Chapter 1

Introduction
INTRODUCTION TO CRM

Before we begin to examine the conceptual foundations of CRM, it will be useful to define, what is CRM? A narrow perspective of customer relationship management is database marketing emphasizing the promotional aspects of marketing linked to database efforts. Another narrow, yet relevant, viewpoint is to consider CRM only as customer retention in which a variety of after marketing tactics is used for customer bonding or staying in touch after the sale is made. Shani and Chalasani\(^1\) define relationship marketing as “an integrated effort to identify, maintain, and build up a network with individuals consumers and to continuously strengthen the network for mutual benefit of both sides, through interactive, individualized and value-added contacts over a period of time”. The core theme of all CRM and relationship marketing perspectives is its focus on co-operative and collaborative relationships between the firm and its customers, and/or other marketing factors. CRM is based on the premise that, by having a better understanding of the customers’ needs and desires we can keep them longer and sell more to them. Growth Strategies International (GSI) performed a statistical analysis of Customer satisfaction data encompassing the findings of over 7,000+ customer surveys conducted by Angel Broking Ltd. CRM is an information industry term for methodologies, software, and usually Internet capabilities that help an enterprise manage customer relationships in an organized way. For example, an enterprise might build a database about its customers that described relationships in sufficient detail so that management, salespeople, people providing service, and perhaps the customer directly could access information, match customer needs with product plans and offerings, remind customers of service requirements, know what other products a customer had purchased, and so forth. The essence of the information technology revolution and, in particular, the World Wide Web is the opportunity to build better relationships with customers than has been previously not possible in the offline world. By combining the abilities to respond directly to customer requests and to provide the customer with a highly interactive, customized experience, companies have a greater ability today to establish, nurture, and sustain long-term customer relationships than ever before. The ultimate goal is to transform these relationships into greater profitability by increasing repeat

\(^1\) Shani and Chalasani, Exploiting Niches Using Relationship Marketing, Journal of Consumer Marketing ISSN: 0736-3761
purchase rates and reducing customer acquisition costs. Indeed, this revolution in customer relationship management or CRM as it is called, has been referred to as the new “mantra” of marketing.

Companies like Siebel, E-piphany, Oracle, Broad vision, Net Perceptions, Kana and others have filled this CRM space with products that do everything from track customer behavior on the Web to predicting their future moves to sending direct e-mail communications. This has created a worldwide market for CRM products and services to great extent.

Figure: 1.1 The CRM Cycle

Source: www.marketingteacher.com

The need to better understand customer behavior and focus on those customers who can deliver long-term profits has changed how marketers view the world. Traditionally, marketers have been trained to acquire customers, either new ones who have not bought the product category before or those who are currently competitors’ customers. This has required heavy doses of mass advertising and price-oriented promotions to customers and channel members. Today, the tone of the conversation has changed from customer acquisition to retention. This requires a different mindset and a different and new set of tools. A good thought experiment for an executive audience is to ask them how much they spend and/or focus on acquisition versus retention activities. While it is difficult to perfectly distinguish the two activities from each other, the answer is usually that acquisition dominates retention. According to one industry view, CRM consists of:
• Helping an enterprise to enable its marketing departments to identify and target their best customers, manage marketing campaigns with clear goals and objectives, and generate quality leads for the sales team.

• Assisting the organization to improve telesales, account, and sales management by optimizing information shared by multiple employees, and streamlining existing processes (for example, taking orders using mobile devices).

• Allowing the formation of individualized relationships with customers, with the aim of improving customer satisfaction and maximizing profits; identifying the most profitable customers and providing them the highest level of service.

• Providing employees with the information and processes necessary to know their customers, understand their needs, and effectively build relationships between the company, its customer base, and distribution partners.

CRM--Customer Relationship Management--has entered the mainstream. Despite the uncertainty of the economy, CRM is being thrust into corporate budgets and talked about as a critical initiative by hundreds of Fortune 1,000 and tens of thousands of other companies. It has gone from being an important edge in the business world to a necessary tool for survival. The notion of the customer asking or queen is once again the rule. How you treat this is a mission-critical business issue. But, what is CRM and how does it change the way companies do business? The changes in the world have been so dynamic and so dramatic that the path is not necessarily all that obvious. How CRM impacts that business path is a continuing source of debate in the world of corporate management. Managing relationships with customers has become a critical organizational competency. Get winning strategies for acquiring and retaining customers by leveraging the latest advanced technologies.

The History of CRM

CRM originated in early 1970s when the business units had a manifestation that it would be advisable to become ‘customer emphatic’ rather than ‘product emphatic’. Birth of CRM was because of this heedful perceptiveness.

The famous writer and management consultant Peter Drucker wrote; ‘The true business of every company is to make and keep customers’. Traditionally every transaction was on paper and
dependent on goodwill which created hindrance in clutching customers. People used to work hard in entertaining customers by presenting new products with astonishing services; they were ready to work overtime for grasping more and more customers for increasing business. This too resulted in customer satisfaction and loyalty up to some extent, but at the end of the day there was no such bonding or relation between the two to carry on with future business smoothly.

Customer relationship management is a concept that became very popular during the 1990s. It offered long term changes and benefits to businesses that chose to use it. The reason for this is because it allowed companies to interact with their customers on a whole new level. While CRM is excellent in the long term, those who are looking for short term results may not see much progress.

One of the reasons for this is because it was difficult to effectively track customers and their purchases. It is also important to realize that large companies were responsible for processing tremendous amounts of data. This data needed to be updated on a consistent basis.

In the last few years, a number of changes have been made to Customer relationship management that has allowed it to advance. These capabilities have allowed CRM to become the system that was once envisioned by those who created it. However, the biggest problem with these newer systems is the price. A number of personalized Internet tools have been introduced to the market, and this have driven down the cost of competition. While this may be a bane for vendors who are selling expensive systems, it is a bonanza for small companies that would otherwise not be able to afford CRM programs. The foundation for CRM was laid during the 1980s.

During this time, it was referred to as being database marketing. The term "database marketing" was used to refer to the procedure of creating customer focus groups that could be used to speak to some of the customers of the company. The clients who were extremely valued were pivotal in communicating with the firm, but the process became quite repetitive, and the information that was collected via surveys did not give the company a great of information. Even though the company could collect data through surveys, they did not have efficient methods of processing and analyzing the information. As time went on, companies begin to realize that all they really needed was basic information. They needed to know what their customer purchased, how much
they spent, and what did with the products they purchased.

The 1990s saw the introduction of a number of advances in this system. It was during this time that term Customer relationship management was introduced. Unlike previous customer relationship systems, CRM was a dual system. Instead of merely gathering information for the purpose of using for their own benefit, companies started giving back to the customers they served. Many companies would begin giving their customers gifts in the form of discounts, perks, or even money. The companies believed that doing this would allow them to build a sense of loyalty in those who brought their products.

Customer relationship management is the system that is responsible for introducing things such as frequent flyer gifts and credit card points. Before CRM, this was rarely done. Customers would simply by from the company, and little was done to maintain their relationship. Before the introduction of CRM, many companies, especially those that were in the Fortune 500 category, didn't feel the need to cater to the company. In the minds of the executives, they have tremendous resources and could replaces customers whenever it became necessary. While this may have worked prior to the 1980s, the introduction of the Information Age allowed people to make better decisions about which companies they would buy from, and global competition made it easier for them to switch if they were not happy with the service they were getting.

The following table sums up all of the important events and milestones in the history of CRM applications and CRM market. It is possible to say that the breakthrough of SaaS started in 1999, when Salesforce.com entered the market. However as the dot-com bubble burst in 2001 the overall progress in the CRM field has slowed down for a while. First Open Source vendors were founded and cloud CRM and social CRM became the new buzzwords later on.

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<tr>
<th>Year/Period</th>
<th>Event</th>
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<tr>
<td>1986</td>
<td>The company Conductor Software was founded in Dallas, TX by Pat Sullivan and Mike Muhney. Their intention was to develop contact management software. They released their first product, ACT in 1987, which is recognized as the pioneering contact management application. Goldmine and other vendors followed suit with their own releases of contact management systems.</td>
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<tr>
<td>Early 1990s</td>
<td>As progress goes on, simple contact management evolves into sales force</td>
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automation (SFA), and other early innovators enter the market. These new systems automated standard processes for sales professionals to promote efficiency in tracking their leads, opportunities and deals, also called sales pipeline.

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<td>1993</td>
<td>New company Siebel Systems, which is later to become the dominant player, enters the market. Tom Siebel, who used to direct Oracle’s direct marketing division and created a program to streamline the sales process, is the founder. At first he tried to persuade Oracle CEO to give the internal application for sale but was not successful. Later on Siebel Systems was acquired by Oracle for $5.5bn.</td>
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<td>1995</td>
<td>The term &quot;customer relationship management&quot; (CRM) is coined as the term for front-office applications. Gartner is mostly credited with inventing it but some point to Tom Siebel or IBM. Other terms that were considered are CIS (customer information system), CIM (customer information management) and PIM (personal information manager), but it was CRM that had the upper hand after all.</td>
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<td>1997</td>
<td>ERP vendors start expanding to Front Office applications either via acquisitions or in-house development.</td>
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<td>1998</td>
<td>CRM is moving beyond just being only customer solution but it is turning into a broad based suite of sales, service and marketing functions. Even Siebel was forced by the market competition to acquire Scopus, adding leading call center technologies to Siebel’s traditional strength in sales automation solutions.</td>
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<td>1998</td>
<td>SAP seriously enters the CRM market by establishing SAP Labs as a unique research and development organization, which would focus solely on emerging application categories like CRM.</td>
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<td>1999</td>
<td>CRM goes mobile after Siebel releases Siebel Sales Handheld, one of the first mobile CRM applications. The following year, other major vendors such as Oracle, SAP and PeopleSoft released their own mobile applications. These early mobile applications were quite limited in functionality.</td>
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<tr>
<td>1999</td>
<td>Salesforce.com enters the scene as the first major player in the Software-as-a-Service (SaaS) CRM space. It launches in small San Francisco apartment, and</td>
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the “End of Software Revolution” begins.

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<tr>
<td>2001</td>
<td>The Dot-com bubble bursts and the CRM market retracts. Oracle experiences a loss in license revenues of over 25%. Even industry titan Siebel Systems is impacted, posting its first quarterly decline in revenue.</td>
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<td>2003</td>
<td>Integration With Legacy Systems picks up and gives vendors advantage. Microsoft enters the CRM market with the acquisition of Navision and release of Dynamics CRM.</td>
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<tr>
<td>2004</td>
<td>SugarCRM Becomes First Major Open Source CRM Vendor. It started its project on Sourceforge.org and was one of the first open-source enterprise applications.</td>
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<tr>
<td>2006</td>
<td>Amazon launched its EC2/S3, which was the very first widely accessible cloud computing infrastructure service. It allows small companies and individuals to rent computers (computer power) on which they can run their own computer applications.</td>
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<tr>
<td>2007</td>
<td>Salesforce.com launches Force.com, its cloud-based application development environment.</td>
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<tr>
<td>2008</td>
<td>Switch in Focus From Transaction to Interaction is evident with the arrival of social CRM.</td>
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<tr>
<td>2009</td>
<td>Many companies providing CRM solutions for small businesses are being founded: Base, OnePage CRM or Nutshell.</td>
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Today, CRM is still utilized most frequently by companies that rely heavily on two distinct features: customer service or technology. The three sectors of business that rely most heavily on CRM – and use it to great advantage -- are financial services, a variety of high tech corporations and the telecommunications industry. The financial services industry in particular tracks the level of client satisfaction and what customers are looking for in terms of changes and personalized features. They also track changes in investment habits and spending patterns as the economy shifts. Software specific to the industry can give financial service providers truly impressive feedback in these areas. In recent years however, several factors have contributed to the rapid development and evolution of CRM. These include: -
1. The growing de-intermediation process in many industries due to the advent of sophisticated computer and telecommunication technologies that allow producers to directly interact with end customers. For example, in many industries such as airlines, banks, insurance, software or household appliances and even consumables, the de-intermediation process is fast changing the nature of marketing and consequently making relationship marketing more popular. Databases and direct marketing tools give them the means to individualize their marketing efforts.

2. Advances in information technology, networking and manufacturing technology have helped companies to quickly match competition. As a result, product quality and cost are no longer significant competitive advantages.

3. The growth in service economy. Since services are typically produced and delivered at the same institution, it minimizes the role of the middlemen.

4. Another force driving the adoption of CRM has been the total quality movement. When companies embraced TQM it became necessary to involve customers and suppliers in implementing the program at all levels of the value chain. This needed close working relationships with the customers. Thus, several companies such as Motorola, IBM, General Motors, Xerox, Ford, Toyota, etc. formed partnering relations with suppliers and customers to practice TQM. Other programs such as JIT and MRP also made use of interdependent relationships between suppliers and customers.

5. Customer expectations are changing almost on a daily basis. Newly empowered customers, who choose, how to communicate with the companies’ various available channels? Also nowadays consumers expect a high degree of personalization.

6. Emerging real time, interactive channels including e-mail, ATMs and call centre that must be synchronized with customer’s non-electronic activities. The speed of business change, requiring flexibility and rapid adoption to technologies.

7. In the current era of hyper competition, marketers are forced to be more concerned with customer retention and customer loyalty.
8. As several researches have found out retaining customers is less expensive and more sustainable competitive advantage than acquiring new ones.

9. On the supply side it pays more to develop closer relationships with a few suppliers than to develop more vendors.

10. The globalization of world marketplace makes it necessary to have global account management for the customers.

**Architecture of CRM**

There are three parts of application architecture of CRM:

1. Operational - automation to the basic business processes (marketing, sales, service)

2. Analytical - support to analyze customer behavior, implements business intelligence alike technology

3. Collaborative - ensures the contact with customers (phone, email, fax, web, SMS)

**Figure 1.2: Architecture of the general CRM system.**

Source: http://www.fidis.net
1. Operational CRM

Operational CRM means supporting the "front office" business processes, which include customer contact (sales, marketing and service). Tasks resulting from these processes are forwarded to resources responsible for them, as well as the information necessary for carrying out the tasks and interfaces to back-end applications are being provided and activities with customers are being documented for further reference. Operational CRM provides the following benefits:

- Delivers personalized and efficient marketing, sales, and service through multi-channel collaboration.
- Enables a 360-degree view of your customer while you are interacting with them.
- Sales people and service engineers can access complete history of all customer interaction with your company, regardless of the touch point.

The operational part of CRM typically involves three general areas of business:

- **Sales force automation (SFA)**: SFA automates some of the company's critical sales and sales force management functions, for example, lead/account management, contact management, quote management, forecasting, sales administration, keeping track of customer preferences, buying habits, and demographics, as well as performance management. SFA tools are designed to improve field sales productivity. Key infrastructure requirements of SFA are mobile synchronization and integrated product configuration.

- **Customer service and support (CSS)**: CSS automates some service requests, complaints, product returns, and information requests. Traditional internal help desk and traditional inbound call-centers support for customer inquiries are now evolved into the "customer interaction center" (CIC), using multiple channels (Web, phone / fax, face-to-face, kiosk, etc). Key infrastructure requirements of CSS include computer telephony integration (CTI) which provides high volume processing capability, and reliability.

- **Enterprise marketing automation (EMA)**: EMA provides information about the business environment, including competitors, industry trends, and macro-environmental variables. It is the execution side of campaign and lead management. The intent of EMA applications is to improve marketing campaign efficiencies.
Functions include demographic analysis, variable segmentation, and predictive modeling on the analytical (Business Intelligence) side. Integrated CRM software is often also known as "front office solutions." This is because they deal directly with the customer. Many call centers use CRM software to store all of their customer's details. When a customer calls, the system can be used to retrieve and store information relevant to the customer. By serving the customer quickly and efficiently, and also keeping all information of a customer in one place, a company aims to make cost savings, and also encourage new customers. CRM solutions can also be used to allow customers to perform their own service via a variety of communication channels. For example, you might be able to check your bank balance via your WAP phone without ever having to talk to a person, saving money for the company, and saving your time.
2. Analytical CRM

In analytical CRM, data gathered within operational CRM and/or other sources are analyzed to segment customers or to identify potential to enhance client relationship. Customer analysis typically can lead to targeted campaigns to increase share of customer's wallet. Examples of Campaigns directed towards customers are:

- Acquisition: Cross-sell, up-sell
- Retention: Retaining customers who leave due to maturity or attrition.
- Information: Providing timely and regular information to customers.
- Modification: Altering details of the transactional nature of the customers' relationship.

Analysis typically covers but is not limited to:

- Decision support: Dashboards, reporting, metrics, performance etc.
- Predictive modeling of customer attributes

Strategy and Research Analysis of Customer data may relate to one or more of the following analyses:

- Contact channel optimization
- Contact Optimization
- Customer Acquisition / Reactivation / Retention
- Customer Segmentation
- Customer Satisfaction Measurement / Increase
- Sales Coverage Optimization
- Fraud Detection and analysis
- Financial Forecasts
- Pricing Optimization
- Product Development
- Program Evaluation
- Risk Assessment and Management.
Data collection and analysis is viewed as a continuing and iterative process. Ideally, business decisions are refined over time, based on feedback from earlier analysis and decisions. Therefore, most successful analytical CRM projects take advantage of a data warehouse to provide suitable data. Business Intelligence is a related discipline offering some more functionality as separate application software.

