Chapter 1

Introduction

Powerful market forces are decisive factors in transforming today's banking and financial services. In such environment, the banks' success depends on the ability to understand changing customer needs, which is utilized as competitive advantage. Banking institutions today face enormous challenges including global competition for deposits, loans, and underwriting fees, increasing customer demands, shrinking profit margins, and pressures to enhance latest technologies apart from global competition in deposits. The future depends on one critical factor i.e. strong customer relationships. And these relationships depend on the banks' ability and capacity to provide personalized services to every customer, every time, everywhere.

The biggest management challenge in the new millennium of liberalisation and globalization for a bank is to serve and maintain good relations with the king—the customer. In the past, banks took their customers for granted because at that time customers were not demanding nor they had many alternative sources of services. The bank dictated terms and had little customer concerns. But today there is a radical transformation. The changing bank environment is characterised by economic liberalisation, increasing competition, high consumer choice, enlightened and demanding customer, and with more emphasis on qualitative services.

All these changes have made today's banks to shift from traditional marketing to modern marketing. Modern marketing calls for more than developing a product, pricing it, promoting it and making it accessible to
target customers. It demands building trust, a binding force and value added relationship with the customers to win their confidence. The new age marketing aims at winning customers forever, where banks greet the customers, create products to suit their needs, work hard to develop life time customers through the principles of customer delight, approval and continuity.

The winds of rapidly changing global environment are constantly forcing the banks to revisit their vision, thrust areas and approaches in order to reorient themselves to attain or retain edge over other active players in this fiercely competitive market. Of late, the Banks are making their purpose and mission customer-oriented after realizing that out of several strategic alternatives, the route to long-lasting sustainable success lies in the adoption of customer relationship management (CRM). The customer may be understood as the only reliable and known fundamental source for maximizing value for all the stake-holders, and, so to keep on enhancing customer value, it is imperative to imbibe CRM in the entire organization. Bank organizations normally lay emphasis on a continuous drive for mobilizing as large a number of new customers as possible, but are hardly able to cater to the varied needs of existing and new customers, ultimately resulting in a large number of dissatisfied and lost customers. The level of the reservoir of customer-base cannot enhance unless the outflow is arrested as it is more critical for a banking organization. The beginning of a relationship with customer is like planting a sapling which will not only keep on showering fruits in the bag of a banking enterprise over a long period, but will also protect it during adverse weather. Building long-lasting relationships is not possible by only selling
gimmicks; instead, a core strategy is required to be developed and implemented by banking organizations, not only in marketing or information-technology areas but in the activities covering the employees at various hierarchical levels. Thus, a banking organization should strive hard not only to attract new customers but also provide for them competitive, tangible and intangible quality exceeding their expectations so as to retain useful customers for recurring business and expansion of the base. A comprehensive strategy leading to long lasting relationships may be perceived as Customer Relationship Management (CRM). It is a sweet dream to have loyal customers but very intricate to turn it into reality in this era of intense competition and swelling demands of customers. As a result, practitioners and academicians are getting more and more interested in studying the various dimensions of CRM which is a key strategy in both public and private banking organizations of this century. It goes without saying that unless efficiency, productivity, cost effectiveness, customization and quality level are continuously enhanced, value cannot be maximized for rewarding customers and in turn life-long relationship will be unlikely, finally resulting in lesser returns for shareholders.

A large number of studies conducted all over the world indicated that the cost of mobilizing a new customer is far more than the cost of retaining an existing one by building relationship and evoking loyalty, based on mutual trust and dependibility. These satisfied customers bring in more banking of their own and act as the advocates of the organization, thus helping to expand customer and product base. Prior to the implementation of CRM an organization chases banking but later on the banking starts chasing the
organization. Further, CRM approach being strategic in nature, calls for customer-analysis and helps in weeding out unwanted customers, identifies the conditions where the enterprise can afford to lose marginally, keeping in mind the long-term compensating benefits. While helping in the optimization of available resources and satisfying a group of needs of all the customers, CRM also provides an effective risk-management through trade analysis and alerting customers to forthcoming downturns.

