CHAPTER 1
CHAPTER 1: INTRODUCTION

At present, worldwide organizations are operating in a very dynamic marketing environment as a result of rapid changes in technology, consumer tastes, economic and social forces. In order to effectively adapt to the changing environment, achieve set goals and objectives as well as improving organizational performance, organizations design different marketing strategies and policies that focus on the process of service delivery rather than the service itself. Organizations constantly are trying to improve and innovate their strategies to satisfy their customers and retain them for a longer period of time.

Customer Relationship Management is one of such contemporary marketing strategies employed in both developed and developing economies which is proving to be an effective way to enhance the relationship management for an organization. As Customer Relationship Management (CRM) includes all the marketing activities, which are designed to establish, develop, maintain, and sustain a successful relationship with the target customers, many organizations are benefiting by implementing it.

Businesses worldwide are enhancing shareholder value by shifting from a 'share of the market' mind set to the 'share of customer' paradigm through relationship management practices. Relationship Management helps firms focus on the lifetime value of customers to enhance their relationships with profitable customers. Customer Relationship Management is therefore gaining importance for organizations and is one of the major tools to build a strong relationship with the customers. For any organization, either it's a public sector; private sector or semi-public, there is a need to understand what kind of service or products it offers, and for whom. Organizations should always think of dimensions such as relevance of product for the customers, willingness of customers to pay the amount of money stacked on the products, designing and managing products or services to meet the customer expectations, and value
created for customers. These dimensions create satisfaction in customers towards the organization and hence help in building a strong relationship.

Also, there has been a gradual move in marketing thoughts and practices, from product-centric approach to customer-centric approach, and from concentrating on selling as much products as possible to acquiring, keeping, retaining and delighting as many customers as possible. This change in marketing prospective is taking place because of the high competition and the numerous alternatives provided to the customers. "The globally competitive market place provides today's customers with choices never before imaginable by previous generations" (Hoots, 2005). In this competitive environment 'Customer is the King'. Every organization stands in the market to reap the maximum benefits by offering world class products and services. The goal of every enterprise, once it strips away all the activities that keep everybody busy every day, is simply to get, keep and grow customers. Whether a business focuses its efforts on product innovation, operational efficiency and low price or customer's intimacy, that firm must have customers or the enterprise isn't a business". (Peppers & Rogers, 2004). "As more and more enterprises realize the importance of becoming customer-centric in today's competitive economy, they embrace Customer Relationship Management (CRM) as core business strategy" (Wu, 2008).

CRM has been of great importance in India after the globalization. Organizations now understand the importance of being customer-centric, i.e. aligning all the processes, planning and methods with the customer requirements. Today, the market is driven by the buyers. The biggest challenge in front of the companies is to keep the customer happy 24x7 who is becoming more elusive, more demanding and more diverse than ever. Therefore, it is very important to have a solution which is targeted towards building long term cordial and profitable relations with the customers. Indian companies were slow in adopting CRM in comparison to the developed countries. One of the
major reasons for this has been a lack of proper understanding of CRM as a concept and how it could benefit an organization. In the past, CRM was identified with call centres. However, this has changed in recent times with a better understanding of the various components of CRM and increased awareness levels of how it can drive efficiencies across the board.

As, the financial service sector in India is growing at a fast pace, this study focus on measuring the performance of key indicators of the financial service sectors i.e. Banking and Insurance sector in India. As per the World Bank statistics which estimates that India will become the fourth largest economy in the world by 2020, there is a tremendous growth potential and thus it becomes important to access the performance of the important players in the sector. Banking and Insurance sectors have undergone varied transformations starting from entry of private players to foreign counterparts. With such a fierce competition, these sectors are giving importance to the concept of ‘Relationship Management’ in order to sustain in long run.CRM identifies the present and future markets, selects the markets to serve and identifies the progress of existing and new services. Customer Relationship Management (CRM) in the Banking and Insurance Sectors involves reading the consumers’ changing needs and creating services to satisfy these needs because building a relationship with customers in the Banking and Insurance industry is important as it affects the overall performance of Financial Sector of the country. Through CRM, organizations manage their services in a manner that persuade customers to use them at a profit thereby ensuring survival and success of the financial institution.