3. Collaborative CRM

Collaborative CRM facilitates interactions with customers through all channels (personal, letter, fax, phone, web, e-mail) and supports co-ordination of employee teams and channels. It is a solution that brings people, processes and data together so companies can better serve and retain their customers. The data/activities can be structured, unstructured, conversational and/or transactional in nature. Collaborative CRM provides the following benefits:

- Enable efficient productive customer interactions across all communications channels
- Enables web collaboration to reduce customer service costs
- Integrates call centers enabling multi-channel persona customer interaction
- Integrates view of the customer while interaction at the transaction level

**Figure 1.5: Enterprise Workflow Architecture**

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**CRM PRINCIPLES**

The main principles of CRM can be grouped into seven guiding factors:

1. **Customer focus**

   The first and foremost important guiding principle in CRM is customer focus. Who is a customer? This question is very fundamental. A customer is a person or group of persons who
receives the product or service—the final output of a process or group of processes. A customer is the final arbiter of quality, value and price of a product or service. A satisfied customer only assigns value to a service, on the contrary, to a dissatisfied customer a product or service has no value, even if the concerned service or product has been designed with lot of effort, energy and cost after a thorough planning.

A satisfied customer motivates his fellow members to go in for the service or product that he has already acquired. But a dissatisfied customer always counsels his friends, and fellow members not to go to banks where his experience proved to be wrong or other-wise. So customer’s delight or customer’s satisfaction is the essence of any CRM program. As a part of this focus on customers, banks should ensure that clients are identified; their requirements are determined, understood and met enhancing customers’ satisfaction.

The main thrust of CRM is to improve an organization’s efficiency, economy and effectiveness through reduction of sales cycle times and selling costs, identification of new markets and channels for expansion, improvement of customer value, satisfaction, retention and thereby increasing profitability and market share of the enterprise. \(^2\) Successful CRM 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. There must be total commitment for the enterprise towards this end.

2. **Leadership**

Persuasion, judgment and decision-making abilities are the main attributes of quality leadership. When there is a slight chance of getting a business but the client is hesitating or in a fix, or not in a position to decide properly, it should be followed up by the relationship manager by patient hearing, mild counseling and to stand by the side of the prospective client to help clear his doubts and to make him feel happy by realizing that he is going in the right direction and he is very right in choosing his requirements.

The following points may be found helpful in this regard:

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\(^2\) Chakrabarty P K, Customers Relationship Management– A new mantra in Indian banking, Chief Finance Manager with Bharat Cooking Coal Limited, Business & Finance 2006
(a) It is to be communicated to all employees that all customers should be given a proper hearing and it should be supported from all levels.

(b) Ways and means should be identified and practiced of getting and staying closer to customers.

(c) Proper respect should be extended to the customers. All relevant information should be collected from them with humble and polite approach. Proper value should be given to their feedback.

(d) There should be proper re-action to the information and feedback provided by the customers in designing, developing and providing desired products at affordable cost.

3. Process approach

A process transforms an input into desired output by the use of resources, energies and time. In producing an output there may one single process or a group of inter-related processes. In case of inter-related processes, often the output from one process directly forms the input to the next. For effective functioning of an organization, it has to identify and manage numerous linked activities with the help of different processes for accomplishing its goal.

Proper attention should be given to the following points:

(a) All processes should be designed keeping in view the requirements and desires of the customers, within the policy, resource availability, strategy of the company.

(b) All processes should meet the legal and statutory requirements to perform the activity or deliver the product or service.

(c) Time involved in processing should be minimum with least waiting time to the customers. If required delegation of authority and assignment of accountability at various executive levels should be addressed, revised and fine-tuned to meet the requirements.

(d) All the processes should be properly integrated to meet the goal congruence and should not function at cross-purpose.
(e) There should be an built control mechanism for ease of measuring, reviewing and taking corrective action.

4. System approach

Customer’s requirement is one level of commitment. That level implies a system that is reactive and provides to customers what they want but the target should be to achieve more and to exceed the customer’s expectation to accommodate future requirement and to build a cushion against the competitors’ attributes.

CRM denotes the management of the entire system and is not confined to only one or the other sub-systems or functional departments. CRM is based on a system approach to management. Its primary objective is to increase value to customers on a continuous basis by designing and improving organizational processes and systems on an ongoing basis. Meeting each sub-system may have its own goal but the goal and objectives of all sub-systems are to be integrated to achieve the overall goal.

There may be one sub-system to acknowledge the customer’s order, a separate one to deliver the product within the delivery schedule, another sub-system to comply with the complaints of the customers etc, but all directed to accomplish the goal—value to the customers. The total system as a whole should decide what product to make or what service to offer, what should be the quality involved, what should be the price, what markets and customers to target upon and similar other issues.

5. Involvement of people

The fundamentals of CRM bear the genes of customer relationship through involvement of people, i.e., the work-force at the disposal of the organization. The whole gamut of CRM is for the people, of the people and by the people. People involvement at all levels is essential for the success of a CRM program. The bank managers and staff must be in a position to exploit the concept of customer relationship completely.

Customer relation may be defined as that dimension of relationship marketing that seeks and ensures customer loyalty by fulfilling promises and continuing to satisfy customer’s wants
and needs so that defection is zero. It comprises of three levels of relationships; financial relationship, social relationship and structural relationship.

The main focus of financial relationship is frequency marketing programs based on financial incentives such as reduction of processing fees, lower rate of commitment charges, organization of loan mela on special occasions etc. A social relationship program revolves round a social bonding between company and its customers and establish brand loyalty. Bankers, nowadays, make house calls, offer different services outside their for-mal activities, share the feelings and emotions of clients and even send clients flowers on birthdays and anniversaries. A marketing relation with the middleman and interested groups is developed in an in-side-out manner mainly based on software, which would help in data warehousing, data mining and data analysis. The optimization of structural relationship lies in the replacement of physical resources by total service replacement.

6. Mutually beneficial customer relationship

The relationship with the customer should be based on a mutually beneficial relation-ship. A bank should not concentrate its attention towards earning of profits only, but focus should be directed to the customers’ wealth creation or value enhancement with the motto of earning through service.

As an example we can talk of a savings account that’s ‘fixed up’ to give you more interest. It ensures that any balance in your savings account above a certain amount, say, Rs 3,000 automatically gets transferred to a fixed deposit to give you higher returns, which will be swept back into your savings account, when you need it.

Sometimes, other benefits are also extended, such as, free personal accident insurance coverage along with fixed deposit scheme above a certain amount and above a certain term. Banks are no more restricting their activities to deposit and advances; rather they work with the mot-to of offering ‘Integrated Total Package Solutions to all needs of a customer. Banks have gone to the extent of booking cinema tickets, paying utility bills, school fees etc. for the ease of their clients who are very busy and do not find time for such work. Many of such activities are
not profitable in terms of time and efforts spend by the bank. But banks are carrying out such services for mutual benefits, which pays in the long run.

Retention of customers and building a long lasting relationship is the main criteria under this concept.

7. Continual improvement

Another objective of CRM is the efforts towards continuous improvement in the customer relationship through the provision of value added ser-vices at favorable cost. Business processes in the areas of finance, system integration, human resource management etc. are to be automated and optimized with an aim to increase the efficiency and effectiveness of operations.

The most effective way of improvement lies in innovation and change management. Today’s successful organizations must stimulate and foster innovation and master the art of change. Organizations that maintain their flexibility, spontaneity and unpredictability, continually improve their quality and, beat their competitors to the market place with a constant stream of innovative products and services, will be the winners.

The major areas to be targeted are:

(i) Improving the effectiveness of marketing.

(ii) Implementing multichannel trigger driven marketing.

(iii) Implementing a strategic analysis capability to support strategic decision making.

(iv) The ability to deliver the increasing levels service demanded by customers.

Building a transparent communication system and employee participation to better define the needs of the customers and deliver the right services and products.

GOALS OF CRM

Implementing customer relationship management can be a costly undertaking. Organizations spend a lot of money scrutinizing vendors, buying the right CRM software, hiring, consultant, training employees, etc. The only way in which a company can actually measure its
success is if it establishes CRM goals prior to the implementation as in this way it is able to determine whether or not it has successfully implemented CRM. Despite the fact that industries have different business aspects they share some common CRM goals.

Some of the Commonly Established CRM Objectives are as follows:

1) Increase in Customer Service:

   Establishing customer loyalty as one of your top CRM goals is absolutely fundamental to CRM successful implementation. For this task it is essential that the whole organization realize that they play a part in this goal. This objective cannot be achieved with the help of a few employees only. Customers need to feel that they have received excellent service. This ensures their continued patronage. This is by far one of the most essential goals of customer relationship management. Customer retention and brand loyalty is absolutely essential to ensure success. Undoubtedly it is far harder to gain a new customer than to actually keep one. Customer service is the pivotal point around which CRM revolves.

2) Increasing Efficiency:

   One of the most important goals of CRM is the increase in organization efficiency and effectiveness. This is almost always adopted by every organization. It is necessitated by the fact that increase in efficiency is required to boost success. CRM achieves this through cost reduction and customer retention. Adequate CRM training achieves this goal.

3) Lowering Operating Costs:

   CRM goals also include the reduction of costs of operation. This goal should be clearly established and conveyed to all those involved in the CRM implementation process. CRM manages to reduce operating costs through a workforce management system. This helps to maximize skills and thus reduce cost. These reduced costs enable an organization to achieve greater efficiency. If cost reduction is management's objective then the CRM implementation should be carried out in such a way that this is achieved. Throughout the process maximum reduction in costs should be adhered to in order to meet this particular CRM goal.
4) Aiding the Marketing Department:

Another goal of CRM is generally aiding the marketing department in all its efforts. This includes marketing campaigns, sales promotions etc. If this is fixated as one of the goals of CRM, then it should be communicated to those involved. This goal is fundamental as it boosts sales indirectly thereby increasing the profitability.

Recent Trends & Technologies in CRM

SALES FORCE AUTOMATION
Sales force automation (SFA) uses software to streamline the sales process. The core of SFA is a contact management system for tracking and recording every stage in the sales process for each prospective client, from initial contact to final disposition. Many SFA applications also include insights into opportunities, territories, sales forecasts and work flow automation.

MARKETING
CRM systems for marketing track and measure campaigns over multiple channels, such as email, search, social media, telephone and direct mail. These systems track clicks, responses, leads and deals.

CUSTOMER SERVICE AND SUPPORT
CRMs can be used to create, assign and manage requests made by customers, such as call center software which help direct customers to agents. CRM software can also be used to identify and reward loyal customers.

APPOINTMENTS
Appointment CRMs automatically provide suitable appointment times to customers via e-mail or the web, which are then synchronized with the representative or agent's calendar.

SMALL BUSINESS
For small businesses a CRM may simply consist of a contact manager system which integrates emails, documents, jobs, faxes, and scheduling for individual accounts. CRMs available for
specific markets for professional markets (legal, finance) are frequently touted for their event management and relationship tracking opposed to financial return on investment (ROI).

**SOCIAL MEDIA**
Some CRMs coordinate with social media sites like Twitter, LinkedIn, Facebook and Google Plus to track and communicate with customers who share opinions and experiences about their company, products and services.

**NON-PROFIT AND MEMBERSHIP-BASED**
Systems for non-profit and membership-based organizations help track constituents, fund-raising, demographics, membership levels, membership directories, volunteering and communications with individuals.

**ADOPTION ISSUES**
In 2003, a Gartner report estimated that more than $1 billion had been spent on software that was not being used. According to KEN Insights, less than 40 percent of 1,275 participating companies had end-user adoption rates above 90 percent. Many corporations only use CRM systems on a partial or fragmented basis. In a 2007 survey from the UK, four-fifths of senior executives reported that their biggest challenge is getting their staff to use the systems they had installed. 43 percent of respondents said they use less than half the functionality of their existing system.

**MARKET LEADERS**
The CRM market grew by 12.5 percent in 2008, from revenue of $8.13 billion in 2007 to $9.15 billion in 2008. The following table lists the top vendors globally published in Gartner studies.

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³ Gartner is the world's leading information technology research and advisory company.
⁴ Ken Research is the global publisher of market intelligence and equity research reports, based in India.
Figure 1.6: CRM software spending

![Worldwide CRM Software Spending By Vendor, 2012](image)

**Source**: Gartner studies, 2012.

Figure 1.7: Top 10 CRM Vendors

| Top 10 CRM Software Vendors, Worldwide by Total Software Revenue Worldwide, 2009-2011 (Millions of Dollars) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | SAP | 1,867.3 | 5,006.5 | 5,304.8 | 18.9 | 19.3 | 7.1 | 18.5 |
| 2 | Salesforce.com | 1,022.8 | 1,480.4 | 2,006.6 | 16.6 | 16.7 | 14.9 | 26.9 |
| 3 | Oracle | 1,166.5 | 1,470.3 | 1,916.2 | 12.9 | 16.0 | 20.6 | 9.7 |
| 4 | Microsoft | 340.1 | 451.1 | 493.0 | 8.5 | 8.6 | 11.8 | 13.6 |
| 5 | IBM | 390.8 | 408.5 | 431.1 | 5.0 | 5.6 | 4.8 | 9.3 |
| 6 | Adobe | 26.2 | 310.4 | 429.0 | 2.9 | 3.6 | 1,000.0 | 2.2 |
| 7 | Intuit | 351.7 | 355.1 | 366.4 | 4.1 | 4.1 | 8.1 | 9.8 |
| 8 | SAS Institute | 135.5 | 223.1 | 314.8 | 2.1 | 2.0 | 41.9 | 12.2 |
| 9 | Cognos | 107.8 | 118.7 | 150.8 | 1.1 | 1.5 | 1.8 | 6.7 |
| 10 | RightNow Technologies | 115.6 | 147.4 | 167.3 | 1.7 | 1.6 | 14.9 | 27.1 |
| Others | 9,458.6 | 3,956.7 | 5,883.3 | 77.7 | 51.0 | 5.0 | -1.7 |
| Total CRM Market | 9,285.6 | 10,003.2 | 12,016.4 | 100.0 | 100.0 | 14.2 | 13.1 |

**Source**: Gartner, May 2012.
TRENDS

Many CRM vendors offer subscription-based web tools (cloud computing) and software as a service (SaaS). Some CRM systems are equipped with mobile capabilities, making information accessible to remote sales staff.[citation needed] Salesforce.com was the first company to provide enterprise applications through a web browser, and has maintained its leadership position. Traditional providers have recently moved into the cloud-based market via acquisitions of smaller providers: Oracle purchased Right Now in October 2011 and SAP acquired Success Factors in December 2011.

The era of the "social customer" refers to the use of social media (Twitter, Facebook, Linked In, Google Plus, Yelp, customer reviews in Amazon, etc.) by customers. CRM philosophy and strategy has shifted to encompass social networks and user communities.

Another related development is vendor relationship management, or VRM which provide tools and services for customers to independently manage their relationship with vendors. VRM development has grown out of efforts by Project VRM at Harvard's Berkman Center for Internet & Society and Identity Commons’ Internet Identity Workshops, as well as by a growing number of startups and established companies. VRM was the subject of a cover story in the May 2010 issue of CRM Magazine.

In 2001, Doug Laney developed the concept and coined the term 'Extended Relationship Management' (XRM). Laney defines XRM as extending CRM disciplines to secondary allies such as government, press, and industry consortia.

CRM futurist Dennison DeGregor describes a shift from 'push CRM' toward a 'customer transparency' (CT) model, due to the increased proliferation of channels, devices, and social media.

AUTOMATED CUSTOMER SERVICE

Customer service may be provided by a person (e.g., sales and service representative), or by automated means. Examples of automated means are Internet sites. An advantage with
automated means is an increased ability to provide service 24-hours a day, which can, at least, be a complement to customer service by persons.

Another example of automated customer service is by touch-tone phone, which usually involves a main menu, and the use of the keypad as options.

However, in the Internet era, a challenge has been to maintain and/or enhance the personal experience while making use of the efficiencies of online commerce. "Online customers are literally invisible to you (and you to them), so it's easy to shortchange them emotionally. But this lack of visual and tactile presence makes it even more crucial to create a sense of personal, human-to-human connection in the online arena."

Automated means can be based entirely on self service, but may also be based on service by more or less means of artificial intelligence.

Examples of customer service by artificial means are automated online assistants that can be seen as avatars on websites. It can avail for enterprises to reduce their operating and training cost. These are driven by chatterbots, and a major underlying technology to such systems is natural language processing.