The survival of a Banking organization depends on both quality and quantity of customers, but perhaps the quality-aspect needs higher attention in today’s cut throat competitive world. Thus, any banking organization ignoring CRM might be ignored by customers. The fast growing service sector is emerging as the most prominent industry in the world. The service sector is increasingly contributing to the overall GDP. In this new banking climate, the customer is more often the purchaser of a service than a product. Speed and quality are the acid tests of consumer satisfaction. In this age of globalization, the service sector has to come up to the international standards.

The new policies and reforms are embracing practically each and every aspect of the country’s economy. The significant microeconomic adjustments have also taken place largely through fiscal and monetary reforms. The economic institutions too have undergone significant change; the banking sector and capital markets in particular, have been the major targets of the change. Basically the reform reflects the desire to modernize the banking system, reduce unproductive controls, and strengthen private investment including foreign investment and to integrate India’s economy with the global economy. It would be necessary to study these reforms deeply giving rise to
CRM practices and how they are radically altering the banking environment of the country.

This new order calls for a new mindset. Retail bankers have to behave more like retail merchants by streamlining product costs and customer contact channels.

Banks have been doing that all along by spending large advertising budgets on television and print ads to lure new customers. They wage ambitious campaigns to cross-sell services to existing customers. They constantly monitor and seek to increase sales in each product line. So what's the problem?

The problem is that these measures fall short of the potential to truly maximize value from existing customers, and can even be self-defeating. Banks need to reconsider their traditional focus on product lines. It's time to adopt a comprehensive view of the customer as part of a continuum, not just a sale, and to manage the life cycle of the relationship, not just a series of transactions.

Bankers can no longer view the customer from the perspective of specific products or a snapshot in time. To maximize lifetime profitability from valued customers, banks must abandon the traditional silo mindset, which tends to:

- Reward product-level success even as it cannibalizes other products or undermines enterprise-wide profitability.
- Alienate customers by revealing the bank's lack of knowledge about their complete-relationship.
Banks are recognizing that it's time for a more holistic approach. It is time for customer relationship management (CRM), and banks are making the investments necessary to implement this customer-centric vision.

CUSTOMER FOCUS IN BANKING SERVICES

As the intense competition becomes a way of doing business, it is the customer who calls the shot in deciding the nature of products and services offered in the market. The customers are becoming demanding, dominant and selective. In fact the perceptions and the expectations of the customers have undergone a sea change, with the availability of banking services to the customers at their door steps through the help of technology. Marketing of customer services aims at two important goals: prosperity to the bank and satisfied customers. Banks offer tangible services like loan schemes, interest rates and intangible services like behavior and efficiency of staff, speed of transactions and the conducive atmosphere. The banks may need to include customer oriented approach or customer focus in their five areas of businesses such as Cash accessibility, asset security, money transfer, deferred payment and financial advices.

The future of banking business very much depends upon the ability of the banks to develop close relationship with the customers. In order to develop close relationship with the customers the banking industry has to focus on the technology oriented innovations that offer convenience to the customers. Today customers are offered ATM services, access to internet banking and phone banking facilities and credit cards. These have elevated banking beyond the barriers of time and space.
What is Customer Relationship Management (CRM)

CRM stands for Customer Relationship Management. It is a strategy used to learn more about customer's needs and behaviours in order to develop stronger relationships with them. After all good customer relationships are at the heart of the banking success. CRM is a process that will help bring together lots of pieces of information about customers, sales, marketing efforts, marketing effectiveness, responsiveness and market trends. CRM is the process of designing an enterprise around its customers, so that customer needs and wants are the primary focus of every banking decision but not simply out of altruistic concern for customers. The objective of creating a customer-focused organization is to increase the mutual value of customer relationship, which for the organization means improved customer retention and increased revenues, while managing costs more efficiently.

The process of developing a cooperative and collaborative relationship between the buyers and sellers is called customer relationship management shortly called CRM.

