Organizations are adopting new ways of gaining markets and customer loyalty. The need to attain a long lasting competitive advantage calls for a complete overhaul of old systems and methods. They have to establish mechanisms that facilitate change and dynamism,” say Jabeen and Mishra (2005), “The only certainty to beat the competition in the market is to build the competence of the work force”.

“The world wide development of trade and industry has proved the role of quality management for sustaining competitive advantage”; say Yadav and Sharma (2005). Further they add, “The medium enterprises are the key role players of national economic development with their contribution in terms of growth generation, new product development and new technology commercialisation. The goal of TQM is to satisfy the needs of customers; prevent poor quality rather than correcting it; developing an attitude of continuous improvement; understanding the value of measuring performance to identify opportunities and maintain improvements and eliminate chronic sources of inefficiencies and costs. It is a focused management philosophy, providing leadership, training and motivation in order to continuously improve the operation of the organisation”.

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Finally they suggest that customer focus is one of the ways through which TQM can be integrated.

"But as companies struggle coming closer to customers, they also have to learn how to discriminate between high-value customers and low-value ones" advocates Das Narayandas (2004), "Most companies that claim to practice customer relationship management actually focus on managing customer interactions. While they think they are talking strategy, they are actually focused on tactics."

The survey, conducted by ‘CustomerSat Inc’ through a structured online questionnaire yields similar results for Europe. This means that companies almost everywhere are talking more about customer loyalty than actually practicing it. Over the course of 2004, companies appear to have become “less selective” about their customers. Lack of customer selection or the availability of selection criteria; implies acceptance of possibly unprofitable customers or an ill-fit with the company’s value proposition and price points. With demonstrated disregard and ignorance of the cost of services and customer maintenance; executives find themselves dealing with discounting demands, margin erosion and higher than average service costs. Concludes, a Strativity analyst of the survey; “Can anyone blame the customer for lack of loyalty?"

Comparing the ‘traditional sale people’ with present one, Bosworth (2004) states his view points, “Traditional sales people tend to offer their opinions to their buyers, while customer- centric salespeople tend to ask relevant questions. The
basic issue here is that most sellers come to a vision of a solution to their buyer’s problem before their prospective buyer does. People love to buy but hate feeling sold. Traditional sellers are relationship-focused and customer-centric sellers are solution focused”.

Highlighting on customer need, Raman (2004) says, “Many innovations fail because they do not connect with customer need. The root cause of failure is that the unit of analysis is wrong. The unit of analysis should be the need, and not the customer.” He elaborates, “Sony had a policy never to do market research, and instead, its people would watch what consumers were trying to get done. Then, they would see how they could help consumers do it better”. In respect of market segmentation he says, “Companies have to compete not only against rivals but also non-consumption. They must segment the market by jobs the customer wants done, and not just by categorizing existing customers”.

Total quality management (TQM) aims at long-term continuous improvement in customer satisfaction and excellence by embedding self-control in each unit of the work systems. Its practice improves overall organisational efficiency through remarkable reduction in rework time and process variance (Kumar, et al 2002)

Dealing on ‘price’ aspect, Nagle (2002) says, “Although price is often more important to the seller than to the buyer, the buyer can still reject any price offer that is more than he or she is willing to pay. Firms that fail to recognize this facts and base price solely on their internal needs generally fail to attain their full profit potential”.

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There has been increased demand for combining locally customized services to the economies of the scale of worldwide operations”, says Reponen (2002), “In this environment, competitiveness calls for integrating the potential of information technology to well functioning global logistics. Information technology enabled global customer service combines theoretical consideration and practical experiences in implementing new customer service models”.

Stressing on the need for user-friendliness of technology, Gosney (2001) asserts, “As far as yours customers are concerned, the technical solutions is unimportant; it does not matter how proud you and your technical crew are of your web-infrastructure; it should always remain transparent and user friendly to your customers. If the technology does not allow your customers to find and retrieve information in an easy and straight forward manner, it is not the appropriate solutions”.

Seybold (2001) analyses more deeply, “You are no longer in control of your company’s destiny. Your customers are. Thanks to the internet and mobile wireless devices; customers are now armed with new and more convenient tools to access our businesses (as well as those of our competitors) around the clock and around the globe. Businesses and consumers are challenging and disrupting the standard practices virtually in every industry. They are demanding that we change our pricing structures, our distribution channels and the way we design and deliver our products and services to them. They can’t be denied. They have the power and they know it. In the customer economy, ‘loyal customers’ have
become the most precious commodity. Today the hardest thing for a company to acquire is not development of capital, products, employees or even a board. It is customer loyalty. Customer Relationships are the fundamental source of value on the new customer economy. Customer capital is now at least as important as investment capital. And the value of your present and future customer relationship & your customer franchise will determine the value of your company”.

Focusing on the concept of ‘brand’ and ‘customer’s loyalty’, Gupta (2001) explains, “A name becomes a brand when consumers associate it with a set of tangible and intangible benefits that they obtain from the product or service. As this association grows stronger; consumer’s loyalty and willingness to pay a price premium increase. Brand is an outcome of company’s marketing efforts, product performance and customer satisfaction”.

“Today companies irrespective of their sizes, large or small, are using Web to communicate with their partners, customers to connect with their back-end systems and to transact commerce”, says Sudhakar (2001). He further adds, “This is e--business, where the strength and reliability of traditional information technology meet the .internet. It is about building better relationship among customers, producers and suppliers”.

Nathan (2001) focuses on ‘retail’ business. He opines, “Retail is hot and its happening. It is the next sunshine industry after software in India. Customer convenience has acquired importance and the customer is now truly the king”.

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Linking customer satisfaction with profits, Timothy and Keiningham (2001) elaborates that customer delight principle shows how customer delight and not mere satisfaction; drives repeat purchasing and customer loyalty.

Brown (2000) goes in a different way, focused on ‘customer dissatisfaction’. According to his views, “Dissatisfied customer is an indication of unfulfilled customer needs. To be able to react to this, it is necessary to uncover what factors affect customer dissatisfaction in order to measure these factors against current sale channels”.

Singhvi (2000) talks on online customers, explains, “The relationship with the online customer revolves around four basic elements, convenience, connectedness, choice and creativity. Together they make the relationship stronger over what can be attained through any traditional media. These are also the principal values that the new customer subscribes in today’s market ‘place’ converted into market ‘space’. This is so because time and attention scarcities are affecting the buying habits of the new customer, who is more individualistic, involved, independent and informed”.

Speaking on the relevance of marketing for better customer service, Narayanan (2000) explains, “Marketing is the conversion of potential customers to real customers, retaining them and getting them to recommend the products, voluntarily and spontaneously, to others. Traditionally, it is made up of five areas; products, price, place, person and promotion. In recent times, of course, further P’s have been added to make Marketing-management into a stand-alone area:
packaging (protect and attract), probing (to find out), partnership (to establish lasting relationship) and programming (to decide and operate things)".

Laying emphasis on supply chain management (SCM), Jha (2000) says, "SCM is a methodology which presents an integrated approach to resolve issues in sourcing, customer-service, demand-flow and distribution. The results derived by applying SCM are: reduced operational costs, improved flow of supplies and reduction of delays in distribution and increased customer satisfaction". He adds, "Global competitiveness today means that the customer is supreme. As the customer is supreme, only those enterprises are going to be successful, which are able to provide goods and services to the customer in a timely and cost effective manner as also provide customer delight."

Cusac (1999) advocates, "A company that bases its business success on outstanding customer care must be willing to demonstrate a commitment to building and maintaining resources that give the customers the needed responses through what the customer consider to be the most appropriate medium. Today it is widely recognized that the customer loyalty is at a premium and consumers are likely to take their business elsewhere if they do not receive outstanding post-sale support. A company that perceives customer care to be a competitive advantage, will also focus on creating a reputation for post sale support that exceeds its customer-expectations, thus encouraging greater customer loyalty."