INSTANT FEEDBACK

Recently, many organizations have implemented feedback loops that allow them to capture feedback at the point of experience. For example, National Express, one of the UK's leading travel companies, has invited passengers to send text messages whilst riding the bus. This has been shown to be useful, as it allows companies to improve their customer service before the customer defects, thus making it far more likely that the customer will return next time. Technology has made it increasingly easier for companies to obtain feedback from their customers. Community blogs and forums give customers the ability to give detailed explanations of both negative as well as positive experiences with a company/organization.

A challenge in working with customer service, is to ensure that you have focused your attention on the right key areas, measured by the right Key Performance Indicator. There is no challenge to come up with a lot of meaningful KPIs, but the challenge is to select a few which reflects your overall strategy. In addition to reflecting your strategy it should also enable staff to limit their focus to the areas that really matter. The focus must be of those KPIs, which will deliver the
most value to the overall objective, e.g. cost saving, service improving etc. It must also be done in such a way that staff sincerely believe that they can make a difference with the effort. One of the most important aspects of a customer service KPI is that of what is often referred to as the "Feel Good Factor." Basically the goal is to not only help the customer have a good experience, but to offer them an experience that exceeds their expectations. Several key points are listed as follows:

1. Know your product – Know what products/service you are offering back to front. In other words, be an information expert. It is okay to say "I don't know," but it should always be followed up by "but let me find out" or possibly "but my friend knows!" Whatever the situation may be, make sure that you don't leave your customer with an unanswered question.

2. Body Language/Communication – Most of the communication that we relay to others is done through body language. If we have a negative body language when we interact with others, it shows that we don't care. Two of the most important aspects of positive body language are smiling and eye contact. Make sure to look your customers in the eye. It shows that we are listening to them and hearing what they are saying. And of course smiling is more inviting than a blank look or frown.

3. Anticipate Guest Needs – Nothing surprises your customer more than an employee going the extra mile to help them. Always look for ways to go above and beyond the expectations of your customer. In doing so, it helps them to know that you care and it will leave them with a "Feel Good Factor" that we are searching for.

**CONTACT MANAGER**

A contact manager is a software program that enables users to easily store and find contact information, such as names, addresses and telephone numbers. They are contact-centric databases that provide a fully integrated approach to tracking of all information and communication activities linked to contacts. Sophisticated contact managers provide calendar sharing features and allow several people in a company to access the same database.
**BENEFITS**

A contact management system (CMS) may be chosen because it is thought to provide the following advantages:

- Centralized repository of contact information
- Ready to use database with searching
- Sales tracking
- Email integration
- Scheduling of appointments and meetings
- Document management
- Notes and conversation management
- Customizable fields
- Drip marketing
- Import/export utility

**DIFFERENCES FROM CUSTOMER RELATIONSHIP MANAGEMENT**

A contact manager is usually used for instances where the sales interaction model of the organization is a one-to-many interaction model, in which a single sales representative is responsible for multiple roles within a company. Alternatively, a company with a many-to-many interaction model, in which many sales representatives are targeting a single job role, a customer relationship management (CRM) system is preferred.

CRM's usually extend the features of a contact management solution into a more comprehensive record of all interactions as now many people need to collaborate on the same information.

**CURRENT MARKET TRENDS**

The current trend is an integrated CMS and CRM solutions that can provide both one-to-one and many-to-many capabilities. It can allow a user to have their own contact list and manage their contacts, while at the same time provide complete collaboration options. These are the optimal solutions as they provide a SMB or SOHO the option to grow without having to upgrade to a CRM later on.
DATA MINING AS A CRM TOOL

The first analytical step in data mining data description— for example, summary of statistical attributes (such as means and standard deviations), may represented by using charts and graphs, and look at the distribution of values of the fields in your data.

One needs to build a predictive model based on patterns determined from known results, and then test that model on results outside the original sample. A good model should never be confused with reality, but it can be a useful guide to understanding the business.

Data mining can be used for both classification and regression problems. In classification problems you're predicting what category something will fall into—for example, whether a person will be a good credit risk or not, or which of several offers someone is most likely to accept. In regression problems is like predicting a number such as the probability that a person will respond to an offer.

In CRM, data mining is frequently used to assign a score to a particular customer or prospect indicating the likelihood that the individual will behave in the way organization wants. For example, a score could measure the propensity to respond to a particular offer or to switch to a competitor's product. It is also frequently used to identify a set of attributes (called a profile) that segments customers into groups with similar behaviors, such as buying a particular product.

A special type of classification can recommend items based on similar interests held by groups of customers. This is sometimes called collaborative filtering.

There are some basic steps of data mining for CRM analytics:

1. **Defining the business problem.** Each CRM application will have one or more business objectives for which you will need to build the appropriate model. Depending on your specific goal, such as "increasing the response rate" or "increasing the value of a response," you will build a very different model. An effective statement of the problem will include a way of measuring the results of your CRM project.
2. **Building a marketing database.** To build the marketing database, the data cleaning up process is required for building good models. The data needed may reside in multiple data resources such as the customer database, product database, and usage databases. This means integrate and consolidate the data into a single marketing database and reconcile differences in data values from the heterogeneous sources. There are often large differences in the way data is defined and used in different databases. Some inconsistencies may be easy to uncover, such as different addresses for the same customer. Making it more difficult to resolve these problems is that they are often subtle. For example, the same customer may have different names or multiple customer identification numbers may exist.
3. Exploring the data. Before building good predictive models, one must understand the consolidated data. Graphing and visualization tools are a vital aid in data preparation, and their importance to effective data analysis cannot be overemphasized. Data visualization most often provides good insights. Some of the common and very useful graphical displays of data are histograms or box plots that display distributions of values. Some may also want to look at scatter plots in two or three dimensions of different pairs of variables. The ability to add a third, overlay variable greatly increases the usefulness of some types of graphs.

4. Preparing data for modeling. This is the final data preparation step before building models and the step where the most "art" comes in. There are four main parts to this step: First select the variables on which to build the model. Ideally, take all the variables, feed them to the data mining tool and let it find those which are the best predictors. The next step is to construct new predictors derived from the raw data. For example, forecasting credit risk using a debt-to income ratio rather than just debt and income as predictor variables may yield more accurate results that are also easier to understand. Next decide to select a subset or sample of data to build predictive models. If there is lot of data, however, using all data may take too long or require buying a bigger computer than you would like. Working with a properly selected random sample usually results in no loss of information for most CRM problems. Given a choice of either investigating a few models built on all the data or investigating more models built on a sample, the latter approach will usually help to develop a more accurate and robust model of the problem. Last, transform variables in accordance with the requirements of the algorithm for building the model.

5. Building Data mining model. The most important thing to remember about model building is that it is an iterative process. Explore alternative models to find the one that is most useful in solving business problem. Most CRM applications are based on a protocol called supervised learning. Start with customer information for which the desired outcome is already known. For example, use historical data because previously mailed to a list very similar to the contemporary one. Or conduct a test mailing to determine how people will respond to an offer. Then split this data into two groups.
On the first group train or estimate the model. Then test it on the remainder of the data. A model is built when the cycle of training and testing is completed.

6. **Evaluating results:** Perhaps the most overrated metric for evaluating results is accuracy. Suppose an offer to which only 1% of the people will respond. A model that predicts "nobody will respond" is 99% accurate and 100% useless. Another measure that is frequently used is lift. Lift measure the improvement achieved by a predictive model. However, lift does not take into account cost and revenue, so it is often preferable to look at profit or ROI.

7. **Incorporating data mining in CRM solution:** In building a CRM application, data mining is often only a small, albeit critical, part of the product. For example, predictive patterns through data mining may be combined with the knowledge of domain experts and incorporated in a large application used by many different kinds of people. The way data mining is actually built into the application is determined by the nature of the customer interaction. There are two main ways of interactions with the customers' i.e. inbound or outbound interactions. The deployment requirements are quite different.

**REASONS FOR SLOW ADOPTION OF CRM IN INDIA**

1. Lack of awareness: Both public sector banks as well as private sector bankers quoted this one of the primary reasons for the slow adoption of CRM in India. This reason was common across all industrial sectors.

2. Old legacy system: The public sector banks quoted this as another reason for the slow adoption of CRM in India. However, the private sector banks didn’t agree on this viewpoint as they are already employing modern legacy systems.

3. Companies have appropriate technologies and system to gather useful information about their customers but are not using together and use the information to serve them better: Both public sector banks as well as private sector bankers quoted this one of the main reasons for the slow adoption of CRM in India. This reason was also common across all industrial sectors.

4. Lack of customer centric mindset: The public sector banks quoted this as another reason for the slow adoption of CRM in India. However, the private sector banks didn’t agree on this opinion as they are already practicing customer service programs with the customer in mind all the time. Some public sector banks are also following the trends set
by the private sector banks on customer care.

5. Complete and comprehensive CRM solutions are high end – which only top companies can afford: Both public sector banks as well as private sector bankers voted against this reason for the slow adoption of CRM in India as there are lot of players in the Indian CRM market who cater to the SME’s and also offer small customized CRM packages to suit individual requirements, preferences and needs. This reason was common across all industrial sectors as ASPs cater to this segment effectively.

6. CRM technologies are heavily dependent on penetration of telecommunication, which is relatively low in India: Both public sector banks as well as private sector bankers quoted this one of the main reasons for the slow adoption of CRM in India. This reason was common across all industrial sectors.

7. Companies do not have databases, which are must for CRM: The public sector banks quoted this as another reason for the slow adoption of CRM in India. However, the private sector banks didn’t agree on this viewpoint as they are already using databases for storage of customer information, tracking customer history and transaction details.

8. CRM is seen in India as a technology tool rather than strategic tool: The public sector banks quoted this as another reason for the slow adoption of CRM in India. However, the private sector banks didn’t agree on this opinion as they view CRM more as a strategic decision making tool rather than merely an technological tool.

9. Lack of technology savvyness: Both public sector banks as well as private sector bankers quoted this one of the vital reasons for the slow adoption of CRM in India. This reason was common across all industrial sectors.

10. More adoption time, lack of education for customer focus: The public sector banks quoted this as another reason for the slow adoption of CRM in India. However, the private sector banks didn’t agree on this opinion as they have already implemented CRM programs in the requisite time. Also customer focus in practiced more inherently as an educational practice in the private sector banks.

11. Lack of data to implement: The public sector banks quoted this as another reason for the slow adoption of CRM in India. However, the private sector banks didn’t agree on this opinion as they have proper databases in place with all the customer history and details. Some public
sector banks are also following the trends set by the private sector banks by employing data mining tools.

12. Focus is only on internal efficiency: The public sector banks quoted this as another reason for the slow adoption of CRM in India. However, the private sector banks didn’t agree on this viewpoint. The industries in the service sector like insurance, hotel, media, advertising, software and consulting showed a similar pattern to that of the practices being followed and preached by the private sector banks whereas the other industries showed a pattern similar to that of the public sector banks.

**History of Global Banking**

Traces of banking can be found in the early history of Egypt, Babylonia, and Greece. The temples at these places practiced the early form of banking in the form of approving loans. These temples provided gold and silver which were deposited for safekeeping, as loans to the borrowers and charged high interest rates on those items. The private banking which was started in 600 B.C. was modified by the Greeks, Romans and Byzantines. Medieval banking was leaded mainly by the Jews and Levantine.

Next, emerged some particular purpose oriented banks like the Bank of Venice (1171) and the Bank of England, which looked after the loans to the government, and the Bank of Amsterdam (1694) was formed to receive the gold and silver deposits. With the development in the business sector, the banking sector also developed proportionately and the eighteenth and nineteenth century experienced the rapid growth in this sector.

Elite banking families – including the Rockefellers, Rothschilds, and Morgans – have gained control of the global economy through the central banking system. They set up the Federal Reserve in the US in 1913 and have been manipulating the market to benefit themselves ever since. This timeline shows the pattern of American Presidents being assassinated after challenging central bankers and their monopoly on money, and the Federal Reserve’s artificial creation of booms and busts that causes people to lose their jobs, homes, and retirements, while the bankers further consolidate wealth and control.

**1694 – Bank of England Established**
First Central Bank established in the UK. Served as model for most modern central banks.

1757- Colonial Scrip Issued in US

Debt free, fiat currency was printed in the public interest. As Benjamin Franklin said,

“In the colonies we issue our own money. It is called colonial scrip. We issue it in proper proportion to the demands of trade and industry to make the products pass easily from the producers to the consumers. In this manner, creating for ourselves our own paper money, we control its purchasing power and we have no interest to pay no one.”

1791 – Congress Creates the First US Bank – A Private Company, Partly Owned by Foreigners – to Handle the Financial Needs of the New Central Government

1816 – The Privately Owned Second Bank of the US was Chartered – It Served as the Main Depository for Government Revenue, Making it a Highly Profitable Bank

1837-1843 – Terrible Depression

343 of the 850 banks in the US closed entirely as largest banks consolidated wealth and power.

1862-1863 Lincoln Over Rules Debt-Based Money and Issues Greenbacks to Fund the War

1907- Banking Panic of 1907

The New York Stock Exchange dropped dramatically as everyone tried to get their money out of the banks at the same time across the nation. This banking panic spurred debate for banking reform. JP Morgan and others gathered to create an image of concern and stability in the face of the panic, which eventually led to the formation of the Federal Reserve. The founders of the Federal Reserve pretended like the bankers were opposed to the idea of its formation in order to mislead the public into believing that the Federal Reserve would help to regulate bankers when in fact it really gave even more power to private bankers, but in a less transparent way.

1908 – JP Morgan Associate and Rockefeller Relative Nelson Aldrich Heads New National Monetary Commission
Dec 23, 1913 – Federal Reserve Act Passed

Two days before Christmas, while many members of Congress were away on vacation, the Federal Reserve Act was passed, creating the Central banking system we have today. It was based on the Aldrich plan drafted on Jekyll Island and gave private bankers supreme authority over the economy. They are now able to create money out of nothing (and loan it out at interest), make decisions without government approval, and control the amount of money in circulation.

November 1914 – Federal Reserve Banks Open

1921-1929 – The “Roaring 20’s” – The Federal Reserve Floods the Economy with Cash and Credit

From 1921 to 1929 the Federal Reserve increased the money supply by $28 billion, almost a 62% increase over an eight-year period. This artificially created another “boom”.

1930- Great Depression Begins

1999 – The Financial Services Modernization Act Allows Banks to Grow Even Larger

Many economists and politicians have recognized that this legislation played a key part in the subprime mortgage crisis of 2007. It repealed part of the Glass-Steagall Act of 1933 and allowed investment banks, commercial banks, securities firms, and insurance companies to merge. Citigroup was a major proponent of this particular bill (it had already merged with Travelers Insurance and needed to find a way to legally keep the corporation together). The government gave Citi officials the opportunity to review and approve drafts before the legislation was introduced and to modify it as they desired. Robert Rubin, Treasury Secretary at the time, helped move the bill forward in early 1999. He then stepped down from the Treasury position in July, joined CitiGroup in October, and the bill was passed in November. The Center for Responsive Politics also found that members of Congress who supported the bill received twice as much money from the banking sector than those who opposed it.

2007-2010 – Worst Financial Crisis Since the Great Depression
The financial crisis impacted people around the world – millions lost their homes, jobs, and retirement funds. Many of the smaller banks were absorbed by others, which allowed the biggest banks to further consolidate wealth and eliminate competition.

**Indian Banking Sector**

Banking is the heart of India's financial services sector. The banking industry has undergone numerous changes over the past few years to be at par with international banking norms and standards. While the banks' motive has shifted from social banking to profit banking, dependence on ledgers, documents, cheques and slips has been replaced by electronic initiatives or cashless banking. Earlier customers used to approach banks to avail their services, but now banks approach them to market their offerings. With increasing competition and better quality of services, customised service solutions seem to be the future of banking.

The partition of India in 1947 adversely impacted the economies of Punjab and West Bengal, paralyzing banking activities for months. India's independence marked the end of a regime of the Laissez-faire for the Indian banking. The Government of India initiated measures to play an active role in the economic life of the nation, and the Industrial Policy Resolution adopted by the government in 1948 envisaged a mixed economy. This resulted into greater involvement of the state in different segments of the economy including banking and finance. The major steps to regulate banking included:

- The Reserve Bank of India, India's central banking authority, was established in April 1935, but was nationalised on 1 January 1949 under the terms of the Reserve Bank of India (Transfer to Public Ownership) Act, 1948 (RBI, 2005b).
- In 1949, the Banking Regulation Act was enacted which empowered the Reserve Bank of India (RBI) "to regulate, control, and inspect the banks in India".
- The Banking Regulation Act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have common directors.

**Nationalisation in the 1960s**
Despite the provisions, control and regulations of Reserve Bank of India, banks in India except the State Bank of India or SBI, continued to be owned and operated by private persons. By the 1960s, the Indian banking industry had become an important tool to facilitate the development of the Indian economy. At the same time, it had emerged as a large employer, and a debate had ensued about the nationalisation of the banking industry. Indira Gandhi, then Prime Minister of India, expressed the intention of the Government of India in the annual conference of the All India Congress Meeting in a paper entitled "Stray thoughts on Bank Nationalisation." The meeting received the paper with enthusiasm.