Banks and Insurance companies can increase their profits by maximizing the profitability of the total customer relationship over time, instead of seeking to get more profit from any single transaction. Adopting CRM effectively tends to give an organization distinctive or comparative advantage over competitors, because it enables them to communicate effectively with the customers and
know what they need and want. It also highlights the reasons why some continue to patronize an organization while others leave and the strategies to use to manage their customer relationships effectively. When long-term relationships exist between organizations and customers, the distance between them becomes shorter and the organization benefits from repeat purchase and the goodwill of the customer (Jackson, 1985; Groonroos, 1990).

Today, the customers are becoming increasingly sophisticated and demanding. They expect organizations to be highly responsive and increasingly dependable and demand to provide more facilities for their convenience. Organizations have also realized the need to get closer to the customers to be able to increase their market share and beat the competition, particularly in the present-day fast moving, turbulent and competitive scenario. In the present scenario, organizations have started focusing upon Customer Relationship Management (CRM) which may help them to go closer to the customers. It is vital to retain customers, up sell and cross sell and ultimately customize products and services in order to survive in today's fiercely competitive market and win the marketing warfare. Building a long lasting, mutually beneficial relationship with the customer is also becoming increasingly important in the present-day context.

Winning new customers is becoming more and more important for Banks and Insurance companies and keeping the loyalty of existing customers is becoming increasingly difficult. In the times of e-economy often only a mouse click separates the customer from a competitor. This means that Banks and Insurance companies must build relations with customers and focus on satisfaction of their customers. Thus, for Banks and Insurance companies which are service oriented the concept of CRM would help them to maintain and build a long lasting relationship with its customers.
Successful implementation of CRM requires a strategic approach, which encompasses developing customer centric processes, selecting and implementing technology solutions, employee empowerment, customer information and knowledge generation capabilities to differentiate them, and the ability to learn from best practices. This research is an attempt to present a systematic view of CRM in two industries i.e. Banking and Insurance, and brings to the fore a set of questions relating to the status of the phenomenon of CRM and its different elements with the purpose of explaining and improving its implementation in the selected industries. Thus the study would help organizations overcome the emerging challenges and bring out the importance of implementing CRM in the bid to maximize customer satisfaction and enhance overall profitability of the company.

1.1 Relationships
Defining relationship is a difficult work and mostly defining relationship at academic and practical level is avoided (Bagozzi, 1995). Operationally, relationship consists of a number of episodes and that buying a service twice is a minimum requirement for relationships (Liljander and Strandvik, 1995). Similarly, a relationship exists when a series of interactions between customer and organization occur (Storbacka, 1994).

Relationships plays vital role in human’s daily and professional lives, for example, choosing careers, involvement in work, etc. Generally, people make major decisions in their lives based on their relationships with organizations and persons. Nowadays, the success of any organization majorly depends on how it maintains its relationship with its clients or customers. In a developing country like India with huge population, target customers are many. The financial service domain in India thus has become very challenging specifically in Banking and Insurance Sectors. It is facing competition from both Indian and foreign counterparts. The study is undertaken eventually to measure the relationship level by Banks and Insurance companies towards their customers.
1.2 Customer

A customer is a person who buys goods or services from a shop or business (Oxford English Dictionary, 2009). One that purchases a commodity or service is called a customer (Customer, 2009).

Customers buy and leave, so it may be easy to say that since the organization is able to sell its product or deliver its services hence it is a successful organization. Actually, it is not that easy to say as almost all the businesses depend on repeated purchases of customers hence if customers do not return then what happens? Therefore, organizations need to understand all the touch points of their customers. Mostly customers choose those banks that offer the best services though their touch points (Dyche, 2001).