Emphasising on relationship marketing, Payne and Adrian (1998) explains, "The newly emerging era of relationship marketing has become a major focal point for
sustainable competitive advantage on important issues such as: customer retention, employee satisfaction, supplier relations, management of service quality etc”.

“Customer-intimate companies bring an entirely fresh perspective”, says Wiersema (1997), “They discover unsuspected problems, detect unrealized potential and create a dynamic synergy with customers. In the integration of their operations, suppliers become more than merely useful. They become indispensable”.

Weyland (1997) says, “Today’s emphasis on generating growth necessarily means focusing on customer. However, generating profitable growth requires focusing on the right kind of customer relationships. A large proportion of new products fail. Generally, such failures do not occur because companies do not try to find out what customers want and then deliver it to them. In many cases, they occur because companies approach customer value creation too narrowly and do not truly understand the context in which the customer uses a given product and how it fits together with other products to achieve the customer’s final objective. By understanding the customer’s value chain and total experience, a company can better assess the value it is creating for the customer and can identity opportunities to increase that value”.

Emphasizing on customers’ research, Kervin (1997) says, “Customer-research is the key to knowing your customers, whether they are flesh and blood people with whom you enjoy meeting & talking or whether they are a set of data in a
computerized order-fulfilment database. And the better you know your customers, based on sound research design, implementation and analysis; the more successful you are likely to be in meeting their needs along with your own. Customer service is more than a trend; it is a way of life in the current business world. Through a systematic program of customer service research, it is possible to know what your customers do, what they think, what they like and what is important to them. This knowledge is a powerful tool, but unless it is used to take positive action, it is nothing more than a collection of data. The objective is to use the knowledge to make customer a priority in your organization”.

Lytle (1993) critically examines the firm’s conviction as this, “Two thirds of this country’s companies fail to satisfy superior needs because their perceptions of what their customers really want; are far from reality. It is not because they do not care about the customer’s needs, other facts are needed. For about one third of this group, the problem is arrogance. It is the paternalistic attitude, i.e. ‘I know what is best for any customers’. Then, the answer is how do they know what is the best?”

While talking of relationship marketing, Payne (1993) focuses on six markets model, instead of limiting only to end customer. This model gives a broad ended view of the six key markets where the firms should consider applying marketing, through proper development of detailed marketing plans and strategies. These six key markets are: internal markets, supplier and alliance markets, customer markets, referral markets, recruitment markets and influence markets. Of course the customer market occupies the central position.
McKenna (1991) professes a more strategic view by putting the customer first and shifting the role of marketing from manipulating the customer (telling and selling) to genuine customer involvement (communicating and sharing the knowledge). Levitt (1960) opines, “An industry is customer-satisfying process, not a goods-producing process. An industry begins with the customer and its needs; not with a patent, a raw material or a selling skill. Given the consumer needs, the industry develops backward, first concerning itself with the physical delivery of customer’s satisfaction.”

ii) Studies on customer satisfaction in service organisations

"Online retail is figuring out ways to compensate for being a virtual experience by providing a lot more information than you’d be able to find in-store," says Freed (2006). "Many online stores offer extensive product information, side-by-side specification comparisons, customer reviews and 360-degree views, all from the convenience of your computer."

Mququ (2006) evaluates the service quality that the SANBS (South African National Blood Service) provides to its customers, by measuring customers’ perceptions and their expectations of service quality provided by the supplier of blood transfusion services. The study specifically seeks to:

1. Determine the extent to which customers are satisfied or not satisfied with the service they receive from the SANBS using the ten-dimensional format of SERVQUAL model, modified to the specific service quality requirements of the blood transfusion service industry.
2. Establish customers’ perceptions of the service they receive using a multiple-item scale (SERVQUAL) for measuring consumer perceptions of service quality.

3. Establish customers’ expectations of the service, and compare them to their perceptions of the service they currently receive. The comparison is made along each service quality dimension, across different parts of same service on a geographical basis, and across different customer groups on a customer category (or type) basis.

4. Recommend implementation of appropriate service quality performance improvement procedures where necessary.

Focusing on a displeased customer, Susan (2005) analyses, “Every time a customer complains, he is really telling you that he wants to continue to do business with you. Dealings with challenging customer situation are a part of the service provider’s job. During these situations when emotions are running high, it can be very easy to say things that do not represent the correct image & an objective of the company. It is important that the service providers manage those moments of truth without saying anything that is inappropriate, because this can colour the customer’s perspective of the overall service that the company provides”.

Muneer (2005) analyses the relevance and importance of ‘database marketing’ for improving customer service. Businesses are now entering a “mass customized” world and marketers are rushing out to develop or enhance databases. Database marketing is the use of specific information about individual customers and/or
prospects to implement more effective and efficient marketing communications.

The decision ‘to develop’ a database and more important ‘to implement’ the same can be costly, with impact felt on entire firm. Data base marketing is not a strategy in itself. It is a tool, to be most effective; it needs to support the firm’s overall strategy.

In any service industry, five leading issues attracts maximum attention of the top management, emphasizes Kai (2005), “These are customer satisfaction, cost reduction, value improvement, change management and process performance measurements”.

Talking on retail marketing in India, Halan (2004) narrates, “Organised retailing in India is on the rise and offers a huge potential to both companies and consumers. Despite the entry of big retail chains in India, the small retailer will continue to survive. It is however, time to get this sector better organized and modernized”.

Interpreting the concept of ‘customer’ in a broader manner, states Murthy (2003), “Quite often people wrongly perceive customer as individual who use the services of a bank i.e. the end users. However, the definition of customer is broader and covers partners, agents, third parties, employees and of course the end customers. Put simply a customer is any individual who has a relationship with the bank from time to time. Relationship is not built overnight. They pass through different stages namely contact, involvement, intimacy, deterioration, repair and dissolution. A relationship can terminate from any of these stages. It is, therefore,
essential for a bank to understand the stage at which it could better sell banking services. Cross-selling or up-selling can be attempted at certain stages to get better results. The recent research indicates that some of the behavioural traits such as adaptation, trust, commitment, communication, cooperation, conflict resolution interdependence, past satisfaction, power equation etc. pave the way to build up relations as also to sustain them over a long period. Adaptation is the prime skill that banks need to cultivate to tailor their resources to meet the specific needs of the individual customer. Alignment of bank’s resources with customer’s needs is directly proportional to the quantum of trust injected into the relationship, both by the bank as well as its customer. Commitment is another essential ingredient for cementing the relation. A bank has to necessarily be committed towards the customer for nurturing a fruitful relationship. Secondly, it should reflect a multi-dimensional approach that encompasses the dimensions of continuance, normative, components and effective components. Continuity of a relationship is a function of the communication used in extending the cooperation, tracing the disagreement that creeps into the business transaction and style in which these conflicts are resolved. In the final analysis, it is the power equation – the ability of one party to evoke a change in other partner that greatly influences the continuity of any relationship”.

In the services industry, the offerings are generally intangible, heterogeneous, the production, distribution and consumption may be simultaneous processes. Customers participate in the production and transfer of ownership may not take
place. Services are so varied and diverse that one needs to classify them to identify elected areas that need to be managed strategically. The general characteristics of services remain unchanged irrespective of the nature of service business where some kind of interaction between the consumer and some parts of the production system of the service provider, including personnel, technology or both, always occurs, and some kind of input from the customer is always required in the process (Shankar, 2002).

Sewel (2002) focuses on the expectations and demands of contemporary consumers and employees, showing that businesses can remain committed to quality service in the fast-paced new millennium.

His ten Commandants provide the essential guidelines, including:

• “Underpromise, overdeliver: Never disappoint your customers by charging them more than they planned. Always beat your estimate or throw an extra service free of charge.