Thereafter, her move was swift and sudden. The Government of India issued an ordinance ('Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969')) and nationalised the 14 largest commercial banks with effect from the midnight of 19 July 1969. These banks contained 85 percent of bank deposits in the country. Jayaparakash Narayan, a national leader of India, described the step as a "masterstroke of political sagacity." Within two weeks of the issue of the ordinance, the Parliament passed the Banking Companies (Acquisition and Transfer of Undertaking) Bill, and it received the presidential approval on 9 August 1969.

A second dose of nationalisation of 6 more commercial banks followed in 1980. The stated reason for the nationalisation was to give the government more control of credit delivery. With the second dose of nationalisation, the Government of India controlled around 91% of the banking business of India. Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalised banks and resulted in the reduction of the number of nationalised banks from 20 to 19. After this, until the 1990s, the nationalised banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy.

**Liberalisation in the 1990s**

In the early 1990s, the then Narasimha Rao government embarked on a policy of liberalisation, licensing a small number of private banks. These came to be known as New Generation tech-savvy banks, and included Global Trust Bank (the first of such new generation banks to be set up), which later amalgamated with Oriental Bank of Commerce, UTI Bank (since renamed Axis
Bank), ICICI Bank and HDFC Bank. This move, along with the rapid growth in the economy of India, revitalised the banking sector in India, which has seen rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks and foreign banks.

The next stage for the Indian banking has been set up with the proposed relaxation in the norms for Foreign Direct Investment, where all Foreign Investors in banks may be given voting rights which could exceed the present cap of 10%, at present it has gone up to 74% with some restrictions.

The new policy shook the Banking sector in India completely. Bankers, till this time, were used to the 4–6–4 method (Borrow at 4%; Lend at 6%; Go home at 4) of functioning. The new wave ushered in a modern outlook and tech-savvy methods of working for traditional banks. All this led to the retail boom in India. People not just demanded more from their banks but also received more.

**Current period**

By 2010, banking in India was generally fairly mature in terms of supply, product range and reach—even though reach in rural India still remains a challenge for the private sector and foreign banks. In terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets relative to other banks in comparable economies in its region. The Reserve Bank of India is an autonomous body, with minimal pressure from the government. The stated policy of the Bank on the Indian Rupee is to manage volatility but without any fixed exchange rate—and this has mostly been true.

With the growth in the Indian economy expected to be strong for quite some time—especially in its services sector—the demand for banking services, especially retail banking, mortgages and investment services are expected to be strong. One may also expect M&As, takeovers, and asset sales.

In March 2006, the Reserve Bank of India allowed Warburg Pincus to increase its stake in Kotak Mahindra Bank (a private sector bank) to 10%. This is the first time an investor has been allowed
to hold more than 5% in a private sector bank since the RBI announced norms in 2005 that any stake exceeding 5% in the private sector banks would need to be vetted by them.

**Adoption of banking technology**

The IT revolution had a great impact in the Indian banking system. The use of computers had led to introduction of online banking in India. The use of the modern innovation and computerisation of the banking sector of India has increased many fold after the economic liberalisation of 1991 as the country’s banking sector has been exposed to the world’s market. The Indian banks were finding it difficult to compete with the international banks in terms of the customer service without the use of the information technology and computers.
Figure 1.9: Evolution of Indian Banking Industry

Source: D&B Research Service
Efforts of Reserve Bank of India for Banking Sector

The RBI set up a number of committees to define and coordinate banking technology. These have included:

- In 1984 formed the Committee on Mechanisation in the Banking Industry (1984) whose chairman was Dr C Rangarajan, Deputy Governor, Reserve Bank of India. The major recommendations of this committee was introducing MICR technology in all the banks in the metropolis in India. This provided use of standardized cheque forms and encoders.

- In 1988, the RBI set up the Committee on Computerisation in Banks (1988) headed by Dr. C.R. Rangarajan which emphasized that settlement operation must be computerized in the clearing houses of RBI in Bhubaneshwar, Guwahati, Jaipur, Patna and Thiruvananthapuram. It further stated that there should be National Clearing of inter-city cheques at Kolkata, Mumbai, Delhi, Chennai and MICR should be made Operational. It also focused on computerisation of branches and increasing connectivity among branches through computers. It also suggested modalities for implementing on-line banking. The committee submitted its reports in 1989 and computerisation began from 1993 with the settlement between IBA and bank employees' association.

- In 1994, Committee on Technology Issues relating to Payment systems, Cheque Clearing and Securities Settlement in the Banking Industry (1994) was set up under chairman Shri WS Saraf. It emphasized Electronic Funds Transfer (EFT) system, with the BANKNET communications network as its carrier. It also said that MICR clearing should be set up in all branches of all banks with more than 100 branches.

- In 1995, Committee for proposing Legislation on Electronic Funds Transfer and other Electronic Payments (1995) again emphasized EFT system

- Total numbers of ATMs installed in India by various banks as on end June 2012 is 99,218. The New Private Sector Banks in India is having the largest numbers of ATMs which is followed by off-site ATMs belonging to SBI and its subsidiaries and then it is followed by New Private Banks, Nationalised banks and Foreign banks. While on site is highest for the Nationalised banks of India.
The key drivers and challenges for the banking system originate from different sources.

First, the regulatory environment in which banks in India are functioning is undergoing a paradigm shift. In particular, with the implementation of the global reforms agenda relating to Basel III, implementation of OTC derivative reforms, reducing reliance on credit rating agencies, amongst others, the regulatory landscape of banks is set to change forever, both domestically and in the global arena. This will, inter alia, require banks to fine tune and refine their risk management systems.

Second, the growing global emphasis on fair treatment to customers, financial inclusion and improved Know Your Customer (KYC) practices will require banks to reorient their business models, their data and information systems, and, in fact, the very mindset of banking, if banks have to remain relevant, going forward.

Third, impending developments in regulatory policies are likely to result in banks facing a far more competitive environment in the coming years relative to what was, virtually, a sellers’ market so far. As banks’ customers – both businesses and individuals - become global, banks will also need to develop global ambitions. The challenge for banks will be to develop new products and delivery channels that meet the evolving needs and expectations of its customers.

Besides the formidable challenges that the evolving global regulatory and supervisory landscape present for banks, the developments in the domestic business/ regulatory environment will also need to be factored in as banks set about recalibrating their business plans. For instance, in line with global developments, India is also embarking upon a project to develop a framework for assigning a unique Legal Entity Identifier for all customers accessing the formal financial system. However, before attaining this goal at a national or global level, we need to immediately ensure that within each institution a customer is assigned a unique ID and that there are no instances of multiple customer IDs for the same customer. This is important not just from the perspective of better management of customer business, but also for an effective AML framework.

Similarly, frauds are a cause for concern within the banking system, particularly for the public sector banks, which account for a large proportion of total frauds reported in the banking system. Frauds do not just represent lost money; they also indicate serious gaps in banks’ systems and processes and in the internal control framework. Plugging these gaps and institutionalizing a
mechanism for identifying accountability and taking stringent action against the perpetrators of the frauds is very important for tackling this menace.

The leveraging of the banking system by Multi-level Marketing (MLM) companies to defraud common people of their hard earned money is another critical challenge that financial sector supervisors are facing in various jurisdictions, including in India. It results in a loss of confidence of customers in the formal financial system and could have severe adverse implications, particularly at a time when we are putting all our energies into bringing the marginalized groups within the fold of the banking system.

All these developments will present significant challenges for the banking system and banks will need to face them head-on in the coming years. To gear up to these challenges, banks will need to look inwards – at their human resource management, their information systems and the technology at their disposal. Importantly, they will need to look into the efficiency with which they perform their functions – that of credit intermediation and the allocation of funds to the most productive sectors of the economy. These will be the key internal drivers of change if banks are to gear up to the emerging regulatory and external environment and move into the next orbit.

Recent developments in critical areas of IT, have changed the way banks are managing their customer relationships.

The following are some of the latest CRM techniques used by banks in offering new products and services to its customers.

1. **Internet banking**: Internet is being used by banks to disseminate information to customers about bank’s products and services through their websites. The banking services are provided through Net with convenience of ease and accessibility. Internet banking offers many benefits to the banks viz. Vast reach, reduced transaction costs, direct marketing and cross selling, build bank’s brand, etc. It also offers benefits to customers’ viz. reduced cost, convenience, banking with the bank and not the branch, speed, better cash management, etc. The new private sector banks – ICICI Bank, HDFC Bank, UTI Bank and the Global Trust Bank have taken the lead in Net Banking. The state run public sector banks are lagging behind in Net banking, although modest beginning has been made by the State Bank of India.
2. **Data Warehousing and Data Mining**: This technique is used to develop and use customer data to check their profile, retention and loyalty patterns. They provide valuable inputs for retaining customers and developing products and services for the future.

3. **ATMs**: At present installed number of ATMs in the country is more than 1 lakh, which is likely to increase. Most of the demand for this technology is coming from State owned banks. Until now, ATM services have been confined to deposits and withdrawal from bank accounts by customers. The growth in ATMs has been fuelled by a race among banks to expand their customer base by going in for more value added services (bill payments and ticketing services) on these machines.
Table: 1.1: ATMs of Scheduled Commercial Banks (As at end-March 2012)

<table>
<thead>
<tr>
<th>Bank type</th>
<th>Total Branches</th>
<th>Total ATM’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Bank Group</td>
<td>18,830</td>
<td>27,143</td>
</tr>
<tr>
<td>Nationalised Banks</td>
<td>48,636</td>
<td>31,050</td>
</tr>
<tr>
<td>Private Sector Banks</td>
<td>13,452</td>
<td>36,079</td>
</tr>
<tr>
<td>Old Private Sector Banks</td>
<td>5,386</td>
<td>5,771</td>
</tr>
<tr>
<td>New Private Sector Banks</td>
<td>8,066</td>
<td>30,308</td>
</tr>
</tbody>
</table>

Source: Reserve Bank of India; Annual Report published June 2012.

Figure 1.11: ATM division among banks
### Table 1.2 Total Number of Branches and ATM’s of Banks under study (As on March 2012)

<table>
<thead>
<tr>
<th>S.No</th>
<th>Name of Bank</th>
<th>Total Branches</th>
<th>Total ATM’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State Bank of India</td>
<td>13,862</td>
<td>22,141</td>
</tr>
<tr>
<td>2</td>
<td>Punjab National Bank</td>
<td>5,340</td>
<td>6,009</td>
</tr>
<tr>
<td>3</td>
<td>Union Bank of India</td>
<td>3,229</td>
<td>3,800</td>
</tr>
<tr>
<td>4</td>
<td>ICICI Bank</td>
<td>2,746</td>
<td>9,006</td>
</tr>
<tr>
<td>5</td>
<td>HDFC Bank</td>
<td>2,512</td>
<td>8,913</td>
</tr>
<tr>
<td>6</td>
<td>AXIS Bank</td>
<td>1,606</td>
<td>9,924</td>
</tr>
</tbody>
</table>


**Figure: 1.12: Growth in Mobile Banking**

**Source:** Indian Mobile Banking: Unexplored Opportunity, by Prathima Rajan
4. **Telebanking or Mobile banking**: These services empower the customer with an instant access to routine queries and transaction or check bank balances.

![Figure: 1.13: Percentage of usage of different services among Mobile Banking customers](http://www.telecomindiaonline.com/telecom-india-daily-telecom-station-mobile-banking-in-india-perception-and-statistics.html)

5. **Computerized decision support system**: This helps the banks in applying optimization techniques in functional areas such as, asset–liability management, optimization of investment portfolios and asset portfolios through linear programming. This is a practical tool which helps the bank managers and customers in optimizing investment decisions.

6. **E-mail**: Banks can maintain the list of its best customers and inform these members through e-mail the various services and schemes offered by the bank. These days this is considered as one of the cheapest and effective means of communication.

7. **Computer networking**: Networking between the branches of divisional, regional, zonal and head office of banks provide access to customer data base from the executive desk. This will integrate the front-office applications with back-office requirements, thus generating MIS for branch managers and executives at the different controlling offices including Head office for
accurate, speedy and cost-effective customer services.

8. Customer smart cards: These cards are issued to key customers which carries all the relevant information, details of previous and repeat purchases, to make it convenient for the customers to recall and for the banks to keep a track of the behavioral and purchase trends. Utilities like BEST in Mumbai are already using smart cards for ticketing in its luxury buses.

**Finacle CRM**

Finacle CRM solution is a modular, multilingual, Web-based customer-centric application that enables banks to leverage ready-to-deploy CRM functionality for competitive differentiation. Integrated with Finacle core banking solution, Finacle CRM solution offers end-to-end functionality to effectively address the needs of the complete cycle of marketing, sales and service for banking products.

Facilitating a unified 360° view of the customer across product lines and multiple back-end systems, it enables banks to improve customer experience across channels and empowers them with a robust platform for cross-sell opportunities. It also arms banks with the technology muscle to increase reach through effective marketing campaigns. Finacle CRM solution’s proven scalability further ensures that it can meet the needs of growing banks.

**Banking CRM Solutions Key Modules**

- Enterprise Customer Information File (CIF)
- Sales
- Loan origination
- Service
- Call center
- Marketing
Figure 1.14: Finacle- Universal Core Banking Solution

Source: http://www.infosys.com/finacle/solutions/Pages/corebanking.aspx
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<td>NYSE: HDB</td>
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<tr>
<td>Industry</td>
<td>Banking, Financial services</td>
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<tr>
<td>Founded</td>
<td>August 1994</td>
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<td>Headquarters</td>
<td>Mumbai, Maharashtra, India</td>
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<tr>
<td>Area served</td>
<td>Worldwide</td>
</tr>
<tr>
<td>Key people</td>
<td>Mr Aditya Puri (MD)</td>
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<tr>
<td>Products</td>
<td>Credit cards, consumer banking, corporate banking, finance and insurance, investment banking, mortgage loans, private banking, private equity, wealth management</td>
</tr>
<tr>
<td>Operating income</td>
<td>US$ 1.451 billion (2012)</td>
</tr>
<tr>
<td>Profit</td>
<td>US$ 978.3 million (2012)</td>
</tr>
<tr>
<td>Total assets</td>
<td>US$ 70.17 billion (2012)</td>
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<tr>
<td>Total equity</td>
<td>US$ 7.793 billion (2012)</td>
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<td>Employees</td>
<td>66,76 (2012)</td>
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<tr>
<td>Website</td>
<td>HDFCBank.com</td>
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</table>
HDFC Bank Limited is an Indian financial services company based in Mumbai, Maharashtra that was incorporated in August 1994. HDFC Bank is the fifth or sixth largest bank in India by assets and the first largest bank by market capitalization as of November 1, 2012. The bank was promoted by the Housing Development Finance Corporation, a premier housing finance company (set up in 1977) of India. As on December 2012, HDFC Bank has 2,512 branches and 8,913 ATMs, in 1,399 cities in India, and all branches of the bank are linked on an online real-time basis. As of December 2012 the bank had balance sheet size of Rs. 3837 billion. For the fiscal year 2011-12, the bank has reported net profit of ₹5167.07 crore (US$950 million), up 31.6% from the previous fiscal.

**HISTORY**

HDFC Bank was incorporated in 1994 by Housing Development Finance Corporation Limited (HDFC), India's largest housing finance company. It was among the first companies to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector. The Bank started operations as a scheduled commercial bank in January 1995 under the RBI's liberalisation policies.

Times Bank Limited (owned by Bennett, Coleman & Co./The Times Group) was merged with HDFC Bank Ltd., in 2000. This was the first merger of two private banks in India. Shareholders of Times Bank received 1 share of HDFC Bank for every 5.75 shares of Times Bank.

In 2008 HDFC Bank acquired Centurion Bank of Punjab taking its total branches to more than 1,000. The amalgamated bank emerged with a base of about Rs. 1,22,000 crore and net advances of about Rs.89,000 crore. The balance sheet size of the combined entity is more than Rs. 1,63,000 crore.

**BUSINESS FOCUS**

HDFC Bank deals with three key business segments: - Wholesale Banking Services, Retail Banking Services, Treasury. It has entered the banking consortia of over 50 corporates for providing working capital finance, trade services, corporate finance, and merchant banking. It is also providing sophisticated product structures in areas of foreign exchange and derivatives, money markets and debt trading And Equity research.
WHOLESALE BANKING SERVICES
For customers from ongoleBlue-chip manufacturing companies in the Indian corp to small & mid-sized corporates and agri-based businesses the Bank provides a wide range of commercial and transactional banking services, including working capital finance, trade services, transactional services, cash management, etc. The bank is also a leading provider of the above services to its corporate customers, mutual funds, stock exchange members and banks.