The world is changing rapidly and there is a shift of power from seller to buyer, hence for the success of any organization, understanding customer has become the most important factor. It is important to know that customers think about products, services, and about organizations providing those products and services. Therefore, if customers have a good experience with any organization through its various touch points then they not only buy more but they also become that organization's marketing volunteers. Hence, customer's touch points with your organization are most important areas where organizations need to focus more.

1.3 Customer Relationship Management (CRM)

Customer Relationship Management is the establishment, development, maintenance and optimization of long-term mutually valuable relationships between consumers and the organizations. Successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes.
CRM is about managing customer knowledge to better understand and serve them. It is an umbrella concept that places the customer at the centre of an organization. Customer service is an important component of CRM; however, CRM is also concerned with coordinating customer relations across all business functions, points of interaction, and audiences (Bose and Sugamaran, 2003, p.4)

1.4 CRM in Banking Sector

Over the years, Indian Banks have expanded to cover a large geographic & functional area to meet the developmental needs. They have been managing a world of information about customers - their profiles, location, etc. They have a close relationship with their customers and a good knowledge of their needs, requirements and cash positions. Though this offers them a unique advantage, they face a fundamental problem. During the period of planned economic development, the bank products were bought in India and not sold. What our banks, especially that in the public sector lack is the marketing attitude. 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. Long-term customers are more likely to become a referral source. The longer a relationship continues the better a bank can understand the customer and his/her needs & preferences, and so greater the opportunity to tailor products and services and cross-sell the product/service range. 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. Customer Relationship Management (CRM) solutions, if implemented and integrated correctly, can help significantly in improving customer satisfaction levels in Indian Banks.

One of the objective to conduct this study is thus to measure the current CRM adoption level in Indian Banks. For this purpose the study is focused on measuring the perception of customers holding saving bank accounts in India.

1.5 CRM in Insurance Sector

In India, the insurance market has witnessed dynamic changes which includes presence of a fairly large number of insurers both life and non-life segment. However in the current environment of moderate economic growth, the leading insurance companies of the market are obliged to implement customer loyalty building strategies to grow profitably. Most of the large multi-product companies enjoy a large customer base, but with a very low penetration rate. Technology had a major role to play in terms of customer relationship management. Insurance companies have spent major amounts to procure the latest CRM software. Even after such big investments insurers are largely oriented towards product and process management, instead of implementing strategies aimed at customer management. In this context, knowledge of the customer lies, almost exclusively, in the network of mediators and not in the company. However, customers today are highly demanding, have a greater knowledge of what their needs are and demand the availability of multiple doors of access for their relations with their company contact centre, offices, internet, specialized advisors, etc. To be able to compete in this environment, the companies are required to transform both their operating model and the infrastructure supporting it. Therefore after telecom and Banking, it is the turn of Insurance companies to deploy Customer Relationship Management (CRM) solutions.
As competition intensifies, insurers are trying every trick in the book to retain existing customers, with a wide range of services driving the market for CRM applications in the process. The customer base is the most important asset for any insurance company. Winning new customers have a much higher cost than staying with the already existing customer base and increasing the business managed (e.g. Blattberg et.al.1996), offering products and services adapted to the needs of each customer profile. The customer portfolio is very heterogeneous with regard to its needs and in the value it provides to each customer, for which reason successful insurance companies need to have a customer policy oriented towards increasing the individual value of customers by up selling and cross-selling actions, retaining the most profitable customers and segregating customers that generate low revenue for the company.

These days insurance is becoming a challenging business with so many product mixes and competitors flocking the market. This makes it very confusing for the customers to opt for which insurance plan and of which company. This indecisiveness leads to irritating attitudes of the customer and the sales and marketing executives land up with a tough job of convincing the customers. CRM can to a large extent resolve this issue of customer resistance towards the insurance brands.