• No complaints! Something is wrong. If you never ask your customers what else they want, how are you going to give it to them?

• Measure everything: Telling your employees to do their best won’t work if you don’t know how they can improve.”

Sahaf (2000) talks of ‘mass market’. “The fierce competitive markets of 2000 would not allow the companies even to address the mass markets, which perforce mean an opportunity for micro market or one to one market. Such an approach
would enable a firm to tailor each element of its market offering in tune with the
taste of individual customers and thereby increase the rate of customer retention”.
Sandhu (1999) states, “Mr.Azim Premji of WIPRO spends about 30 percent of
his time with customers and tells that enough Indian CEOs don’t have fire in belly
The fire is made up of a profile that is dramatically different in terms of skills,
background, track record, abilities, personality and even looks”.
Batra (1997) says, “The Chinese have very wisely advised not to open a shop if
you cannot smile at people. More important, if people walking into your business
are your customers, some of them are bound to be angry. Trust your experience to
handle them well. Have faith in the fact that 96 per cent of the customers are very
reasonable. Most customers will forgive you for your mistakes, when you accept
those with sincerity. Every customer who comes in is ‘some body’.”
Focusing on the role of management, Tschohl (1997) explains that Management’s
commitment is as essential as strategy, objectives and support systems
(infrastructure). These are ‘foundation’ for a service program. The entire program
probably would wilt like an unwanted lily without (i) a corporate culture to
sustain it and (ii) a chief executive who, every employee notices; is just as
committed to customer satisfaction as he is to stock holder satisfaction.
Management must preach service and require service until it becomes the veins
and arteries of the company. Visible management attention rather than occasional
management speeches or articles is a must. Action may start with words, but it has
to be backed by symbolic behaviour that gives life to words. American Express
has an executive group such as this. A customer service task force is made up of key people from each section’s customer service division. The task force is a clearinghouse, where individuals meet to discuss problems that come up in their department. IBM continuously drums into employees that their work must be done to satisfy customers.

(iii) Studies on customer satisfaction in banking

"Retail banks like ICICI Bank typically have multiple customer relationships, with each individual often having a current account (money transmission), savings and credit products," says Denby (2007), "If an organisation views each customer based on the performance of each account, the management strategies may be inconsistent or even inappropriate. For this reason leading retail banks around the world have adopted customer level behavioural scoring solutions that allow them to aggregate a customer’s accounts and take a complete view of how the customer is behaving. This process offers two significant benefits. Firstly, it allows the bank to improve its debt management practices and, secondly, it enables it to communicate with the customer as an individual, not just a series of accounts, which significantly improves the customers’ experience of the service provided by the bank". Denby adds “Experience Decision Analytics has worked with retail banking organisations for many years and through this, we have developed expertise in customer level scoring. We incorporate all levels of account information in order to maximise the benefit of the relationship data
available, including cash flow variables and customer indebtedness measures, to produce highly predictive and effective solutions”.

“Gone are those days when bankers treated customers as if they were doing the customer a favour, says Kartikeyan, (2006), “Both bankers and customers forgot that the latter were the ones paying for the service. The customers were made to grovel, fill up endless forms, their requests for additional information was turned down. However, over a period of time business orientation has changed. If you (as a banker) do not take care of your customer, somebody else will. The adages ‘Customer is Boss’, ‘Customer is King’, ‘Customer is God’ etc., are no longer mere slogans. Now, these are true in letter and spirit. Customers are neither ignorant lot nor at the receiving end. They are armed with information, which help them form an idea of individual banks. The customers know what they want from the banks and what a banker should offer them”.

Swain (2006) accepts that a customer is the most important visitor to the branch, ATM centre and other related work place of a bank. “What bankers must remember is that:

-It takes months to get a customer but seconds to lose one.

-Rectification of errors pointed out by a customer is the solution, not a problem.

An argument can lead to losing a customer.

-Satisfied customer is a brand ambassador of the Bank. His promotion of the bank is not a cost but an investment se one.
Booker (2006) talks on ‘Service Quality’. “In order to be the bank of choice for its targeted customer base, a bank needs to keep the customer at the centre of everything it does. Customer delight is arguably the most effective way to increase the customer retention ratio. Customer delight is much more than mere customer satisfaction. It involves going beyond satisfaction to delivering what can best be described as a pleasurable experience for the customer. The key to this is to determine what factors are most important to the customer and then setting our sights on delivering delight in these areas. A delighted customer is more likely to recommend a product or service to friends and associates than a satisfied customer is. The Indian banking system is hugely under penetrated and while any new bank making an entry into this market is likely to make money, the ones that will excel will be those that focus on building strong brands, developing innovative new products and aiming for the highest standards of service quality by putting the customer at the centre of everything they do”.

“The customer at our premises is the king. I believe in interacting with and understanding clients and knowing them personally. There are modern conveniences, which aid the banking processes but not the banker customer interaction” says Mallya (2006). He adds, “Though many may differ, the sight of the banking hall filled with customers doing a variety of transactions is a sight to behold and in my view, the customer who walks in to greet and enquire your well being is the greatest asset for any bank”
To give focused growth to the retail credit portfolio, Bhasin (2006) suggests, "Bank may open retail marts at prominent locations. These marts should be compact and self-contained offices to deal with marketing, disbursal and post disbursal process relating to the retail credit schemes. Such retail marts should be manned by skilled, courteous and efficient officials and should be supported with latest technological tools such as Kiosks, E-mail counters and comprehensive software to provide quick decision on the request of the customers".

Panigrahi (2006) writes that India's financial sector in general and banking industry in particular have undergone transformational and revolutionary changes in its structure, content, intent, policy and strategy etc. in the recent past on account of economic liberalization and banking sector reforms. The major forces of change which affected the banking sector are: opening up of the banking sector to new private and foreign banks, disinvestments of PSU banks, deregulation, technology and globalization. All these factors have led to more number of players and more products/services in the banking industry and consequently customers have wider choices. PSU banks still occupy the major space of the Indian banking industry. The major challenges facing the public sector banking industry in India can be summarized in the form of the following mega trends of business during the 1990's and in the new millennium.

-Competition

-Customer

-Convergence of technology and business
Stressing on the importance of customer satisfaction for bank performance, Contri (2006) says, “Customer service did not appear to be as high a priority for New Zealand bank executives as it was in the United States – where it was top of the list. I get the sense here that it is kind of on the list, but it is not yet at the top of the list. Instead, management was more interested in product innovation to create a competitive and profitability advantage rather than an edge in service and convenience that would drive loyalty and customer retention”. He further adds that a trend toward more branches was in line with the international realization that it was difficult to attract new customers online. Commenting on the on-line service, he says. “Most banking customers are very comfortable with being
serviced online, but they want to be able to go in and feel the physical presence and meet some people when they actually first set up the relationship”.

“Customer satisfaction at Rabobank increased so sharply last year that the bank has now taken the leading position among financial institutions in Netherlands.”- reports Incompany, Dutch business magazine, “The bank performed well in all categories – know-how, price, service and results. Adds Schat (2006), ‘Thanks to our extensive network of local member banks, we are often able to develop long-lasting and close relationships with our customers. Consequently, we understand their needs much more quickly and this prevents irritation.’

“With transaction times of nearly three times faster than interacting with a branch teller, online banking is the preferred transaction method among banking customers” says Taylor (2006) on retail banking satisfaction survey conducted among major banks in California. He analyzes the retail banking experience from two points of view: customer satisfaction and customer commitment. The study finds that transactions have the greatest impact on a customer’s overall satisfaction with their bank. The average online transaction takes just 2.8 minutes to complete, compared to 7.7 minutes of combined wait and transaction time with a branch teller. Overall, in-person branch transactions are conducted most frequently and next highest in satisfaction are ATM and online transactions. The study also finds that while bank products are viewed as a commodity to many customers, products that once helped attract new customers, such as free checking, are now widely offered and expected from customers. Currently 90
percent of banking customers indicate having free checking and 94 percent of banks offer free online banking and free debit cards”.