RETAIL BANKING SERVICES
HDFC Bank was the first bank in India to launch an International Debit Card in association with VISA (Visa Electron) and issues the Master Card Maestro debit card as well. The Bank launched its credit card business in late 2001. By March 2009, the bank had a total card base (debit and credit cards) of over 13 million. The Bank is also one of the leading players in the “merchant acquiring” business with over 70,000 Point-of-sale (POS) terminals for debit / credit cards acceptance at merchant establishments. The Bank is positioned in various net based B2C opportunities including a wide range of Internet banking services for Fixed Deposits, Loans, Bill Payments, etc. With Finest of Technology and Best of Man power in Banking Industry HDFC Bank's retail services have become by and large the best in India and since the contribution to CASA i.e. total number of current and savings account of more than 50%, HDFC BANK has full potential to become India's No.1 Private Sector Bank.

DISTRIBUTION NETWORK
HDFC Bank is headquartered in Mumbai and as of March 31, 2012, the Bank’s distribution network was at 2,544 branches and 8,913 ATMs in 1,399 cities as against 1,986 branches and 10000 ATMs in 996 cities as of october, 2012.
Housing Development Finance Corporation Limited or HDFC is India's largest mortgage company based in Mumbai, India. It was founded in 1977 by Hasmukhbhai Parekh. HDFC's distribution network spans 318 outlets that include 77 offices of HDFC's distribution company 'HDFC Sales Private Limited'.
In addition, HDFC covers over 90 locations through its outreach programmes. HDFC's marketing efforts continue to be concentrated on developing a stronger distribution network. Home loans are also sourced through HDFC Sales, HDFC Bank Limited and other third party Direct Selling Agents (DSA).
To cater to non-resident Indians, HDFC has an office in London, Singapore, and Dubai and service associates in GCC countries.

ICICI BANK

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<td>NYSE: IBN</td>
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<td>BSE SENSEX Constituent</td>
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<td>Founded</td>
<td>1954</td>
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<td>Headquarters</td>
<td>Mumbai, Maharashtra, India</td>
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<td>Area served</td>
<td>Worldwide</td>
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<td>Key people</td>
<td>Ms. Chanda Kochhar (MD &amp; CEO)</td>
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<tr>
<td>Products</td>
<td>Credit cards, Consumer banking, corporate banking, finance and insurance, investment banking, mortgage loans, private banking, wealth management</td>
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<td>Revenue</td>
<td>US$ 13.52 billion (2012)</td>
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<td>Operating income</td>
<td>US$ 2.117 billion (2012)</td>
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<tr>
<td>Profit</td>
<td>US$ 1.597 billion (2012)</td>
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<td>Total assets</td>
<td>US$ 98.99 billion (2012)</td>
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<td>Total equity</td>
<td>US$ 12.62 billion (2012)</td>
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<tr>
<td>Employees</td>
<td>81,254 (2012)</td>
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ICICI Bank Limited is an Indian financial services company headquartered in Mumbai, Maharashtra. It is the second largest bank in India by assets and third largest by market capitalization. It offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialized subsidiaries in the areas of investment banking, life and non-life insurance, venture capital and asset management. The Bank has a network of 2,746 branches and 9006 ATM's in India, and has a presence in 19 countries, including India.

The bank has subsidiaries in the United Kingdom, Russia, and Canada; branches in United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar and Dubai International Finance Centre; and representative offices in United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia. The company's UK subsidiary has established branches in Belgium and Germany.

ICICI Bank is one of the Big Four banks of India, along with State Bank of India, Punjab National Bank and Canara Bank.

CORPORATE HISTORY
ICICI Bank was established by the Industrial Credit and Investment Corporation of India, an Indian financial institution, as a wholly owned subsidiary in 1994. The parent company was formed in 1955 as a joint-venture of the World Bank, India's public-sector banks and public-sector insurance companies to provide project financing to Indian industry. The bank was initially known as the Industrial Credit and Investment Corporation of India Bank, before it changed its name to the abbreviated ICICI Bank. The parent company was later merged with the bank.

ICICI Bank launched internet banking operations in 1998.

ICICI's shareholding in ICICI Bank was reduced to 46 percent, through a public offering of shares in India in 1998, followed by an equity offering in the form of American Depositary Receipts on the NYSE in 2000. ICICI Bank acquired the Bank of Madura Limited in an all-stock deal in 2001 and sold additional stakes to institutional investors during 2001-02.
In the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group, offering a wide variety of products and services, both directly and through a number of subsidiaries and affiliates like ICICI Bank. In 1999, ICICI became the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on the NYSE.

In 2000, ICICI Bank became the first Indian bank to list on the New York Stock Exchange with its five million American depository shares issue generating a demand book 13 times the offer size.

In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank. The merger was approved by shareholders of ICICI and ICICI Bank in January 2002, by the High Court of Gujarat at Ahmedabad in March 2002 and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002.

In 2008, following the 2008 financial crisis, customers rushed to ICICI ATMs and branches in some locations due to rumors of adverse financial position of ICICI Bank. The Reserve Bank of India issued a clarification on the financial strength of ICICI Bank to dispel the rumors.

ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialised subsidiaries in the areas of investment banking, life and non-life insurance, venture capital and asset management. The Bank currently has subsidiaries in the United Kingdom, Russia and Canada, branches in United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar and Dubai International Finance Centre and representative offices in United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia. Our UK subsidiary has established branches in Belgium and Germany.

ICICI Bank's equity shares are listed in India on Bombay Stock Exchange and the National Stock Exchange of India Limited and its American Depositary Receipts (ADRs) are listed on the New York Stock Exchange (NYSE).

CREATION OF MARKET INFRASTRUCTURE IN INDIA
ICICI Bank has contributed to set up different institutions which include the following:

**National Stock Exchange**
The National Stock Exchange was promoted by India’s leading financial institutions (including ICICI Ltd.) in 1992 on behalf of the Government of India with the objective of establishing a nationwide trading facility for equities, debt instruments and hybrids, by ensuring equal access to investors all over the country through an appropriate communication network.

**CREDIT RATING INFORMATION SERVICES OF INDIA LIMITED**
In 1987, ICICI Ltd along with UTI set up CRISIL as India's first professional credit rating agency. CRISIL offers a comprehensive range of integrated products and service offerings which include credit ratings, capital market information, industry analysis and detailed reports.

**NATIONAL COMMODITIES AND DERIVATIVES EXCHANGE LIMITED**
NCDEX is a professionally managed online multi-commodity exchange, set up in 2003, by ICICI Bank Ltd, LIC, NABARD, NSE, Canara Bank, CRISIL, Goldman Sachs, Indian Farmers Fertiliser Cooperative Limited (IFFCO) and Punjab National Bank.

**FINANCIAL INNOVATION NETWORK AND OPERATIONS PVT LTD.**
ICICI Bank has facilitated setting up of "FINO Cross Link to Case Link Study" in 2006, as a company that would provide technology solutions and services to reach the underserved and underbanked population of the country. Using cutting edge technologies like smart cards, biometrics and a basket of support services, FINO enables financial institutions to conceptualise, develop and operationalise projects to support sector initiatives in microfinance and livelihoods.

**ENTREPRENEURSHIP DEVELOPMENT INSTITUTE OF INDIA**
Entrepreneurship Development Institute of India (EDII), an autonomous body and not-for-profit society, was set up in 1983, by the erstwhile apex financial institutions like IDBI, ICICI, IFCI and SBI with the support of the Government of Gujarat as a national resource organisation committed to entrepreneurship development, education, training and research.
NORTHEASTERN DEVELOPMENT FINANCE CORPORATION
North Eastern Development Finance Corporation (NEDFI) was promoted by national level financial institutions like ICICI Ltd in 1995 at Guwahati, Assam for the development of industries, infrastructure, animal husbandry, agri-horticulture plantation, medicinal plants, sericulture, aquaculture, poultry and dairy in the North Eastern states of India. NEDFI is the premier financial and development institution for the North East region.

ASSET RECONSTRUCTION COMPANY INDIA LIMITED
Following the enactment of the Securitisation Act in 2002, ICICI Bank together with other institutions, set up Asset Reconstruction Company India Limited (ARCIL) in 2003, to create a facilitative environment for the resolution of distressed debt in India. ARCIL was established to acquire non performing assets (NPAs) from financial institutions and banks with a view to enhance the management of these assets and help in the maximisation of recovery. This would relieve institutions and banks from the burden of pursuing NPAs, and allow them to focus on core banking activities.

CREDIT INFORMATION BUREAU OF INDIA LIMITED
ICICI Bank has also helped in setting up Credit Information Bureau of India Limited (CIBIL), India’s first national credit bureau in 2000. CIBIL provides a repository of information (which contains the credit history of commercial and consumer borrowers) to its members in the form of credit information reports. The members of CIBIL include banks, financial institutions, state financial corporations, non-banking financial companies, housing finance companies and credit card companies.

AXIS BANK

<table>
<thead>
<tr>
<th>Type</th>
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<tr>
<td><strong>NSE:</strong> AXISBANK</td>
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<td><strong>Industry</strong></td>
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<td><strong>Founded</strong></td>
<td>1994 (As UTI Bank)</td>
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<td><strong>Headquarters</strong></td>
<td>Mumbai, Maharashtra, India</td>
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<tr>
<td><strong>Key people</strong></td>
<td>Adarsh Kishore (Chairman)</td>
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<td></td>
<td>Shikha Sharma (MD &amp; CEO)</td>
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<td><strong>Products</strong></td>
<td>Credit cards, consumer banking, corporate banking, finance and insurance, investment banking, mortgage loans, private banking, private equity, wealth management</td>
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<td><strong>Revenue</strong></td>
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<td>₹42.19 billion (US$780 million) (2012)</td>
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<td><strong>Total assets</strong></td>
<td>₹2.854 trillion (US$53 billion) (2012)</td>
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<td><strong>Employees</strong></td>
<td>33,587 (2012)</td>
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<td><strong>Website</strong></td>
<td><a href="http://www.axisbank.com">www.axisbank.com</a></td>
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Axis Bank Limited is an Indian financial services firm headquartered in Mumbai, Maharashtra. It had begun operations in 1994, after the Government of India allowed new private banks to be established. The Bank was promoted jointly by the Administrator of the Specified Undertaking of the Unit Trust of India (UTI-I), Life Insurance Corporation of India (LIC), General Insurance Corporation Ltd., National Insurance Company Ltd., The New India Assurance Company, The Oriental Insurance Corporation and United India Insurance Company. UTI-I holds a special position in the Indian capital markets and has promoted many leading financial institutions in the country. As on the year ended 31 March 2012, Axis Bank had an operating revenue of ₹134.37 billion and a net profit of ₹42.42 billion. Axis Bank (erstwhile UTI Bank) opened its registered
office in Ahmedabad and corporate office in Mumbai in December 1993. The first branch was inaugurated in April 1994 in Ahmedabad by Dr. Manmohan Singh, then the Honorable Finance Minister. The Bank, as on 31 March 2012, is capitalised to the extent of Rest. ₹4.132 billion with the public holding (other than promoters and GDRs) at 54.08%. New Zealand born Richard Chandler owns about 9.5% share through Orient Global.

NETWORK
The Bank's Registered Office is situated in Ahmedabad and its Central Office is located at Mumbai. The Bank has an extensive network of more than 1606 branches (including 169 Service Branches/CPCs as on 31 March 2012). The Bank has a network of over 9924 ATMs (as on 31 March 2012) Axis Bank operates one of the world’s highest ATM sites at Thegu, Sikkim (at a height of 13,200 feet above sea level) and has the largest ATM network among private banks in India.

BUSINESS FOCUS
Axis Bank operates in four segments: treasury operation, retail banking, corporate/wholesale banking, and other banking business.

TREASURY OPERATIONS
The Bank’s treasury operation services include investments in sovereign and corporate debt, equity and mutual funds, trading operations, derivative trading and foreign exchange operations on the account, and for customers and central funding.

RETAIL BANKING
In the retail banking category, the bank offers services such as lending to individuals/small businesses subject to the orientation, product and granularity criterion, along with liability products, card services, Internet banking, automated teller machines (ATM ) services, depository, financial advisory services, and nonresident Indian (NRI) services.

CORPORATE/WHOLESALE BANKING
The Bank offers to corporate and other organisations services including corporate relationship not included under retail banking, corporate advisory services, placements and syndication, management of public issues, project appraisals, capital market related services and cash management services.

INTERNATIONAL BRANCHES
Singapore, Hong Kong, Dubai, Shanghai, Abu Dhabi, Colombo

NRI SERVICES
Products and services for NRIs that facilitate investments in India

Business banking
The Bank accepts income and other direct taxes through its 214 authorised branches at 137 locations and central excise and service taxes (including e-Payments) through 56 authorised branches at 14 locations.

INVESTMENT BANKING
The Bank’s Investment Banking business comprises activities related to Equity Capital Markets, Mergers and Acquisitions and Private Equity Advisory. The bank is a SEBI-registered Category I Merchant Banker and has been active in advising Indian companies in raising equity through IPOs, QIPs, and Rights Issues etc. During the financial year ended 31 March 2012, Axis Bank undertook 9 transactions including 5 IPOs and 2 Open Offers.
Axis Bank SME business is segmented in three groups: Small Enterprises, Medium Enterprises and Supply Chain Finance. Under the Small Business Group a subgroup for financing micro enterprises is also set up. Axis bank is the 1st Indian Bank having TCDC cards in 11 currencies.

AGRICULTURE
401 branches of the Bank have dedicated officers for providing agricultural loans to farmers.

FINANCIAL INCLUSION
Till March 2012, the Bank had opened over 4.4 million No Frills accounts in over 7607 villages through a network of 15 Business Correspondents and nearly 6000 customer service points. Axis
Bank has a strong presence in Electronic Benefit Transfer (EBT) and has covered 6800 villages across 19 districts and 9 states till date with over 3.7 million beneficiaries.

**CORPORATE SOCIAL RESPONSIBILITY**

Axis Bank has set up a Trust – the Axis Bank Foundation, which contributes up to 1 percent of its net profit annually to various social initiatives undertaken by the foundation. During the year 2011–12, the foundation has partnered with 36 NGOs for educating over a lakh underprivileged and special kids in 13 states. The recycling initiative under the Green Banking banner has helped the bank productively use around 21572 kilograms of dry waste during the year.

**EDUCATION FOUNDATION**

The Axis Bank Foundation was founded in 2006 and supports supplementary education.

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**STATE BANK OF INDIA**

<table>
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State Bank of India (SBI) is a multinational banking and financial services company based in India. It is a state-owned corporation with its headquarters in Mumbai, Maharashtra. As at December 2012, it had assets of US$501 billion and 27,046 branches, including 157 foreign offices making it the largest banking and financial services company in India by assets.

The bank traces its ancestry to British India, through the Imperial Bank of India, to the founding in 1806 of the Bank of Calcutta, making it the oldest commercial bank in the Indian Subcontinent. Bank of Madras merged into the other two presidency banks—Bank of Calcutta and Bank of Bombay—to form the Imperial Bank of India, which in turn became the State Bank of India. The Government of India nationalised the Imperial Bank of India in 1955, with the Reserve Bank of India taking a 60% stake, and renamed it the State Bank of India. In 2008, the government took over the stake held by the Reserve Bank of India. SBI has been ranked 285th in the Fortune Global 500 rankings of the world's biggest corporations for the year 2012.
SBI provides a range of banking products through its network of branches in India and overseas, including products aimed at non-resident Indians (NRIs). SBI has 14 regional hubs and 57 Zonal Offices that are located at important cities throughout the country. SBI is a regional banking behemoth and has 20% market share in deposits and loans among Indian commercial banks. The State Bank of India was named the 29th most reputed company in the world according to Forbes 2009 rankings and was the only bank featured in the "top 10 brands of India" list in an annual survey conducted by Brand Finance and The Economic Times in 2010.

**HISTORY**

**SEAL OF IMPERIAL BANK OF INDIA.**

The roots of the State Bank of India lie in the first decade of 19th century, when the Bank of Calcutta, later renamed the Bank of Bengal, was established on 2 June 1806. The Bank of Bengal was one of three Presidency banks, the other two being the Bank of Bombay (incorporated on 15 April 1840) and the Bank of Madras (incorporated on 1 July 1843). All three Presidency banks were incorporated as joint stock companies and were the result of the royal charters. These three banks received the exclusive right to issue paper currency till 1861 when with the Paper Currency Act, the right was taken over by the Government of India. The Presidency banks amalgamated on 27 January 1921, and the re-organized banking entity took as its name Imperial Bank of India. The Imperial Bank of India remained a joint stock company but without Government participation. Pursuant to the provisions of the State Bank of India Act of 1955, the Reserve Bank of India, which is India's central bank, acquired a controlling interest in the Imperial Bank of India. On 30 April 1955, the Imperial Bank of India became the State Bank of India. The government of
India recently acquired the Reserve Bank of India's stake in SBI so as to remove any conflict of interest because the RBI is the country's banking regulatory authority.

In 1959, the government passed the State Bank of India (Subsidiary Banks) Act, which made eight state banks associates of SBI. A process of consolidation began on 13 September 2008, when the State Bank of Saurashtra merged with SBI.

