ABSTRACT

Banking sector plays a very important role in the development of the Indian economy. In India, banks are regulated by Reserve Bank of India. Banks can be classified into commercial banks and cooperative banks. Commercial banks can be further divided into public sector banks, private sector banks and regional rural banks. There are 27 public sector banks, 30 private sector banks, 40 foreign banks and 1906 regional rural banks in India. The banking sector witnesses increasing competition on account of several regulatory changes like entry of private sector banks and foreign banks. In the ever changing business scenario, the perception and expectation of customers have undergone a drastic change. The customers are now expecting prompt service, clarity in bank communication, care, concern, commitment and sensitivity shown by the bank staff in dealing with the customers. In a service industry like banking, the customer is considered as the king and retaining customer is less expensive than creating new customer for their services.

In the era of high competition, banks have realized that existing customers are more precious assets. In order to retain the existing customers banks have introduced a strategy called customer relationship management (CRM). The concept of customer relationship management emerged in the field of service marketing and industrial marketing in the twentieth century itself. By maintaining relationship with existing customers, banks can focus more accurately on their needs. Moreover they can also avail more services from the banks and if satisfied they will act as brand ambassador for banks by spreading positive word of mouth publicity. So in order to continue to exist in the competitive environment, banks have used customer relationship management as a strategy for retention of existing customers.

With the onset of deregulation, globalization and implementation of advanced technology have increased the competitive pressure in the banking sector. Since the time financial sector reforms had started, banks have been given a greater degree of autonomy in determining the interest rate for deposits and advances, as well as offering wide range of services. Customers are now demanding more from bank and
they are becoming tougher to convince. They are smarter, more price conscious, more demanding, less forgiving and they are approached by many more competitors with equal or better offers. In a service industry like banking sector, the customer is and would continue to be one of the factors for competition. The banks have started to realize that “Customer is the King” and “Customer is the brand Ambassador” and retaining a customer is less expensive than creating a new customer for the services. A highly satisfied loyal customer stays long with the bank and they also refer the bank to other customers.

The following factors force the banks to maintain relationship with customers: Global competition, dynamic changing customer expectations, shrinking profit margin, demanding nature of customers and customers who become less loyal, increasing customer churn, shrinking duration of service life cycle, entry of foreign banks, competition from non-banking financial institutions, extensive use of information technology, easy access to information, deregulation of lending and deposit rate. Of late, the banks have started to change their direction from transaction marketing to the cultivation of relationships with the customer for a long period. The long term relationship with customers will facilitate the banks to understand the customer needs. Moreover, it is also an opportunity to introduce tailor-made products on service and cross-sell their products to the customers. The customers can also understand the bank and its procedures which will reduce the operating cost arising out of customer related error. Since the cost of acquiring new customer is more than retaining the existing customer, banks are using customer relationship management (CRM) as a strategic tool to maintain long term relationship with customers. In order to maintain relationship with customers, banks have implemented various CRM practices, CRM strategies and have also started to identify the consequences of implementation of CRM.

The scope of the study is confined to the customers’ views on the implementation of CRM in commercial bank branches in Theni district only. The period of the study is limited to the years of 2011-12. In total, there are 80 public sector and 43 private sector banks in the district. The sampling unit comprises of
household and business customers of commercial banks in Theni district. The sample size of the customers was determined as 984 for the study. The judgement sampling has been followed to select the sample from each bank. In total, four household customers and four business customers are identified with the help of the branch manager of commercial banks.

The questionnaire method was used to collect primary data from the business customers and the household customers. The questionnaire consists of three important parts. The first part of the questionnaire covers the profile of the customers whereas the second part of the questionnaire includes the views of customers on the implementation of CRM practices and strategies at commercial banks. The third part of the questionnaire covers the customers' views on the various consequences of CRM at commercial banks. The researcher made several efforts to collect data from the customers. In total, the response rate among the household and business customers are 45.32 per cent and 48.57 per cent to its total 492 customers respectively. Hence, total sample sizes included for the analysis are 462 customers.

The implementation of CRM practices and strategies as per the views of business customers is higher than the views of household customers. The perception on various consequences of CRM is identified as higher among the business customers than among the household customers. The significantly influencing CRM practices on the various consequences of the CRM are ‘customer information system’ and ‘customer value evaluation’ whereas the CRM strategies are ‘customer focus’ and ‘technology based CRM’. The customers’ views on the implementation of CRM practices, strategies and the consequences of CRM are identified as higher among the business customers than among the household customers. The importance of customer satisfaction as a mediator variable in between the CRM practices strategies and the customer loyalty is proved by this study. The study concludes that the perception on CRM and its consequences are higher among the business customers than among the household customers. It reveals the urgent need to analyse the reason for poor perception among the household customers and design appropriate CRM as per the need of the household customers in order to enrich the banks services and service quality.