Khirallah (2006) has a different point to interpret, “Differentiating service is consistent with being customer-centric. Providing service to customers has been the cornerstone of daily activity in banking for hundreds of years. So why service is still the stepchild of the industry and what can be done to improve service? For the past decade, banks have been obsessed with developing customer-centric strategies. While Customer Relationship Management (CRM) went in and out of style, focusing on customers has been a consistent theme. But most bankers overlooked a critical issue: how is it possible to be customer-centric while still offering all customers (and noncustomers) the same level of service? Is a commitment to first-in, first-out attention consistent with being customer-centric? Granted, there are banks that have been able to distinguish themselves in the industry by offering a higher overall standard of service quality. But much of this effort goes to waste as many of their customers receive enhanced service without requesting it or acknowledging its value. A better approach is to provide enhanced service levels to those who will pay for it — in other words, create categories of service and let customers choose the level that is right for them. This would entail making explicit promises regarding the quality of service (timeliness, level of personalization, etc.) that customers would or would not receive through each of the bank's channels. There is room for improvement in bank customer service. According to the American Customer Satisfaction Index produced by the
University of Michigan’s Ross School of Business, the average customer satisfaction score for the banking industry is 75, not much better than the U.S. Postal Service’s 73, and trailing other providers such as Papa John’s Pizza (78), the Social Security Administration of the U.S. Government (81) and Federal Express (84). Deliberately choosing to compete on service and creating tiered service levels should increase overall satisfaction and strengthen the bank’s image, making it a winning strategy for most institutions.”

Taylor and Pingitore (2006), stress the need for committed customers for banks. Banks vary within a narrow band on customer satisfaction. Satisfaction and commitment insights are offered as a means of driving bottom-line results, by employing customer service, product development and operations strategies aimed at retaining and attracting highly committed customers. Various customer relationship management strategies have focused on driving customer loyalty and building customer satisfaction. A business cannot depend upon fickle customers, and executives for years have intuited the emotional attachment of their "best customers." The financial institution that addresses the reasons that keep customers from emotionally attaching may gain a competitive advantage in what is increasingly a commoditized business.

“The Reserve Bank of India has been taking measures, on an ongoing basis, for protection of customers’ rights, enhancing the quality of customer service and strengthening grievance redressal mechanism in banks and in the RBI. These activities were so far being undertaken by different departments of the Reserve
Bank of India”, says Killawala (2006). She adds, in order to bring together all activities relating to customer service in banks and RBI in a single department, the Reserve Bank of India has constituted a new department called ‘Customer Service Department (CSD)’.

Manoj & Sudeep (2005) states, “In the deregulated environment a few very dynamic new generation private sector banks all of which having the latest technological base, and at the same time lesser social obligations by virtue of their enactments, emerged. On the other hand, the foreign banks functioning in India, which were already using high-end technology, became new generation private sector banks and foreign banks; and they could provide superior customer service and hence attract more customers, by leveraging on their advanced technological base. In the above scenario, public sector banks and old private sector banks, which were lagging behind in respect of advanced technology, started upgrading their technology in order to catch up with the new generation private sector banks and foreign banks. Competition became intense and with a view to withstand competition and also for cost advantages; all banks irrespective of their type and size have started embracing technology in a big way”.

Probing the aspects of marketing credit and debit cards, Banu (2005) says, “Banks have come up with innovative ideas on how to lure customers Co-branding of credit cards is the fad today and these tie-ups are indeed advantageous to the customers. Over the last two years, the market for co-branded and affinity cards have been reinvented. Leading bankcard issuers have struck major deals,
many partners are changing issues, and new co-branded card programs have been introduced. Co-branding and affinities strategic have also moved from the credit to debit realm. In addition, customers and merchants are adapting to new electronic payment technologies, creating additional opportunity for increasing customer retention via co-branded card strategies. Banks and airlines are getting together to bring out credit cards targeted towards the frequent flier. There are many such cards issued by banks in India, with co-branded partners, ranging from department stores, airlines, petrol companies and retailers. Visa sees tremendous opportunities for this product in India, of which aviation industry has the potential to be a key player”.

Balachandran (2005) says, “The Indian customers are changed. They are now more assertive and seek global class services. Corporate require this to stay competitive in an increasingly aggressive market place. Retail customers are working harder and have less time and so are not willing to be charitable to service providers who do not serve them well. The banks’ current geographic and branch centric operating model is not suited to differentially serve the needs of different segments. For example large corporate customers are looking at turnaround time and quality of advice including in areas of treasury and risk management. This is viewed as a key parameter of service, which does not get delivered from generalist branch officials in undifferentiated branches. Likewise, retail asset customers need to be served at the point of sale through an
independent direct sales channel. Different segments require different skills, focus and dedicated resources”.

Mohanty (2005) explains market segmentation, “In this era of globalisation and privatisation, if the banks are to emerge successful, they would need to build superior strategies and structures in comparison to their competitors. In order to identify appropriate competitive strategies, banks will have to make a careful study of the market and segment customers into various categories based on their customer profile”.

Sanghwan (2005) states, “Banking is a service industry and delivers its service across the counter to the ultimate customer. The activities of banking industry are all about ‘relationship’. Hence, human resources (HR) assumes a very important role in banking industry for providing better services to the customer with a smile in order to cultivate and maintain long lasting relationship with their customers. Notwithstanding the level of technology, banking is primarily a labour intensive service sector, hence it will not be possible for the banks to sustain effectiveness unless human resources management is given prime importance because the technology is only an aid to human effort and not a substitution there of. If technology is the equalizer; capital shall be the differential in future”.

Srivastava (2005) states, “The changes in the economic policies of India due to the 1991 economic reforms had a huge impact on the banking sector. One of its major repercussions was the entry of MNCs and new private sector banks that has lead to a very heavy increase in competition. Also the political sentiment of the
governments is bent towards privatisation and consolidation of industry. Added to all this; are the emerging demographic and socio cultural changes of the Indian masses, which are reflected in their demand for products and services. The technological advancement especially in the IT sector has been enormous. All this has coined a new term in Indian banking; ‘Retail banking’. The products transacted in retail banking were in the market for a long time, but the business definition, the market definition and the rules of the game (strategies) have changed”.

Kopp (2005) has made interesting study on customer satisfaction in banks. According to him, looking for new frontiers in revenue growth, banks are discovering interesting opportunities in the way they satisfy their customers. Because leading companies in other consumer-service industries have been getting customer satisfaction rates close to 90 percent, customer expectations have been on the rise. Although large banks such as Bank of America and Wachovia have improved their customer satisfaction scores, these nonetheless fall 15 percent below the scores of leading companies. What are the key factors that appeal to bank customers and entice them to do more business? As in most service industries, overall responsiveness and behavioural attributes account for a 10-percent margin in customer satisfaction. He advises, “When it comes to speed of service and the attitude of the people who deliver that service, banks should improve their personal touch. Furthermore, advanced technologies provide bank managers and staff valuable help because convoluted legacy systems hinder the
prompt delivery of banking services and the integration of customer information. Notwithstanding a positive service attitude, ailing technology systems could severely constrain the ability of bank personnel to satisfy customer demands. Technology also plays a role with other drivers of customer satisfaction, such as quality of service and product innovation. In sum, to be effective in luring customers, banks should invest in fundamental improvements in their people, process, and technology capabilities”.