SBI has acquired local banks in rescues. The first was the Bank of Behar (est. 1911), which SBI acquired in 1969, together with its 28 branches. The next year SBI acquired National Bank of Lahore (est. 1942), which had 24 branches. Five years later, in 1975, SBI acquired Krishnaram Baldeo Bank, which had been established in 1916 in Gwalior State, under the patronage of Maharaja Madho Rao Scindia. The bank had been the Dukan Pichadi, a small moneylender, owned by the Maharaja. The new banks first manager was Jall N. Broacha, a Parsi. In 1985, SBI acquired the Bank of Cochin in Kerala, which had 120 branches. SBI was the acquirer as its affiliate, the State Bank of Travancore, already had an extensive network in Kerala.

**STRUCTURE**

**CURRENT BOARD OF DIRECTORS**

As on 14 January 2013, there are fifteen members in the SBI board of directors:-

Pratip Chaudhuri (Chairman)

Hemant G. Contractor (Managing Director)

Diwakar Gupta (Managing Director)

A. Krishna Kumar (Managing Director)

S. Visvanathan (Managing Director)

S. Venkatachalam (Director)

D. Sundaram (Director)

Parthasarathy Iyengar (Director)

Thomas Mathew (Director)

S.K. Mukherjee (Officer Employee Director)

Rajiv Kumar (Director)

Jyoti Bhushan Mohapatra (Workmen Employee Director)

Deepak Amin (Director)

Harichandra Bahadur Singh (Director)
D. K. Mittal (Director)

INTERNATIONAL PRESENCE

As of 31 March 2012, the bank had 173 overseas offices spread over 34 countries. It has branches of the parent in Moscow, Colombo, Dhaka, Frankfurt, Hong Kong, Tehran, Johannesburg, London, Los Angeles, Male in the Maldives, Muscat, Dubai, New York, Osaka, Sydney, and Tokyo. It has offshore banking units in the Bahamas, Bahrain, and Singapore, and representative offices in Bhutan and Cape Town. It also has an ADB in Boston, USA.

SBI operates several foreign subsidiaries or affiliates. In 1990, it established an offshore bank: State Bank of India (Mauritius).

In 1982, the bank established a subsidiary, State Bank of India (California), which now has ten branches – nine branches in the state of California and one in Washington, D.C. The 10th branch was opened in Fremont, California on 28 March 2011. The other eight branches in California are located in Los Angeles, Artesia, San Jose, Canoga Park, Fresno, San Diego, Tustin and Bakersfield.

The Canadian subsidiary, State Bank of India (Canada) also dates to 1982. It has seven branches, four in the Toronto area and three in British Columbia.

In Nigeria, SBI operates as INMB Bank. This bank began in 1981 as the Indo-Nigerian Merchant Bank and received permission in 2002 to commence retail banking. It now has five branches in Nigeria.

In Nepal, SBI owns 55% of Nepal SBI Bank, which has branches throughout the country. In Moscow, SBI owns 60% of Commercial Bank of India, with Canara Bank owning the rest.

In Indonesia, it owns 76% of PT Bank Indo Monex.

The State Bank of India already has a branch in Shanghai and plans to open one in Tianjin.

In Kenya, State Bank of India owns 76% of Giro Commercial Bank, which it acquired for US$8 million in October 2005.

ASSOCIATE BANKS

SBI has five associate banks; all use the State Bank of India logo, which is a blue circle, and all use the “State Bank of” name, followed by the regional headquarters' name:

State Bank of Bikaner & Jaipur
State Bank of Hyderabad
State Bank of Mysore
State Bank of Patiala
State Bank of Travancore

Earlier SBI had seven associate banks, all of which had belonged to princely states until the government nationalised them between October 1959 and May 1960. In tune with the first Five Year Plan, which prioritized the development of rural India, the government integrated these banks into State Bank of India system to expand its rural outreach. There has been a proposal to merge all the associate banks into SBI to create a "mega bank" and streamline the group's operations.

The first step towards unification occurred on 13 August 2008 when State Bank of Saurashtra merged with SBI, reducing the number of associate state banks from seven to six. Then on 19 June 2009 the SBI board approved the absorption of State Bank of Indore. SBI holds 98.3% in State Bank of Indore. (Individuals who held the shares prior to its takeover by the government hold the balance of 1.77%.)

The acquisition of State Bank of Indore added 470 branches to SBI's existing network of branches. Also, following the acquisition, SBI's total assets will inch very close to the ₹10 trillion mark. The total assets of SBI and the State Bank of Indore stood at ₹9,981,190 million as of March 2009. The process of merging of State Bank of Indore was completed by April 2010, and the SBI Indore branches started functioning as SBI branches on 26 August 2010.

**Non-banking subsidiaries**

Apart from its five associate banks, SBI also has the following non-banking subsidiaries:

- SBI Capital Markets Ltd
- SBI Funds Management Pvt Ltd
- SBI Factors & Commercial Services Pvt Ltd
- SBI Cards & Payments Services Pvt. Ltd. (SBICPSL)
- SBI DFHI Ltd
- SBI Life Insurance Company Limited
- SBI General Insurance
In March 2001, SBI (with 74% of the total capital), joined with BNP Paribas (with 26% of the remaining capital), to form a joint venture life insurance company named SBI Life Insurance company Ltd. In 2004, SBI DFHI (Discount and Finance House of India) was founded with its headquarters in Mumbai.

OTHER SBI SERVICE POINTS
SBI has 27,000+ ATMs (25,000th ATM was inaugurated by the then Chairman of State Bank Shri O.P. Bhatt on 31 March 2011, the day of his retirement); and SBI group (including associate banks) has about 45,000 ATMs. SBI has become the first bank to install an ATM at Drass in the Jammu & Kashmir Kargil region. This was the Bank's 27,032nd ATM on 27 July 2012.

LOGO AND SLOGAN
The logo of the State Bank of India is a blue circle with a small cut in the bottom that depicts perfection and the small man the common man - being the center of the bank's business.

PUNJAB NATIONAL BANK

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<td>Industry</td>
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<td>Founded</td>
<td>1895</td>
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<tr>
<td>Founder(s)</td>
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Punjab National Bank (PNB) is an Indian financial services company based in New Delhi, India. PNB is the third largest bank in India by assets. It was founded in 1894 by Lala Lajpat Rai and is currently the second largest state-owned commercial bank in India ahead of Bank of Baroda with about 5340 branches across 764 cities. It serves over 37 million customers. The bank has been ranked 248th biggest bank in the world by the Bankers' Almanac. The bank's total assets for financial year 2007 was about US$60 billion. PNB has a banking subsidiary in the UK, as well as branches in Hong Kong, Dubai and Kabul, and representative offices in Almaty, Dubai, Oslo, and Shanghai.

**HISTORY**

Punjab National Bank was registered on 19 May 1894 under the Indian Companies Act with its office in Anarkali Bazaar Lahore. The founding board was drawn from different parts of India professing different faiths and a varied background with, however, the common objective of providing country with a truly national bank which would further the economic interest of the country. PNB's founders included several leaders of the Swadeshi movement such as Dyal Singh Majithia and Lala Harkishan Lal, Lala Lalchand, Shri Kali Prosanna Roy, Shri E.C. Jessawala, Shri Prabhu Dayal, Bakshi Jaishi Ram, and Lala Dholan Dass. Lala Lajpat Rai was actively
associated with the management of the Bank in its early years. The board first met on 23 May 1894. Ironically, the PNB Website now claims Lala Lajpat Rai to be the founding father, surpassing Rai Mul Raj and Dyal Singh Majithia. The bank opened for business on 12 April 1895 in Lahore.

PNB has the distinction of being the first Indian bank to have been started solely with Indian capital that has survived to the present. (The first entirely Indian bank, Commercial Bank, was established in 1881 in Faizabad, but failed in 1958.)

PNB has had the privilege of maintaining accounts of national leaders such as Mahatma Gandhi, ShriJawahar Lal Nehru, Shri Lal Bahadur Shastri, Shrimati Indira Gandhi, as well as the account of the famous Jalianwala Bagh Committee.

**TIMELINE**

In 1900, PNB established its first branch outside Lahore in Rawalpindi. Branches in Karachi and Peshawar followed. The next year, PNB absorbed Bhagwan Dass Bank, a scheduled bank located in Delhi Circle.

In 1947, at the Partition of India and the commencement of Pakistani independence, PNB lost its premises in Lahore, but continued to operate in Pakistan. Partition forced PNB to close 92 offices in West Pakistan, 33% of the total number, and which held 40% of the total deposits. PNB still maintained a few caretaker branches. On 31 March 1947, even before Partition, PNB had decided to leave Lahore and transfer its registered office to India; it received permission from the Lahore High Court on 20 June 1947, at which time it established a new head office in Calcutta.

1951: PNB acquired the 39 branches of Bharat Bank (est. 1942); Bharat Bank became Bharat Nidhi Ltd.

1960: PNB again shifted its head office, this time from Calcutta to Delhi.

1961: PNB acquired Universal Bank of India.


September 1965: After the Indo-Pak war the government of Pakistan seized all the offices in Pakistan of Indian banks. PNB also had one or more branches in East Pakistan (Bangladesh).

1960s: PNB amalgamated Indo Commercial Bank (est. 1933) in a rescue.

1976 or 1978: PNB opened a branch in London.

1986: The Reserve Bank of India required PNB to transfer its London branch to State Bank of India after the branch was involved in a fraud scandal.

1986: PNB acquired Hindustan Commercial Bank (est. 1943) in a rescue. The acquisition added Hindustan's 142 branches to PNB's network.

1993: PNB acquired New Bank of India, which the GOI had nationalized in 1980.

1998: PNB set up a representative office in Almaty, Kazakhstan.

In 2003, PNB took over Nedungadi Bank, the oldest private sector bank in Kerala. At the time of the merger with PNB, Nedungadi Bank's shares had zero value, with the result that its shareholders received no payment for their shares. PNB also opened a representative office in London.

The next year, PNB established a branch in Kabul, Afghanistan and a representative office in Shanghai. PNB also established an alliance with Everest Bank in Nepal that permits migrants to transfer funds easily between India and Everest Bank's 12 branches in Nepal. Currently, PNB owns 20% of Everest Bank.

In 2005 PNB opened a representative office in Dubai.

Two years later, PNB established PNBIL – Punjab National Bank (International) – in the UK, with two offices, one in London, and one in South Hall. Since then it has opened more branches, this time in Leicester, Birmingham, Ilford, Wembly, and Wolverhampton. PNB also opened a branch in Hong Kong.

In January 2009, PNB established a representative office in Oslo, Norway. PNB hopes to upgrade this to a branch in due course.

In 2010, PNB purchased a small minority stake in Kazakhstan-based JSC Dana Bank. Within the year PNB increased its ownership and now PNB owns 84% of what has become JSC (SB) PNB. The subsidiary has branches in Almaty, Astana, Kangandu, and Pavlodar. Danabank was established on 20 October 1992 in Pavlodar.

Also, in January 2010, PNB established a subsidiary in Bhutan. PNB owns 51% of Druk PNB Bank, which has branches in Thimpu, Phuentsholing, and Wangdue. Local investors own the remaining shares. Then on 1 May, PNB opened its branch in Dubai's financial center.
In September 2011, PNB opened a representative office in Sydney, Australia.
In December 2012 it signed an agreement with US based life Insurance company Metlife to acquire a 30% stake in MetLife's Indian affiliate MetLife India Limited. The company would be renamed PNB MetLife India Limited and PNB would sell MetLife's products in its branches.

UNION BANK OF INDIA

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<td>Key people</td>
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<td>Revenue</td>
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<td>Net income</td>
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<td>Employees</td>
<td>27,746 (2011)</td>
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Union Bank of India (UBI) is one of the largest public sector banks of India (the government owns 55.43% of its share capital remains public, private organizations and foreign companies), is listed on theForbes 2000. It has assets of USD 13.45 billion and all the bank's branches have been networked with its 4129 ATMs. Its online Telebanking facility are available to all its Core Banking Customers - individual as well as corporate. It has representative offices in Abu Dhabi, United Arab Emirates, Beijing, Peoples Republic of China, London, Shanghai, and Sydney, and a branch in Hong Kong.
The bank is in the process of upgrading its representative offices in London and Sydney to branches. It also is working on establishing branches in Dubai (in the Dubai International Financial Centre), and in Antwerp.
UBI is active in promoting financial inclusion policy and is a member of the Alliance for Financial Inclusion (AFI). View UBI on the AFI member map.

**HISTORY**

Union Bank of India (UBI) was registered on 11 November 1919 as a limited company in Mumbai and was inaugurated by Mahatma Gandhi. At the time of India's Independence in 1947, UBI still only had four branches - three in Mumbai and one in Saurashtra, all concentrated in key trade centres. After Independence UBI accelerated its growth and by the time the government nationalized it in 1969, it had grown to 240 branches in 28 states. Shortly after nationalization, UBI merged in Belgaum Bank, a private sector bank established in 1930 that had itself merged in a bank in 1964, the Shri Jadeya Shankarling Bank. Then in 1985 UBI merged in Miraj State Bank, which had been established in 1929. In 1999 the Reserve Bank of India requested that UBI acquire Sikkim Bank in a rescue after extensive irregularities had been discovered at the non-scheduled bank. Sikkim Bank had eight branches located in the North-east, which was attractive to UBI.

UBI began its international expansion in 2007 with the opening of representative offices in Abu Dhabi, United Arab Emirates, and Shanghai, Peoples Republic of China. The next year, UBI established a branch in Hong Kong, its first branch outside India. In 2009, UBI opened a representative office in Sydney, Australia.

On the technology front the Bank has taken early initiatives and 100% of its branches are computerised. The Bank has also introduced Core Banking Solution with connectivity between branches. 100% of the business of the Bank is under Core Banking Solution making it a leader among its peers in infusion of technology. Many innovative products are developed using the technology platform to offer an array of choices to customers, adding speed and convenience to transactions. Technology will also enable the Bank to derive substantial cost reduction while creating the requisite capacity to handle the ever increasing volume of business in a competitive environment that offers immense opportunities.
Customer Relationship management in Indian Banking Sector

Today, customers have more power in deciding their bank of choice. Consequently, keeping existing customers, as well as attracting new ones, is a critical concern for banks. Customer satisfaction is an important variable in evaluation and control in a bank marketing management. Poor customer satisfaction will lead to a decline in customer loyalty, and given the extended offerings from the competitors, customers can easily switch banks. Banks need to leverage effectively on their customer relationships and make better use of customer information across the institution.

Competition in the financial services industry has intensified in recent years, owing to events such as technology changes and financial industry deregulation. Conventional banking distribution has been gradually supplemented by the emerging use of electronic banking. Many bank customers prefer using ATMs or a website rather than visiting a branch, while technology has also reduced barriers to entry for new customers.

**CRM--A POWERFUL TOOL**

CRM is a powerful management tool that can be used to exploit sales potential and maximize the value of the customer to the bank. Generally, CRM integrates various components of a business such as sales, marketing, IT and accounting. This strategy may not increase a business's profit today or tomorrow, but it will add customer loyalty to the business.

In the long term, CRM produces continuous scrutiny of the bank's business relationship with the customer, thereby increasing the value of the Customer’s business. Although CRM is known to be a relatively new method in managing customer loyalty, it has been used previously by retail businesses for many years.

The core objective of modern CRM methodology is to help businesses to use technology and human resources to gain a better view of customer behavior. With this, a business can hope to achieve better customer service, make call centres more efficient, cross-sell products more effectively, simplify marketing and sales processes, identify new customers and increase customer revenues.
As an example, banks may keep track of a customer's life stages in order to market appropriate banking products, such as mortgages or credit cards to their customers at the appropriate time.

The next stage is to look into the different methods customers' information are gathered, where and how this data is stored and how it is currently being used. For instance, banks may interact with customers in a countless ways via mails, emails, call centers, marketing and advertising. The collected data may flow between operational systems (such as sales and stock systems) and analytical systems that can help sort through these records to identify patterns. Business analysts can then browse through the data to obtain an in-depth view of each customer and identify areas where better services are required.

**CRM AND BANKS**

One of the banks' greatest assets is their knowledge of their customers. Banks can use this asset and turn it into key competitive advantage by retaining those customers who represent the highest lifetime value and profitability. Banks can develop customer relationships across a broad spectrum of touch points such as at bank branches, kiosks, ATMs, internet, electronic banking and call centres.

CRM is not a new phenomenon in the industry. Over the years, banks have invested heavily in CRM, especially in developing call centers, which, in the past, were designed to improve the process of inbound calls. In future, call centers will evolve to encompass more than just cost reduction and improved efficiency. According to Gartner Group, more than 80 per cent of all US banks will develop their call centers as alternative delivery channels and revenue centers, to be used for the delivery of existing products and services. But to be successful, a bank needs more than the ability to handle customer service calls. It needs a comprehensive CRM strategy in which all departments within the bank are integrated.