Improving the retention rates of the organisation provides assistance in building this customer base and therefore improving the level of profitable customers. In a typical service environment such as the short-term insurance industry, retaining customers has become increasingly important in order to secure the future survival and profitability of the organisation. Customer retention in the insurance industry is imperative due to the fact that it is an extremely competitive industry containing many choices for customers. The reasons for the increased emphasis on the retention of customers is two-fold: first, customer retention holds a financial benefit for an organisation in the form of...
increased profits and also the fact that it costs more to attract a new customer than it does to retain an existing one.

Thus CRM is found to be one of the major and effective tool for enhancing the business of insurance in India and for this purpose the study here is conducted with an objective to measure the adoption level of CRM in Insurance sector specifically Life Insurance.

1.6 Need of the Study
In case of life insurance, the interaction of the customer with the company personnel and the company system happens initially and later on only in terms of payment of annual premium after the policy is sold. This is an irony of this so called "Long term relationship" with limited or no interaction. The interaction with the customer is limited to transactions rather than relationship management. It is very difficult for any retail financial service provider to build customer knowledge based on such sparse touch points. The Bank, on the other hand knows more about the consumer's lifestyle, financial situation, changing risk appetite and changing needs. They get this information from the number of unique transactions the customers have with these service providers. This is where the real challenge of relationship management emerges for the insurance company that is to maintain continuity in interactions and frequent touch points to generate a cycle of data pertaining to the customer's financial and personal situation. Relationship marketing is becoming important in financial services. Customer needs and wants vary considerably over time. In order to tap the customer potential to the fullest, the challenge of keeping in pace with the changing customer needs lies with the financial service sector. The challenge is to keep in pace with the changing needs of the customer and to provide him with the right product at the right time. To meet these challenges, there is a need to turn to customer-needs-driven CRM strategies.
Now, since both the Banking and Insurance Sectors operate together with the same channel and same customer base through bancassurance, it is important to analyse the current level of CRM in Banking and Insurance sector and compare them. This will help both the sectors to adopt a right customer retention strategy and maintain a long term relationship management. From a practical standpoint the study is of considerable importance to organizations as they need to incorporate activities related to enriching relationship with their customers and use these favourable relationships to win the loyalty of a customer and consequently reap the benefit of profitability. The results of the study are likely to provide them adequate insight into the use of CRM as a tool for winning trust and confidence of customers.

1.7 Scope of the Study

Now a days, customer needs and wants are changing considerably. In order to tap the customer potential to the fullest, the challenge of keeping in pace with the changing customer needs lies with the financial service sector. The challenge is to keep in pace with the changing needs of the customer and to provide them with the right product at the right time and at the right price. To meet these challenges, there is a need to address the status of adoption level of CRM strategies. As Banking and Insurance sectors which are a major part of financial service sector, are facing immense competition, hence there is a need to study the status of CRM in both the sectors.

As stated earlier that in the globalized economy both sectors are facing immense competition their lies a need to conduct a study in order to measure the current status of CRM in both sectors. Thus, this study is an attempt to measure and compare the adoption level of CRM for both sectors.

There being several factors and several components of Customer Relationship Management, thus there is a need to understand that which factors are more important in which industry. This study will help the sectors to develop a CRM
strategy that will inculcate all the important factors constituting CRM. This would help to depict a clear picture of the factors which play an important role in maintaining relationship and the difference in the levels of CRM for both the sectors. These factors would help in determining the level of adoption of CRM in both sectors and thus, would help the sectors in analysing their performance and develop a better CRM strategy.

1.8 Objectives

This research seeks to address the following objectives:

1. To state the importance of CRM concept adoption for Financial Sector.
2. To measure the level of CRM adoption in Indian Banking Sector.
3. To measure the level of CRM adoption in Indian Insurance Sector.
4. To explain how CRM concept adoption could benefit Banking and Insurance sectors in reaching Customer Satisfaction.
5. To compare the level of CRM adoption in Banking and Insurance Sectors.
6. To propose suitable recommendations for improving CRM based on the study results.