Verma (2004) says, “Due to the impact of reforms and globalization, which is expected to take a new turn from the year 2005 and the new standards of performance, the public sector banks (PSBs) are in a transition mode. The parameters of success henceforth would be the capacity of these banks to successfully face the global competition, which would manifest in terms of better technology, product offerings and delivery channels, lower intermediation costs and strong equity base. The PSBs would need to reckon not only these challenges but also face pressure on asset quality and return, retention of cream customers, legacy systems, and timely development of suitable products to their varied and segmented clientele. On technology front, the PSBs are going whole hog for implementing core banking solution (CBS), which is a better technology offering for mainline banking. And big sums are earmarked for the same by some of the PSBs.

Describing technology as the driving force in the banking industry, Narayanan (2004) says, “As foreign and private banks poured huge sums of money to counter
the branch advantage of public sector banks, they discovered that technology gives them a large competitive advantage. The coming years will see even more investment in banking technology, but reaping ROI will call for more strategic thinking”. Further he emphasizes, “Technology is clearly the driving force of all this change. Several hundred crores of rupees have already been invested in ATMs, internet servers, software, call centres and related paraphernalia by foreign, private and public sector banks, making the Indian banking sector one of the biggest consumers of technology solutions - hardware, software or whatever. Technology is taking banking closure to customers, but it is also making the bank less human. Few bankers today know many of their customers, though their central data ware houses certainly know customer habits better than they ever did before.”

Shenoy (2004) stresses on customer-centric banking, “With the entry of new players and multiple channels, customers (both corporate and retail) have become more discerning and less ‘loyal’ to banks. This makes it imperative that banks provide best possible products and services to ensure customer satisfaction. To address the challenge of retention of customers, there have been active efforts in the banking circles to switch over to customer-centric business model. During the period of planned economic development, the bank products were bought in India and not sold. What our banks, especially those in the public sector, lack is the marketing attitude. Marketing is a customer-oriented operation. What is needed is the effort on their part to improve their service image and exploit their large
customer information base effectively to communicate product availability. Achieving customer focus requires leveraging existing customer information to gain a deeper insight into the relationship a customer has with the institution and improving customer service-related processes so that the services are quick, error free and convenient for the customers. Furthermore, banks need to have very strong in-house research and market intelligence units in order to face the future challenges of competition, especially customer retention.

Customer-centricity also implies increasing investment in technology. Throughout much of the last decade, banks world-over have re-engineered their organizations to improve efficiency and move customers to lower cost, automated channels, such as ATMs and online banking. But this need not be the case. Branches could also be used to inform and educate customers about other, more efficient channels, to advise on and sell new financial instruments like consumer loans, insurance products, mutual fund products, etc.

There is a growing realization among Indian banks that it no longer pays to have a ‘transaction-based’ operating model. There are active efforts to develop a relationship-oriented model of operations focusing on customer-centric services. The biggest challenge our banks face today is to establish customer intimacy without which all other efforts towards operational excellence are meaningless. The banks need to ensure through their services that the customers come back to them. This is because a major chunk of income for most of the banks comes from existing customers, rather than from new customers.
Emphasing the significance of technology in banking industry, Purwar (2003) says, “We want to be recognized as a global bank and technology is very important tool to achieve this”.

Ray (2003) deals from a totally different angle; focuses on clerical staffs who usually manage the front line counters. He says, “Should we not make it a practice for placement of front staff at branches of nationalized banks based on ‘Listening Quotient’ (LQ)? Staff members in the frontline determine the fate of the branch. They come into direct contact with the customers. For the customer, branch has no walls; it is transparent. Customers do not blame individual staff generally for poor standard but the branch of the bank is blamed as a whole. Only means of listening to the customers till now; is the feedback received at front desk. The system followed generally at nationalized bank branches for placement of staff at front desk are based on seniority of staff members. Unfortunately, placement of staff at frontline has very low or no relationship with her/his ability to serve the client. This is needed as most service failures can be seen related to inefficiency, rudeness, delays and not doing something when promised. Customers are quick to pick up poor service. However, each does not complain”.

Sundarsan (2003) writes, “Slowly and steadily, the nature of the clerical job as we all know historically is undergoing a complete change. This would even result in the clerical cadre vanishing in the coming years. Therefore, it is very necessary that the clerical cadre should undergo drastic attitudinal changes towards their work culture. With the cadre itself likely to become irrelevant, the cadre should
start thinking how to make it more useful, more dependable, more needed and more utilizable. The old mindset of restrictions and limitations in usage will have to go”.

Singh (2003) states, “Reskilling the present staff will have to assume importance. There should be a cultural change in the mindset of the people. This may, perhaps, be the most challenging task. The work culture will have to change. In respect of the public sector banks, the haunting fear of vigilance for taking commercial decision needs to be lessened, if not eliminated. Some progress has been made in this regard but more needs to be taken up. Being a service industry, in the final analysis, the performance of a bank depends ultimately on the quality of its manpower. One could get best people only if the compensation is competitive. Otherwise, either the quality of the person would be lower or, if better people are recruited, the turn over ratio would be higher”.

Ghai (2003) says, “Economic reforms introduced in the country since 1991, have led to liberalization of the financial sector. The economic slowdown has shrunk the opportunities for making safe investment by the savers. Their dependence, therefore, on the banks has increased. As investment activities are not picking up, there is excess liquidity in the market. A position of supply exceeding the demand is emerging in the credit market in the country. This has heightened the competition amongst banks for the cream clientele and in the retail segment. Therefore, the profit margins of the banks are getting thinner and thinner. In such a scenario, pricing of bank’s products has a crucial role to play in the product
innovation and marketing of the bank’s services. The consideration of price is a fundamental determinant of profitability”.

Dhillon (2003) states, “It is only after liberalization in 1990s that banks are moving towards ‘customer centric approach’. The core of Indian banking system—public sector banks is facing lot of competition from private sector banks and foreign sector banks: hence the relevance of customer relationship marketing is of prime importance. In 1990 the concept of relationship marketing has emerged strongly. The focus has been changed from transaction marketing to relationship marketing. In transaction marketing, the focus is on single sale, orientation on product features, short timescale, little emphasis on customer service and limited customer commitment, whereas, in relationship marketing, the focus is on customer retention, orientation on product benefits, long timescale, high customer service emphasis and high customer commitment. Relationship marketing is a philosophy of doing business that focuses on keeping and improving current customer rather than acquiring new customer. It is based on the assumption that it is usually much cheaper to keep a current customer than to attract a new one. Customer becomes partner and the firm must make long term commitment to maintaining those relationships with quality, service and innovation”.

Raman (2003) narrates a different aspect, i.e. housekeeping. He says, “Non-reconciliation of books, entries etc and bad house keeping leads to non-reconciliation of various books and records resulting in misappropriation of valuable funds. If reconciliation is not done in time there is every possibility of
occurrence of fraud, which may tarnish the reputation of the bank concerned. When books and records are not regularly balanced, the bank can in no way satisfy its constituents. When callousness takes its roots in the bank and no employee cares to work for the welfare of his employer, and in turn for his own welfare, the customer will naturally be dissatisfied. The well being of employees depends on the height and weight of the institution. If the institution is on the roads of progress, the amenities available to the employees will be plenty and vice versa. Good housekeeping is essential for the welfare of the employees also. When unnecessary expenses are curtailed and profits gained due to good housekeeping, it will indirectly improve the staff amenities situation in the bank”.

Velayudhum (2003) opines, “Banks are in search of better business prospects today. They have to swiftly identify the business opportunities and respond to them appropriately in time. The first step banks have to take is to preserve the existing corporate clients. True, the process of disintermediation, resulting from banking reforms, is marked in the case of rated corporate. But efforts need to be made to retain this segment because of their sizeable contribution to banks’ income and also because of economies of scale of transactions with corporate clients. It is also recognized that though retail banking is the current coin, it needs to be combined with wholesale banking to ensure a balanced assets portfolio. This implies that banks offer better rates to corporate to attract their surplus funds on the one hand and reduce pricing of their loan products on the other, to offer cheaper credit. Banks have to have a relook at their pricing policy. The method of
pricing should change from ‘cost plus’ to ‘product quality’ in terms of urgency, convenience and variety”.