**OBJECTIVES OF CRM IN BANKS**

CRM, the technology, along with human resources of the banks, enables the banks to analyze the behavior of customers and their value. The main areas of focus are as the name
suggested: *customer, relationship*, and *the management of relationship* and the main objectives to implement CRM in the business strategy are:

- Integration of customer information.
- To cross sell products more effectively
- Improvement of service quality
- To simplify marketing and sales process
- To provide better customer service
- To discover new customers and increase customer revenue

**Figure 1.15: Objectives of CRM Implementation**

Source: [http://oldrbd.doingbusiness.ro](http://oldrbd.doingbusiness.ro)

The CRM processes should fully support the basic steps of *customer life cycle*. The basic steps are:

- Attracting present and new customers
- Acquiring new customers
- Serving the customers
- Finally, retaining the customers

In today's increasingly competitive environment, maximizing organic growth through sales momentum has become a priority for Banks and Financial institutions. To build this momentum banks are focusing on Customer relationship management initiatives to improve

- Customer satisfaction and loyalty
- Customer insight/ 360º view of customer
- Speed to market for products and service
- Increase products-to-customer ratio
- Improve up sales and cross sales

**Figure 1.16: 360º Customer View**

Source: [http://www.cleverlance.com](http://www.cleverlance.com)

The idea of CRM is that it helps businesses use technology and human resources gain insight into the behavior of customers and the value of those customers. If it works as hoped, a business can: provide better customer service, make call centers more efficient, cross sell products more
effectively, help sales staff close deals faster, simplify marketing and sales processes, discover new customers, and increase customer revenues. It doesn't happen by simply buying software and installing it. For CRM to be truly effective, an organization must first decide what kind of customer information it is looking for and it must decide what it intends to do with that information.

For example, many financial institutions keep track of customers' life stages in order to market appropriate banking products like mortgages or IRAs to them at the right time to fit their needs. Next, the organization must look into all of the different ways information about customers comes into a business, where and how this data is stored and how it is currently used.

One company, for instance, may interact with customers in a myriad of different ways including mail campaigns, Web sites, brick-and-mortar stores, call centers, mobile sales force staff and marketing and advertising efforts. Solid CRM systems link up each of these points. This collected data flows between operational systems (like sales and inventory systems) and analytical systems that can help sort through these records for patterns. Company analysts can then comb through the data to obtain a holistic view of each customer and pinpoint areas where better services are needed.

**Figure 1.17: Customer Intelligence**

In CRM projects, following data should be collected to run process engine:

1) Responses to campaigns,
2) Shipping and fulfillment dates,
3) Sales and purchase data,
4) Account information,
5) Web registration data,
6) Service and support records,
7) Demographic data,
8) Web sales data.

Figure 1.18: The Customer Experience Chain

NEED OF CRM IN BANKS

Bank merely an organization it accepts deposits and lends money to the needy persons, but banking is the process associated with the activities of banks. It includes issuance of cheque and cards, monthly statements, timely announcement of new services, helping the customers to avail online and mobile banking etc. Huge growth of customer relationship management is predicted in the banking sector over the next few years.

Banks are aiming to increase customer profitability with any customer retention. This paper deals with the role of CRM in banking sector and the need for it is to increase customer value by using some analytical methods in CRM applications. It is a sound business strategy to identify the bank’s most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, pricing, discretionary decision making.

In banking sector, relationship management could be defined as having and acting upon deeper knowledge about the customer, ensure that the customer such as how to fund the customer, get to know the customer, keep in tough with the customer, ensure that the customer gets what he wishes from service provider and understand when they are not satisfied and might leave the service provider and act accordingly.

CRM in banking industry entirely different from other sectors, because banking industry purely related to financial services, which needs to create the trust among the people. Establishing customer care support during on and off official hours, making timely information about interest payments, maturity of time deposit, issuing credit and debit cum ATM card, creating awareness regarding online and e-banking, adopting mobile request etc are required to keep regular relationship with customers.

The present day CRM includes developing customer base. The bank has to pay adequate attention to increase customer base by all means, it is possible if the performance is at satisfactory level, the existing clients can recommend others to have banking connection with the bank he is operating. Hence asking reference from the existing customers can develop their client base. If the base increased, the profitability is also increase. Hence the bank has to implement lot of innovative CRM to capture and retain the customers.
There is a shift from bank centric activities to customer centric activities are opted. The private sector banks in India deployed much innovative strategies to attract new customers and to retain existing customers. CRM in banking sector is still in evolutionary stage, it is the time for taking ideas from customers to enrich its service. The use of CRM in banking has gained importance with the aggressive strategies for customer acquisition and retention being employed by the bank in today’s competitive milieu. This has resulted in the adoption of various CRM initiatives by these banks.

**STEP TO FOLLOW**

The following steps minimize the work regarding adoption of CRM strategy. These are:

Ø Identification of proper CRM initiatives

Ø Implementing adequate technologies in order to assist CRM initiative

Ø Setting standards (targets) for each initiative and each person involved in that circle

Ø Evaluating actual performance with the standard or benchmark

Ø Taking corrective actions to improve deviations, if any

Customer Relationship Management is concerned with attracting, maintaining and enhancing customer relationship in multi service organizations. CRM goes beyond the transactional exchange and enables the marketer to estimate the customer’s sentiments and buying intentions so that the customer can be provided with products and services before the starts demanding. Customers are the backbone of any kind of business activities, maintaining relationship with them yield better result.

**CRM STRATEGIES**

This is a new way of thinking for many banks with thousands, even millions of customers. Managing customer relationships successfully means learning about the habits and needs of your customers, anticipating future buying patterns and finding new opportunities to add value to the relationship.

**Customer Behavior Patterns**
For example, in the financial sector, early beneficiaries of successful CRM strategies have been the banks. These organizations use data warehousing and data mining technologies to learn from the millions of transactions and interactions with their customers, and to anticipate their needs. The patterns of customer behavior and attitude derived from this information enable the banks to effectively segment customers on pre-determined criteria.

Detailed customer data can provide answers to the following questions:

- Which communication channel do they prefer?
- What would be the risk of leaving the bank to go to the competition?
- What is the probability the customer will buy a service or product?

This knowledge assists financial institutions with CRM solutions in place to develop marketing programs that respond to each customer segment, support cross-selling and customer retention programs and enables the staff to understand how to maximize the value of each customer’s interaction.

CRM applications provide functionality to enhance customer interactions. Banks known for its high level of customer service might use this characteristic as a starting point for implementing a CRM application. Another company may be very good at targeting profitable customers. Each bank should seek a niche on which to develop its CRM strategy.

**Customer Data**

A common problem many organizations share is integrating customer information. When information is disparate and fragmented, it is difficult to know who the customers are, and the nature of their associations or relationships. This also makes it difficult to capitalize on opportunities to increase customer service, loyalty and profitability. For example, knowing that other family members are also customers provides an opportunity to up-sell or cross-sell products or services, or knowing that a customer uses several sources of interaction with a supplier can also provide opportunities to enhance the relationship.

The creation and execution of a successful CRM strategy depends on close examination and rationalization of the relationship between an organization’s vision and business strategy
Building toward a CRM solution and evaluating the use of customer data requires analysis and alignment of the following core capabilities:

- Customer value management
- Prospecting
- Selling
- Collection and use of customer intelligence
- Customer development (up-selling and cross-selling)
- Customer service and retention
- Protection of customer privacy

Successful CRM implementations result from the capability of the organization and its employees to integrate human resources, business processes and technology, to create differentiation and excellence in service to customers, and to perform all of these functions better than its competitors. The current economic context and financial crisis has most probably led many financial services institutions to refocus their CRM strategies with the customer relationship being more than ever the key to profitability of a retail activity. These institutions have to design a new approach to regain and reassure customers. Even if they have only started building a “how to win back trust” strategy, there is a general movement towards “refocusing on the customer” for the “post-financial” crisis phase.

Irrespective of whether it is a public sector bank or a private sector bank; a regional rural bank or a foreign bank all banks commonly store details of tens of thousands of customers and prospects - both in a corporate database and in discrete documents on the desktops of individual bank staff. Retrieving customer data to support targeted marketing activities in this environment has traditionally involved sorting hard copy by hand, which is time-consuming, inaccurate, and increasingly cost-prohibitive.

Hence the banks devise software, which would mitigate this task of customer relationship management solution, to take full advantage of their valuable customer data. It also
provides a way to quantify a campaign’s success and aids in planning future marketing strategies, better work flow tracking and management, considerable increase in the speed of the marketing campaign planning process, greater cost efficiency with improved ROI, easy monitoring of multiple marketing campaigns and improved workflow management.

CRM IN INDIAN BANKS

In recent years, the banking industry around the world has been undergoing a rapid transformation. In India also, the wave of deregulation of early 1990s has created heightened competition and greater risk for banks and other financial intermediaries. The cross-border flows and entry of new players and products have forced banks to adjust the product-mix and undertake rapid changes in their processes and operations to remain competitive. The deepening of technology has facilitated better tracking and fulfillment of commitments, multiple delivery channels for customers and faster resolution of mis-coordinations.

Unlike in the past, the banks today are market driven and market responsive. The top concern in the mind of every bank’s CEO is increasing or at least maintaining the market share in every line of business against the backdrop of heightened competition. 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. The success of such a model depends upon the approach adopted by banks with respect to customer data management and customer relationship management.

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 those in the public sector lack are 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. Marketing is a question of demand (customers) and supply (financial products & services, customer services through various delivery channels). Both demand and supply have to be understood in the context of geographic locations and competitor analysis to undertake focused marketing (advertising) efforts. Focusing on region-specific campaigns rather than national media campaigns would be a better strategy for a diverse country like India.

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.

As is proved by the experience, banks are now realizing that one of their best assets for building profitable customer relationships especially in a developing country like India is the branch-branches are in fact a key channel for customer retention and profit growth in rural and semi-urban set up. However, to maximize the value of this resource, our banks need to transform their branches from transaction processing centers into customer-centric service centers. This transformation would help them achieve bottom line business benefits by retaining the most profitable customers. 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.

Customer relationship management (CRM) solutions, if implemented and integrated correctly, can help significantly in improving customer satisfaction levels. Data warehousing can help in providing better transaction experiences for customers over different transaction channels. This is because data warehousing helps bring all the transactions coming from different channels under the same roof. Data mining helps banks analyses and measure customer transaction patterns and behavior. This can help a lot in improving service levels and finding new business opportunities.

It must be noted, however, that customer-centric banking also involves many risks. The banking industry world over is being thrust into a wild new world of privacy controversy. The banks need to set up serious governance systems for privacy risk management. It must be remembered that customer privacy issues threaten to compromise the use of information technology which is at the very center of e-commerce and customer relationship management - two areas which are crucial for banks' future. The critical issue for banks is that they will not be able to safeguard customer privacy completely without undermining the most exciting innovations in banking. These innovations promise huge benefits, both for customers and providers. But to capture them, financial services companies and their customers will have to make some critical tradeoffs.

**IMPORTANCE OF CRM IN INDIAN BANK**

For long, Indian banks had presumed that their operations were customer-centric, simply because they had customers. These banks ruled the roost, protected by regulations that did not allow free entry into the sector. And to their credit, when the banking sector was opened up, they survived by adapting quickly to the new rules of the game. Many managed to post profits. For them an unexpected bonanza came from government bonds in which most were hugely invested.

Ironically, the Reserve Bank of India's moves to cut aggressively the interest rates after 1999, pushed up the prices of bonds. So banks had a windfall doing almost nothing. The bond profits, like manna from heaven, improved the balance-sheets of all banks irrespective of their
core performance. However, the era of lazy banking is soon to end. The mesh of rules that propped up the Indian banking industry is now being dismantled rapidly.

**According to a RBI road-map, India will have a competitive banking market in years to come.** As one of the most attractive emerging market destinations, India will see foreign banks come in, what with more freedom to come in, grow and acquire. Therefore, it is imperative that Indian banks wake up to this reality and re-focus on their core asset — the customer. A greater focus on Customer Relationship Management (CRM) is the only way the banking industry can protect its market share and boost growth.

CRM would also make Indian bankers realize that the purpose of their business is to "create and keep a customer" and to "view the entire business process as consisting of a tightly integrated effort to discover, create, and satisfy customer needs."

What is CRM, and what will it deliver to the banks? CRM is, probably, one of the least clearly defined business acronyms, as there is no single definition for it. It is probably easier to say what CRM is not. Unfortunately, CRM has also become a misnomer for a range of solutions from IT vendors, each providing its own spin on the idea.

CRM is variously misunderstood as a fancy sales strategy, an expensive software product, or even a new method of data collection. It is none of these. Customer Relationship Management (CRM) in the Indian banking system is fundamental to building a customer-centric organization. CRM systems link customer data into a single and logical customer repository. CRM in banking is a key element that allows a bank to develop its customer base and sales capacity. The goal of CRM is to manage all aspects of customer interactions in a manner that enables banks to maximize profitability from every customer. Increasing competition, deregulation, and the internet have all contributed to the increase in customer power. Customers, faced with an increasing array of banking products and services, are expecting more from banks in terms of customized offerings, attractive returns, ease of access, and transparency in dealings. Retaining customers is a major concern for banking institutions which underscores the importance of CRM. Banks can turn customer relationship into a key competitive advantage through strategic development across a broad spectrum. This book examines issues related to changing banking industry in India and the challenges in CRM.
CRM is a simple philosophy that places the customer at the heart of a business organization’s processes, activities and culture to improve his satisfaction of service and, in turn, maximize the profits for the organization. A successful CRM strategy aims at understanding the needs of the customer and integrating them with the organization’s strategy, people, and technology and business process. Therefore, one of the best ways of launching a CRM initiative is to start with what the organization is doing now and working out what should be done to improve its interface with its customers. Then and only then, should it link to an IT solution.

While this may sound quite straightforward, for large organizations it can be a mammoth task unless a gradual step-by-step process is adopted. It does not happen simply by buying the software and installing it. For CRM to be truly effective, it requires a well-thought-out initiative involving strategy, people, technology, and processes. Above all, it requires the realization that the CRM philosophy of doing business should be adopted incrementally with an iterative approach to learn at every stage of development.

**BENEFITS OF CRM TO BANKS**

Despite the fact that in most banks profits sometimes fail, they seldom pay attention to or adopt any customer strategy. It has long been the misconception that banks need not pay much attention to customer focus just because they had customers. Some banks even if they possess good customer relationships are unable to cross sell as they have not figured out who to target with what product/service. What happens is that customers are often approached for the wrong products.

However the new millennium has resulted in banks and financial agencies rethinking their strategies and goals. They have come to understand the importance of hanging onto the customer and keeping him happy. The rules that once governed the banking industry have changed. They have realized that adopting a customer centric strategy is essential and needs to be compulsorily undertaken. The vast majority of banks now realize they need a customer strategy and are opting for CRM - Customer Relationship Management.

Banking CRM software serves to increase the market share and boost growth in the banking industry. What happens in CRM banking solutions is that they change the way the employees think and mould them into customer conscious people. CRM induces bankers to
know that they are required to maintain good relationships with their customers and should strive to retain them.

They are made to realize that the business process should consist of efforts to discover and satisfy customer requirements. Since the banking field now boasts of so much of technological innovations there has been a wide variety of innovations in CRM banking as well. Statistics show that bankers will spend $7 billion on CRM. The sector will also evidence an increase in expenditure of 14 percent each year. With such phenomenal statistics it is but a surety that CRM banking solutions sales will soar in the coming years.

**FOLLOWING ARE THE BENEFITS OF CRM TO BANKS:**

1. **CRM Banking Focuses on the Customer**: CRM manages to places the customer at the focal point of the organization in order to cater to his needs, satisfy him and thus maximize the profits of the organization. Banking CRM understands the needs of the customer and integrates it with people, technology, resources and business processes. It focuses on the existing data available in the organization and uses it to improve its relationship with customers. Banking CRM uses information and analytical tools to secure customer focus. Thus it is completely essential that banks implement CRM in order to secure this.

2. **Overall Profitability**: CRM enables banks to give employee's better training that helps them face customers easily. It achieves better infrastructure and ultimately contributes to better overall performance. The byproducts of CRM banking solutions are customer acquisition, retention and profitability. Banks that don't implement CRM will undoubtedly find themselves with lesser profitability coupled with a sharp decline in the number of customers.

3. **Satisfied Customers**: It is important to make a customer feel as if he / she is the only one - this will go a long way in satisfying and retaining them. Bankers need a return on investment and it has been proved that increase in customer satisfaction more than contributes a fair share to ROI. The main value of CRM banking lies in satisfaction and increased retention of customers.
4. **Centralized Information**: CRM banking solutions manage to clearly integrate people, processes and technology. CRM banking provides banks with a holistic view of all bank transactions and customer information as well and stores it in a single data warehouse where it can be studied later.

5. **CRM Banking Boosts Small Banks**: Banking CRM software meets the needs of banks of all sizes in terms of attaining the required accuracy and understanding of customers. Merely assuming that banks that are considerably smaller in size have a better customer approach and are able to deal with their customers in a better manner is wrong. They are just as much in need of CRM aid as the others. Small banks on account of a limited amount of money have had to realize that a large contribution to profits is directly the result of good customer service. CRM makes sure that the bank delivers exactly what the customer expects.