Narayan Murthy (2003) says, “Customer management is more crucial today than ever before. Globalization and the information revolution have raised customer expectations; they expect custom services at ever-greater speed. Further, they demand quality services at reduced costs. At the same time, customers can choose the most competitive service provider from anywhere in the world. To quote from the ‘Economist’: As competition remains fierce in lacklustre markets, customers hold the balance of power. In this context, banks have to become more customers centric. Customer management is all about knowing and understanding customer. In this context, the ‘One face, One voice’ slogan is easier said that done. It calls for a fundamental change in our approach to customers and in the banks’ culture. However, flexible products, excellent service and multiple channels have limited value without an integrated customer strategy. Today, banks are in a position to capture a large amount of data about customers. This should be used to enhance business intelligence in order to deepen relationships with customers. This would enable banks to become more responsive to customer needs”.

Gupta (2002) narrates that the changing face of financial landscape, which reflects changing ways of providing services to meet the customer needs. Customers have become more enlightened and their aspirations have been raised. Response to the customers’ requests has to be not just quick but immediate. The present day
customers not only want to be served well but also they want to be ‘CARED FOR’ as never before. It requires keen listening and understanding of their needs and aspirations. It is they, who decide the success or failure of the organization. We should reconcile to this reality and keep customer service as the foremost in our mind, while discharging our duties. We should be like a friend, philosopher and guide to the customers in all their financial matters. There is a need to inject more vibrancy in our services across the counter. We have to keep our branches/offices with a presentable get-up commensurate with the requirements at different centres. We should always be alive to the fact that ‘customer care’ is the only competitive advantage, which can swing in our favour in the present scenario. We are well aware that it takes longer time and effort to get a new customer but it takes only a few seconds to loose one. Also cost of servicing an existing customer is less than acquiring a new one. Customer loyalty to the bank on a continuous basis can be ensured only by delivery of products at the right time and speed & satisfying their banking requirement in totality”. He further adds, “The basic asset of banking is still human resources. In the present day scenario, human resources are valuable resources for achievement of competitive advantage of the bank. Despite the technology aided products & services; what is ultimately needed is that the customer should be served with a smile and this is possible only by understanding of the staff team at the branches. Customers should have the comfort of total customer care. This will pave the way for broader customer base and customer retention, which is vital for the long-term growth of the bank.
Despite all advancement of technology, banking would continue to remain a quest for relationship, identity and personalized services. All the activities/actions of the bank should converse around capturing the customers and his attention. Banks have to stay focused in the mind of the customers. In order to survive, banks must pay a lot more attention to operational excellence and customer relationship. Better & quicker customer service would make the difference between the winners & losers.

KYC (know your customer) concept should be followed strictly. An effective KYC policy will enable to branch to have comprehensive knowledge of the transactions carried out by the consumers of the bank. Customer care is an integral part of marketing strategy of banks”.

Emphasizing the need for changing branch managers as leaders; Shyamal (2002) asserts, “In the days of the Imperial Bank, the head of a bank branch was called an ‘agent’. In the eighties, he was called as branch managers. Today, we say, we not only need managers, but also leaders. Managers administer, focus on system and structures, rely on controls, have a short range view and accept status quo; whereas leaders innovate, focus on people, inspire and trusts; have a long-term perspective and take their job as a challenge. So the transformation of a manager into a leader; of bank branch managers into leaders is the essential challenge. Top management of banks should not merely give lip service, but help in this transformation to bring the local banking system to global standards. This is possible only by a change in mind-set and by a positive mental attitude. Let us
accept there is no business transformation without behavioural transformation. With the changing national scenario where Indian banks are facing tough competition from foreign banks, a massive effort must be made by nationalized banks and co-operative banks to transform all branch managers into the leadership mode. This is needed for their survival. Earlier is the better.”

The variety of new banking products, developed to accommodate the increased customer needs, provides a clear indication of the changes that the banking industry has undergone during the last two decades, claims Zopounidis (2002). “Due to this there is a need of advanced quantitative analysis for risk management, information technology, quality management etc. The implementation of these approaches in banking management is in accordance with the finding that empirical procedures are no longer adequate to address with increasing complexity of the banking industry”.

Rao (2003) says, “Customer retention and maintenance of relationship will become a bigger challenge for banks. Adoption of technology will help banks to become more responsive and flexible to the customers’ needs and more efficient in the management of resources”.

Ramachandran (2002) states, “A customer is the core component in banking business. The business of banking cannot function without customers, nor does acquiring a certain number of customers do the business. It is a continuing process of transactions culminating in a long-term banker-customer relationship. Most business institutions thrive more on keeping old customers happy rather than
getting new customers. In order to retain customers we must work harder on managing individual customer relationship. It has been found that keeping existing customers happy and satisfied in turn brings in new customers and becomes easier to market the products. The old paradigm was price, quality and service. The new paradigm is price, quality, service, speed, convenience, value, solutions; the list is endless. Thus, the present day customer is becoming more and more demanding. He wants all the services under one roof and expects to save time while doing business, and wants the transactions to be as simplified as possible. The list of customer wants can go on and on. No bank can possibly meet all the needs of its customers given to the diversity of their wants. In such a situation, the secret key factor of the company’s success is effective customer relationship management (CRM)

“Understanding the antecedents to and outcomes of customer satisfaction is a critical issue for both academics and bank marketers”- these are the research findings of Jamal and Naser (2002). They have identified service quality, expectations, disconfirmation, performance, desires, affect and equity as important antecedents of customer satisfaction.

A sample of 167 respondents took part in this study. Findings indicate that both core and relational dimensions of service quality appear to be linked to customer satisfaction.

Kar (2002) suggests that market segmentation is very much essential for retail lending, since the market is very vast. Market segmentation implies regrouping of
bank's various products for each category of customers and accordingly the customers are targeted. It can happen that a customer may have more than one requirement and as such total view of his needs would help the bank to serve him better.

Janakiballabh (2001) says, “Greater customer orientation is the only way to retain customer loyalty and stay ahead of competition. In a market driven strategy of development, consumer preference is paramount. Gone are the days when customers used to come to the doors of banks and now banks are required to chase the customers. Thus, only banks that are customer centric and extremely focused on the needs of their clients will succeed and there is need to change the mindset of banks at all levels on this issue. The advent of Internet has opened up new vistas for banking also. Growing consumer acceptance of electronic channels is compelling banks to provide internet banking facilities; and increasingly customers are demanding fast, convenient and glitch free banking services. With increasing penetration of internet, PCs and mobile phones, the face of Indian banking is going to change radically, thus enhancing the reach of banks and helping them connect with their customers. However as banks expand into virtual banking, they will need to pay greater attention to foolproof security arrangements and systems to safeguard against frauds. Supervision and audit of electronic banking will have to be strengthened”.

Pastore (2001) pleads for ‘on line banking’ for achieving higher level of customer satisfaction. The more consumers use online banking to handle their banking
tasks, the more satisfied they are with their bank, according to a study by Gomez Inc. The study, found that online bankers have an average satisfaction level of 5.1 on a scale of 1 to 7, with mature online banking consumers (over age 55) and those who use the internet as their primary means of banking reporting higher levels of satisfaction.

Radcliffe (2000) argues that successful CRM requires a clear vision, so that a strategy and implementation can be developed to achieve it. The CRM vision is how the customer-centric company wants to look and feel to its customers. He also states that without a CRM vision, the company will not stand out from the competition; target customers will not know what to expect from it and employees will not know what to deliver. A successful CRM vision is the basis for motivating staff, generating customer loyalty, and gaining a greater market place.