6. **Customer Segregation**: CRM enables a bank to see which customers are costing them and which are bringing benefits. CRM provides them with the required analytical tools that will help them focus on the importance of segregating these two and doing what is required to avail of the maximum returns.

   After this segregation is done CRM easily enables banks to increase their communication and cross-selling to their customers effectively and efficiently.

7. **Aggressive Customer Acquisition**: CRM solution supports the creation of demand generation through multi-channel and multi-wave campaigns. The solution ensures the bank’s marketing message is appropriately personalized and targeted towards the most suitable segment of prospects. This optimizes marketing efforts and results in greater conversion of prospects.

8. **Improved Cross-sell Framework**: The solution presents a unified 360° view of the customer, allowing single point access to all the relationships the customer has forged with the bank. This along with robust customer analytics effectively supports true relationship banking, providing a robust framework for cross-sell opportunities.

   CRM solution also integrates with other white labeled solutions to facilitate contextual and personalized customer engagement, with a keen focus on right-talk driven right-sell.
9. **Increased Operational Efficiencies and Collaboration** : CRM solution supports business automation for processes and business activities, eliminating manual tasks and reducing process time. Straight through processing abilities enhance reduction in turnaround and processing time, increasing output and enabling speedy completion of tasks. The multilingual Web-based single repository of information enables remotely located bankers to collaborate and transact seamlessly.

10. **Lower Total Cost of Ownership (TCO)** : A Web-based solution leveraging new-generation technologies, Finacle CRM solution is future-proof and can be seamlessly integrated with other enterprise applications. With a robust architecture and proven scalability, it ensures protection for the bank’s technology investments.

11. **Campaign Management** : Banks need to identify customers, tailor products and services to meet their needs and sell these products to them. CRM achieves this through Campaign Management by analyzing data from banks internal applications or by importing data from external applications to evaluate customer profitability and designing comprehensive customer profiles in terms of individual lifestyle preferences, income levels and other related criteria.

   Based on these profiles, banks can identify the most lucrative customers and customer segments, and execute targeted, personalized multi-channel marketing campaigns to reach these customers and maximize the lifetime value of those relationships.

12. **Customer Information Consolidation** : Instead of customer information being stored in product centric silos, (for e.g. separate databases of savings account & credit card customers), with CRM the information is stored in a customer centric manner covering all the products of the bank. CRM integrates various channels to deliver a host of services to customers, while aiding the functioning of the bank.

13. **Marketing Encyclopedia** : Central repository for products, pricing and competitive information, as well as internal training material, sales presentations, proposal templates and marketing collateral.
14. **360-degree view of company**: This means whoever the bank speaks to, irrespective of whether the communication is from sales, finance or support, the bank is aware of the interaction. Removal of inconsistencies of data makes the client interaction processes smooth and efficient, thus leading to enhanced customer satisfaction.

15. **Personalized sales home page**: CRM can provide a single view where Sales Managers and agents can get all the most up-to-date information in one place, including opportunity, account, news, and expense report information. This would make sales decision fast and consistent.

15. **Lead and Opportunity Management**: These enable organizations to effectively manage leads and opportunities and track the leads through deal closure, the required follow-up and interaction with the prospects.

17. **Operational Inefficiency Removal**: CRM can help in Strategy Formulation to eliminate current operational inefficiencies. An effective CRM solution supports all channels of customer interaction including telephone, fax, e-mail, the online portals, wireless devices, ATMs, and face-to-face contacts with bank personnel. It also links these customer touch points to an operations center and connects the operations center with the relevant internal and external business partners.

18. **CRM with Business Intelligence**: Banks need to analyze the performance of customer relationships, uncover trends in customer behavior, and understand the true business value of their customers. CRM with business intelligence allows banks to assess customer segments, which help them calculate the net present value (NPV) of a customer segment over a given period to derive customer lifetime value. Customers can be evaluated within a scoring framework. Combining the behavior key figure and frequency to monetary acquisition analysis with a marketing revenue quota can optimize acquisition costs and cut the number of inefficient activities. With such knowledge, banks can efficiently allocate resources to the most profitable customers and reengineer the unprofitable ones.

**BENEFITS OF CRM TO CUSTOMERS**
Customer relationships are becoming even more important for banks as market conditions get harder. Competition is increasing, margins are eroding, customers are becoming more demanding and the life-cycles of products and services are shortening dramatically. All these forces make it necessary for banks to intensify the relationship with their customers and offer them the services they need via the channels they prefer.

CRM helps banks to provide lot of benefits to their customers; some key benefits are as follow.

- Customer Relationship Management leads to more coordinated and professional approach to customer contact.
- With up-to-date customer information, Banks offer more personalized services to the customers thus improving the customer satisfaction level.
- Customers feel empowered if they have greater access to products and services through multiple channels. For example Home banking, Internet banking.
- Targeted product and service offerings can be timed to coincide with customer events and requirements e.g., Education Loans and Tourism Loans.
- Customers can avail many banking facilities at there own discretion of time. They do not have to wait for banking hours thus making them free to use the services anytime through Mobile and Internet.
- Call centers provide most of the information about the customers bank account to the customer from the ease of the chair.
- Implementation of Customer Relationship techniques are providing better service quality to the customers of the banks.

IMPLEMENTATION OF CRM IN INDIAN BANKS

Although CRM as a concept is of recent origin its tenets have been around for sometime. Field officers in the banks have always promoted close relation-ship with customers, but the focus on customer orientation rather than product orientation as a commitment has been on the Indian banking scene for nearly a decade. But the fact remains that implementing customer relationship management is not easy.
There are really very few organizations that are actually optimizing customer experiences at all points of contacts. It is necessary to understand who customers are and what they value, select customer carefully, design products and services that deliver the desired value, design effective sales channels and customer touch points, recruit and equip employees to deliver and increase customer value, and constantly refine your value proposition to ensure customer loyalty and retention (Forsytyh 1997 and Goldenberg 1998).

With the advancement of banking technology and computerization and networking of bank branches, banking customers are becoming more and more dynamic and less loyal in their behaviour. The development of the Internet is further adding to this trend and the whole market becomes trans-parent and customers are in a position to move easily from one bank to another. In such a situation, customer satisfaction is the key to bank marketing, which aims at retention of the old customers and their bringing in new customers.

CRM deserves differential treatment to different class of customers at times. Service can be given to customers either personally through individuals such as customer service manager or the process can be automated by using computers. These different approaches are adopted depending on the value of relationship with the customer. Personal management of relationship is extended to business customers and high value personal customers and automated relationship management to lower margin mass- market segments.

CRM system can open up new channels of delivery, which are most cost effective. We can cite example of the Internet and call centers. According to an estimate, cost per transaction through these modes can be reduced by 90 per cent when compared to cost of transaction at branch. To offer better and extended services to custom-ers new technology platforms are being created through huge investment in Information Technology in banking sector. The recent development in this field is the introduction of CBS (Core Banking Solutions). A CBS helps in centralizing the transactions of branches and different banking channels and the customers start banking with the bank instead of at different branches. This is the only way to offer seamless transactions across different channels (branches, the Internet, the telephone and Automated Teller Machines or ATMs). As such nowadays a customer is called a customer of the bank rather than of a branch.
Another problem generally faced by a bank in implementing CRM is resistance to change. The banking industry is passing through a radical transformation, from a sellers market to a customers market, a regulated economy to a more liberalized and open economy, advancement in technology and a lot of other developments. These complex changes are forcing the banks to change the way they do business. A change denotes making things in a different manner. It should be planned properly, proactive and goal oriented. It requires two things:

Firstly, the ability of the organization to adapt changes in the business environment is to be increased. Secondly, the mindset of the employees has got to be changed in the development of right attitude, skills, expectations, perceptions and behaviour. Implementation of CRM in Indian banking is still in its initial stage and has to go a long way to develop and raise it to the global standards. But the Indian banks including the public sector banks are coming in a big way to address this issue to remain competitive with their counterparts—the foreign and private sector banks.

**CHALLENGES FACED BY BANKS IN SUCCESSFUL IMPLEMENTATION OF CRM**

The most pervasive challenges to effective customer knowledge include:

- The difficulty of obtaining a complete view of customers.
- The need to move away from disjointed, standalone, and inconsistent channels to provide a cohesive, multichannel offering.
- The burden of disconnected legacy systems and disparate databases that store client financial data.
- The cost and complexity of meeting stringent government regulatory and client security and privacy requirements.
- The pressure on margins and growth prospects from increased competition.
- The costs associated with retaining customers and developing customer loyalty.

Although CRM can help banking institutions efficiently manage their customers, many banks fail to meld the concept into the prevailing work culture. But the high incidence of CRM
failure has very little to do with the CRM concept itself. Usually it's a case of the banks failing to pay attention to customer data they already have.

A lot of banks underestimate the magnitude of CRM. They tend to treat it just like any other application technology, without realizing that CRM, if done properly, is a strategic initiative that touches all areas of an organization. According to CRM software firm PeopleSoft, banks need to be aware of three key problems:

1. **Measuring CRM benefits**

   A key basic CRM challenge is establishing the measurement method. Banks may find it hard to build the initial business case justification and then to prove the worth or success of their investment. What makes the latter task even more difficult is the fact that the metrics that are best used to justify a significant IT investment are not always the most appropriate for evaluating ongoing success.

   When banks seek to justify the cost of their investment in CRM-related technology they usually focus on hard numbers, typically those related to decreased costs and increased sales. In other words, the proponents look to justify the top-line expenses with bottom-line benefits.

   Traditionally, banks have determined the success of any project or product mainly in terms of internal business gauges such as return on investment, units sold, asset growth, or service level agreement measures. One exception to the typical practice of focusing solely on internal data for gauging success is market share, or market performance. Interestingly, most CRM practitioners quickly default to marketing and sales measures when asked about the success of CRM implementations. The tendency to frame the discussion of CRM measurements in terms of sales and marketing measures is completely understandable given the phased nature of most CRM projects.

   Since the majority of CRM projects are expensive multiphase and multiyear projects that often involve multiple technologies, the funding for CRM projects is also often phased. CRM sponsors grant funding to project leaders at the completion of one phase and start of the next. To ensure that the subsequent phases will get funding, project leaders typically build into each phase of a CRM project demonstrable business benefits.
2. **Customer profitability**

Many banks use profitability as a key component in determining how to treat their customers. But measuring profit in a bank is not an easy task. Many banks allow the use of an accountant's approach to the measurement process. This means the accounting and finance people are in charge of the process, resulting in textbook-accurate allocations that often do not accurately reflect the activities they are intended to measure.

For example, most bank costs are step-fixed. This means they are neither purely fixed nor purely variable, with the resource able to process only a finite number of transactions before more investment is required. The way the step-fixed resources are allocated can dramatically affect the resulting measurement of account level profitability.

3. **The 80-20 Rule**

Most banks make critical pricing decisions based on the so-called 80-20 rule, the notion that 80 per cent of profits derive from 20 per cent of customers. This may be true, but the use of incomplete or inaccurate cost information and unproven hypotheses on customer buying behavior make this rule difficult to apply. One significant problem is that banks let their customers use the bank's products and services in an unprofitable way.

By providing a lower level of service to these customers, the bank faces the danger of driving them away to institutions that provide better service. Given the step-fixed nature of bank costs as discussed, banks should not view losing unprofitable customers as the way to improved profits.

**METHOD OF EFFECTIVE CRM IMPLEMENTATION**

Banks can take several steps to strengthen their customer relationship management in an effective manner.

1. **Acknowledge email enquiries**

   At the very minimum, banks should send out an automated email response that acknowledges receipt of a customer's email and lets the sender know when to expect a more complete response.
It is then vital to get back to the customer within the promised time frame. Banks can earn more customer goodwill if they respond faster than the imposed deadline. To handle significant volumes of email, banks need adequate routing technology. Many banks regard a voice call centre as a cost of doing business, but they don't look at it the same way with email.

2. **Develop the right contact strategy**

By knowing which offers and incentives to offer to which customers and when, banks will not annoy customers with unwanted marketing offers, building customer loyalty along the way. Such goals can be at least as important as realizing cross-sell opportunities.

3. **Providing online `chatting'**

An alternative to telephone support, online chatting is providing a service via emails or any other form of immediate response. This service also offers some of the immediacy of the phone but primarily allows customers to remain online. With online chatting, service agents can usually handle between one and three customer inquiries at once.

Given that the average call lasts about four minutes, a customer-service representative can handle 10 to 12 customers per hour using "chat", compared with six to eight per hour over the telephone. One of chat's important advantages is that it keeps customers in an online store environment where they remain exposed to merchandise and promotions.

4. **Reduce costs by improving website design and self-service**

Email, telephone support, and chat all involve considerable staffing costs. But to reduce these expenses a site should anticipate customer needs. Sites that is difficult to navigate and don't provide needed information chase away some customers and force those who stay to resort to more expensive channels to satisfy their service needs.

5. **Analyses the project's scope**

Before recommending or embracing CRM, bank executives must analyses the business issues, the customer relationship model and the exact nature of customer interactions and how they tie together. Banks should not embrace top-line growth as an objective until they can understand precisely how CRM technology will provide those new revenues.
6. **Know the limitations**

Many CRM implementations are severely limited because they fail to provide a complete and meaningful view of the customer. CRM is primarily a business program, and it requires a genuine partnership between various departments to ensure that both business and technology issues are managed effectively.

Furthermore, CRM not only takes existing business processes and makes them more efficient, but it also requires these processes to be modified. For a CRM implementation to be successful, decision makers within the bank need to make sure that all the stakeholders understand and support the required process changes.

7. **Change accounts into customer**

Traditionally banks have closely associated customers with accounts, to the point of calling the account the customer and vice versa. Customers will tend to feel alienated when they are treated like a number instead of a person. A conventional account structure usually contains very little information about customers and their needs, or their relationship with competitors or other divisions within the bank.

The way ahead Banks have excellent reasons to adopt comprehensive CRM strategies to cultivate a lifetime customer relationship. As banks move from transaction-centric to a relationship-centric business approach, effective leveraging of customer relationship becomes all the more critical.

Today, customers are expecting even more individual attention, responsiveness and product customization, yet are unwilling to pay a premium for these services. They are willing, however, to build a long-term relationship with banks that offers differentiated and more personalized services.

This is where electronic banking can offer a competitive advantage. Successful CRM implementation in electronic banking needs to integrate data from all customer touch points, employee feedback and even shareholders' perceptions. If used effectively and in an innovative way, this approach will enable banks to develop a strategy to deliver to the customer the most appropriate products and services.
**IMPS (Interbank Mobile Payment System)**

NPCI has carried out a pilot on mobile payment system initially with 4 member banks viz State Bank of India, Bank of India, Union Bank of India and ICICI Bank in August 2010. Yes Bank, Axis Bank and HDFC Bank have joined this pilot in month of September, October and November 2010 respectively. Immediate Payment Service (IMPS) public launch happened on 22nd November 2010 by Smt. Shyamala Gopinath, DG RBI at Mumbai and this service is now available to the Indian public.

IMPS offers an instant, 24X7, interbank electronic fund transfer service through mobile phones. IMPS facilitate customers to use mobile instruments as a channel for accessing their bank accounts and put high interbank fund transfers in a secured manner with immediate confirmation features.

**Objectives of IMPS**

- To enable bank customers to use mobile instruments as a channel for accessing their banks accounts and remit funds
- Making payment simpler just with the mobile number of the beneficiary
- To sub-serve the goal of Reserve Bank of India (RBI) in electronification of retail payments
- To facilitate mobile payment systems already introduced in India with the Reserve Bank of India Mobile Payment Guidelines 2008 to be inter-operable across banks and mobile operators in a safe and secured manner
- To build the foundation for a full range of mobile based Banking services.
Scope & Objective of Study

Scope of Study:
Principal aim is to gather and collate information from the literature and from customers of Leading banks under study about CRM strategies adopted by these banks and the Information technology/ Non IT tools used by Public and Private sector banks for Enhancing customer relationship.

To fill in the evaluation of secondary data, primary data was collected from Public & Private Banks .Primary data is collected though questionnaire. Scope of the study is limited to CRM practices of State bank of India, Punjab National Bank, Union Bank of India, ICICI Bank, HDFC Bank & AXIS Bank.

Objective 1: To study important Information Technology & Non Information Technology aspects of Customer Relationship Management as corporate strategy in enhancing customer satisfaction in Private and Public sector banks in Lucknow city.

Objective 2: To study CRM process of private sector banks & public sector banks.

Objective 3: To study how banks are using CRM tools in creating customer centric culture.

Objective 4: To study CRM as advantage in securing customer relationship.

Objective 5: To study the CRM process as an advantage for customers & banks.

Objective 6: To find how CRM can lead to better relationship between organization and its customers.
Limitations of Study:

1. The area of study was limited to Lucknow region.
2. Due to monetary constraints the sample size has been limited to 300.
3. The data collected and the analysis represents the views of customers of Lucknow only. The results may differ on change of region.
4. This research was conducted for academic purpose due to which time constraints were involved.