Subramanian (2000) states, "All banks have evolved strategies to position themselves as banks with a national/regional network, in order to face future challenges. All banks are investing heavily in technology. They are also trying for product innovation and changing their focus by trying to offer superior service. While developing new products/services, emphasis should be given to reduce the cost to the minimum and at the same time it is to be ensured by banks to carry out their traditional intermediation role. Because of their branch network, banks are the best agencies to mobilize domestic savings in a very efficient and desirable manner by offering protection to depositors. While investing in technology, cost aspects should also be taken into account at the time of selection/development of
hardware/software and efforts should be made to keep the cost to the minimum. The marketing focus on the customer should go hand in hand with faster and efficient services”.

Making a comprehensive analysis of public and private sector banks, Aurora & Malhotra (2000) make a deep insight to the concept of customer satisfaction. They observe, “The volatility and competition in the financial markets have shaken the Indian banking Industry from its very roots. In order to survive in the present day world of intense competition, the banking sector has transcended the normal banking activities and has diversified into insurance, merchant banking, factoring, and advisory services, to name a few. Added to this, is the idea of customer satisfaction, which is gaining momentum by leaps and bounds. Keeping these factors in mind, a comparative analysis of satisfaction level of public and private sector banks customers is carried out with a purpose of helping the bank management to formulate marketing strategies to lure customers towards them and hence increase customer base.

“With every commercial bank trying to attract & catch the best & profitable business available in the market, the bank that is able to serve the customer beyond his expectation, will only survive” opines Shanmugham (2000). Further he adds that the banks those fail to reach the expectations of the customers have to ultimately go out of the business. Now, ‘customers’ are the focal point of all our activities. Banks have to innovate & devise the products, which are most suitable & convenient to any particular customer-segment”
Kahn (2000) writes about the importance of turning customers into advocates who will not only develop loyalty the organisation but will also spread the word to other potential buyers. She explains, “Banks have traditionally treated retail customers identically. Deposit your money and you get a checkbook. Yet when banks began to collect data that allowed them to compute profitability for each customer, there were marked differences. Some kept a lot of money in their checking accounts and rarely accessed it, or if they did, withdrew the cash through ATMs. These customers were very profitable. Others kept low balances and made frequent withdrawals, often through contact with tellers. Such customers ended up costing the bank more and were not profitable. Identifying profitability helped banks devise strategies to suit different types of customers”.

Focusing on customer portfolio management, she adds, “The analysis banks used to track profitability was customer portfolio management. It is a technique that has proved useful for many businesses, those dealing with both consumer and business markets. To determine which customers were most valuable, banks had to allocate revenues and costs at the customer level. Although revenues had traditionally been allocated at the customer level (banks always knew who had the most money in their accounts), it was not typical to treat costs in this way. In banks, as in most companies, costs were handled at the product or operations level.

By allocating costs to each customer, banks were able to find out which customers were most profitable. It then became easier to devote resources and time to the
most profitable customers. While revenues were known to follow an 80/20 law, so that 80% of revenues were generated by 20% of customers, costs can follow a 90/10 law, so 90% of costs are generated by 10% of "whiny" customers. If you reduce the costs of serving customers whose business does not warrant additional attention, and spend more time serving customers whose business does, the overall customer portfolio can become more profitable”.

Gupta (1999) says, “With the growing disintermediation, it will be increasingly necessary that banks offer new products competitively priced and supported by latest technology.

Singh (1999) opines, “Banks are witnessing fierce competition for resources and quality assets. The need of the hour, therefore, is to build up effective business management systems to meet these emerging challenges. One effective way of meeting these challenges is to offer innovative value-added services. The number of financial intermediaries is poised to increase, generating more competition for business. Some domestic players may opt for a strategic tie-up with banks abroad to have the benefit of a global presence, better credit rating and risk management systems. But cutting edge in the service industry like banking industry will be capabilities and competencies to provide superior value to the customers. In this regard effective marketing of services assumes importance”.

Murthy (1999) says, “Economic reforms of the 1990s seek to put the customer in the driver’s seat for development. Most of our organisations, especially banks, have been used to operating in well demarcated boundaries, administered prices
and common rules for all competitors. The process of economic reforms will create for the customer a growing choice among competitors. Understanding the customer in such a context is difficult; retaining him, even more so. Marketing seeks to help those who wish to do so and develop new products and services to win his support.

Singhvi (1999) says, “Banking industry in India is generally dominated by public sector banks. Liberalisation of financial sector has impelled all the players to redefine what business they are in and strategically think how to stay ahead in the existing business. Marketing orientation of banks is imperative for survival and success.”

Kumar (1999) focuses the role of front line staff in bank marketing, “Competing banks at present provide more or less same types of service and no one knows this better than the customer himself. Superior customer service is becoming a great differentiator- the most powerful competitive weapon bank possesses”. Further he explains, “The customer’s satisfaction with the service is normally influenced by the interactions they have with front line staff and the nature of service facilities. It is important that the frontline staff possess the same concept of ‘service’ as our customers. This will help to build belief and confidence in the staff and sort out the differences before the service is offered to the customers”.

Bhatt (1997) elaborates on marketing aspects. According to him, “Marketing in banks is the aggregate of functions which results into customer satisfaction. The aggregate of functions is the sum total of all individual activities consisting of an
integrated effort to discover, create, arouse and satisfy customer needs. Marketing is all about creating and sustaining the customers on a continuous basis. Many banks have not even understood that marketing is applicable to all the three major functions of bank, i.e. deposits, advances & other services. When India is marching towards a market oriented economy, it is required to be understood that marketing begins with the information about the market; and banks should use various techniques of market research and new product development rather than using only their past experience of regulated environment. Marketing activities ultimately should result into establishing, maintaining and strengthening of customer-relationship. This requires change in the attitude of each of the employees of the bank. The ultimate aim of a marketing oriented bank should be to provide total satisfaction to its customers. Delivery of total customer satisfaction by a bank will depend mainly upon on the following:

- Financial products offered
- Service facilities
- Service manners

Thakur (1997) states, “In terms of their existing organizational structure, managerial outfit and complement of personnel with requisite technical know how and skills, banks are hardly equipped to meet the revolution of rising expectations of the new economic society emerging in the wake of economic liberalization and of their traditional clientele in rural, semi-urban and urban areas for meeting their financial needs of varying kind including saving outlets, credit requirements and
funds transfer. For this purpose banks will have to refashion their entire organizational structure and management outfit by taking a bold leap forward in the direction of introducing what in current management parlance is known as re-engineering process”.

Chari (1997) makes a candid comment on the customer service rendered by public sector banks. He states, “The less said about the quality of service in banks, the better. There are of course honourable exceptions. But as a rule, service has definitely taken a back seat. Compare this to NBFCs—what ever be their shortcomings, one accusation that can not be made against NBFCs is poor service. They rely on service, prompt service and quality service.”

Olsen (1997) writes, “Because of considerable government regulation and control, and oligopolistic market conditions, competing banks tend to be very similar in respect to a wide range of quantitative factors including price, type and range of services offered. However, banks have had to resort to emphasizing the more qualitative aspects of banking — such as friendliness, quality of service & community spirit — to differentiate themselves from one another”.

Shetty (1997) compares with developed countries; says, “In other developed countries with developed capital markets, commercial banks tend to concentrate on consumer financing or retail banking and ancillary services to generate income rather than on wholesale banking. In India too, we may face a similar situation soon and how far we are equipped for coping with the risks which go with such retail banking, is a moot question”.
Ravi (1997) suggests that improvement of customer service constitutes the single most potent thrust area “Customer Delight” not merely, customer satisfaction, should be the watchword for banks to capitalize on both existing and potential business opportunities. Motivating human resources in banks is in important requirement for this.

Kumar (1997), “In a market where a multitude of offerings from various banks and new private financial services firms has increased the threat of taking the customer away at any time, just products can not provide an edge for long. Products in their kind of business are fairly easy to replicate. But top quality service is very difficult to clone”.

“The biggest draw for the average consumer, of course, is the ATM. Though most private Indian banks have these machines at their branches, some have also started opening off-site ATMs. Convenience is, after all, the name of the game” says Rana and Ram (1997). They further add, “Centralised processing enables account holders in one branch to withdraw money -within a stipulated limit -even if they drop into another branch of the bank.”

Ananthasubramaniam (1996) deals with marketing. “Bank Marketing: awareness among customers; modern technology has made customers aware of the developments in the economic environment including the financial systems. Financial needs of the customers have grown manifold into various forms of quick cash accessibility, money transfer, asset security, increased return at surplus funds, financial advice, deferred payments etc. With a network of branches, even
in a dissimilar banking scenario, customers expect the banks to offer more and better service to match their demands and this has compelled banks to take up in the right earnest”.

Dahotre (1996) talks on segmentations of customers from Indian banking point of view, “When we talk of Indian banking – whether as purists or otherwise, we must not forget the ground realities. Indian banking till today comprises 86 percent public sector banks, 6 percent foreign banks and the balance takes care of the private sector banks. For a country of our size with imperfect infrastructure, the changes visualized or the type of changes, which have taken place all over the world, will take some time to institutionalize here. Let us analyse here the problem more from the point of view of customer segmentation. Clearly there are three or four customer segmentations. One is the rural segment, second tier is urban centres and the third segment is metro centres”.

Analysing the role of public sector banks in lending to the social sector even at the cost of profitability; Budhiraja and Athreya (1996) explains, “The deliberate policy pursued by the RBI and the government with the specific thrust towards making banking services accessible to the weaker sections of society had resulted in mass banking, with administratively directed lending. This, in turn, meant inadequate attention to qualitative aspects of lending due to the desire to attain sector-wise credit targets. Consequently there was contamination of the advances portfolio, resulting in increased bad and doubtful debts. The compulsion of priority sector lending at a subsidised interest rate of about 4% to the extent of
40% of aggregate advances of the government banks resulted in a major strain of the profitability of the bank.

Evanoff (1989), a senior financial economist at the Federal Reserve Bank of Chicago analyses the liberal branch-banking laws which have been shown to result in superior customer service. However, some have attributed this to restrictive deposit rate ceilings that have forced banks to compete on a nonprice basis. One form of customer service 'accessibility' is modeled and the role of branching prior to and after deposit rate ceilings were phased out is evaluated. Branching benefits are reaffirmed, suggesting customers should support efforts to liberalize geographic expansion in banking.

"ING Bank in Amsterdam, Netherlands decided to use 'satisfaction scorecard' to track customer retention. They decided to implement its new scorecarding application amid an internal reorganization, convinced that it was the best way to measure client retention and the performance of its entire the commercial process. The bank currently uses balanced scorecards for strategic quantitative and qualitative measurement. A different scorecard application is used for remote users, using the same data as in-house managers, so both groups work from the same information" says Vlugt (2006). He further adds, "We have more focus on the commercial effectiveness of managers, and it's an integral part of the information management that higher level employees see. We want to have scorecards as an integral part of the commercial process and the banking process."
It shouldn't be just a list. Our customers wanted to use business scorecards to increase visibility into business performance.

Silver (2006) investigates how banks that are structured as enabling organizations are able to generate higher satisfaction among their small business customers. He uses this concept ‘enabling organisation’ for an organization that creates an atmosphere where individual employees are encouraged to have a flexible attitude toward customers and are still able to maintain a competitive inner-standardization of services. Silver makes a study based on a sample of 359 small and medium sized enterprises (SMEs) in Sweden. Lisrel, a structural equation modeling technique, is used to analyze the empirical data.

Findings: Banks structured as enabling organizations generate higher satisfaction among their SME customers primarily because they are able to generate an atmosphere where the individual bankers are encouraged to be flexible and take their own initiative in interactions with the customers. What banks do as enabling organizations is to shield their customers from having to interact with the bureaucratic machinery inside the bank. Even if ruled by standardized regulations the enabling organization manages to promote high satisfaction through deep relations with the customers.

Implications: Banks are often assumed to operate in the same way. The value of this study is that it shows different alternatives in relating to customers. Even if banks are heavily regulated the operation of the enabling organization illustrates
that there are ways to promote high customer satisfaction through close relationships with customers.

Faulhaber (2006) analyses banking markets: productivity, risk and customer satisfaction. In an empirical research in banking, he has found substantial but unexplained differences among bank’s costs and profits, indicating that the industry is not in long-run equilibrium. Three factors are hypothesized as the source of this out-of-equilibrium behaviour:

(i) Variations in banks’ abilities to match capacity and demand
(ii) Variations in risk management
(iii) Variations in providing customer satisfaction

A structural model is combined with new data sources to estimate these effects using data from 1984-1992. Each factor is found to be significant, and taken together they account for virtually all the observed differences in bank performance.

Three hypotheses are tested regarding the source of the cost/profit inefficiencies:

1. Bank managers differ in their abilities to plan their capacity to match realized demand.
2. Bank managers differ in their abilities to manage risk.
3. Bank managers differ in their abilities to provide customer satisfaction

ANZ bank conducts annual customer satisfaction survey, reports Roberts Research Group (2002), “At ANZ, we understand the importance of providing a superior level of service to our customers. Our 2002 survey confirms that ANZ
continues to outperform competitors in satisfying customers and in particular, excelling in relationship management. We will continue to innovate and enhance our service delivery to maintain our leadership in customer satisfaction. Some initiatives in place include:

- Providing sophisticated investment banking services to mid sized customers (through our Wall Street to Main Street proposition). Thus we emphasize focusing on customers' economic health - not just their accounting health.
- Developing efficient electronic platforms to better support customer enquiries and product delivery. The Corporate Portal, for example, is being continually enhanced to provide a range of online services, decision-making tools and relevant information.
- Enhancing customer management systems and financial modeling tools to proactively identify opportunities and creative solutions for customers.
- Ongoing enhancements to core systems efficiencies and continued automation of back office processes.
- Strengthening staff capabilities through the implementation of our Breakout cultural initiative and other ongoing training – supported by e-train our electronic training platform.

“Customer satisfaction among American consumers for a wide range of goods and services reached an all-time high at the end of 2006”, expresses Fornell (2007), “It increased to an overall 74.9 score out of 100 in the fourth quarter of 2006, its highest level since the survey first started in 1994. That's a gain of
almost 2 percent from the previous year and a 0.7 increase from the previous quarter. The survey, which measured customer satisfaction in everything ranging from department stores to life insurance, saw the biggest improvements in the retail and financial services sectors, and only a slight setback in e-commerce. Adds Fornell, "In view of these results, it is not surprising that the consumer continues to lift the economy despite the housing slump."

The banking sector scored its highest level of customer satisfaction since 1994, according to ACSI. For a sixth year in a row, Wachovia was the clear winner among customers, followed by sharp gains in approval among Wells Fargo and JP Morgan customers. It's been a steady improvement in customer satisfaction for the commercial banking industry since the year 2000. The growing popularity of online high-yield savings accounts, shrinking net interest margins, low interest rates on lending products and a slumping housing market have increased competitive pressures within the industry. That has made banks more eager to provide consumers with improved products and services, including the elimination of various fees, in order to draw deposits. The University of Michigan report indicated that improvements in quality and value are driving customer satisfaction gains in the finance and insurance sector, with commercial banks finally scoring a new high of 77 on the index.