CRM aims at focusing all the organizational activities towards creating and maintaining a customer. CRM is a new technique in marketing where the marketer tries to develop long term collaborative relationship with customers to develop them as life time customers. CRM aims to make the customer climb up the ladder of loyalty.

Customers Relationship Management (CRM) considers the fundamental knowledge of customer needs, and includes all functionalities necessary for the acquisition, enhancement and retention of relationship with a customer. It is also retention management, cross-selling and up-selling, and direct
marketing for the purpose of selling to customer. CRM also includes the
collection of customer information and its application to personalize,
customize, and integrate delivery of service to a customer, as well as to
identify opportunities for increasing the values of the customer to the
enterprise. CRM focuses on collection of customer data and managing
relationship with customer to improve customer retention and customer value
contribution to the enterprise. CRM is more than customer care or customer
interface management; it is the integration of customer acquisition,
enhancement, and retention through managing the customer relationship over
time.

In the era of internet transparency and global choice, organization can no
longer hide their policies and their prices. Customers are savvy enough to
know that they can go elsewhere, and when they have negative experiences
with their services providers, they do shift. The shift in power from
organization to customers is occurring within every industry around the world.
Banking organizations are witnessing these changes in India in both private
and public sector banks. At the same time, industry consolidation and the
emergence of new players are forcing organizations to differentiate on the
basis of customers, not products. The successful organizations of the future
will be the ones who build customers into their banking model and use their
needs as a constant touchstone for strategy of a strategic imperative. While
CRM is increasingly important in banking organizations, it is most critical in
highly competitive industries where complex organizations serve a diverse
customer base that can be segmented for the differentiated treatment.
Customers relationship management is being increasingly used to identify attract and retain most valuable customer that help banks to sustain profitable growth. Successful banking organizations are achieving long term performance in customer relationship management by gaining deep insight about their customer which helps them design product/service offering that match or exceed the customer expectations which in turn help in building customer trust and gain loyalty.

In order to survive and grow in this competitive environment, it is necessary that the banking organizations satisfy their customers by providing them with qualitative services. So, firstly they should identify their customers' needs and then whether they are satisfied with the current services and what needs to be done to develop long term association with their customers. But there is a gap in what is being done and what should be done in banks regarding CRM. Thus arose a need for research. The present study fills this gap. An in-depth study of CRM practices being employed in both public and private sector banks has been made in the study.

CRM is a banking strategy that integrates people, process and technology to maximize relationships with day-to-day customers, distribution channel members, internal customers, and suppliers. CRM is a comprehensive approach that provides seamless coordination between sales, marketing, field support and customer services. It is not a technology, project or even a programme. CRM has also been reported as customer relationship management, customer relationship marketing and retention marketing.

Most banks today are reviewing all areas of customer management, most are beginning to realize that a differentiator for them is the service and support
they provide to their customers. Management of information from this vital source of banking is becoming increasingly important to the banking that wants to stay ahead of the competition. Captured customer information not only gives trends in sales activity but vital history on a customer relationship with a bank. This data when analyzed can be used to encourage the new customer as well as retention of existing ones. Understanding customer requirements needs banks to review as an ongoing project the trends and activities of the existing customer, and also sharing this information with the incoming customer. Customers would like to be recognized and identified with their requirements, albeit not all, but at least meeting those that the banking can supply.

1.2 Scope of CRM

CRM is the philosophy that has been driving fundamental change in leading banking organizations. CRM first seeks to understand the needs and values of their customers, by profiling their demographics and interactions with the banking organization. Next, it helps to align the organization’s capabilities and resources in order to deliver better value to its prospects and customers. The organization benefits in many ways: increased customer retention, more loyalty, expanded referrals, more dependability and finally more revenue.

The forces of deregulation, globalization and advancing technology have greatly increased the comparative pressure in the banking industry. Thus in this era of increased competition, in order to prosper, it is imperative for banks to focus on developing long-term relationships with their customers.

Globalization and technology improvements have forced banks into tough competition. In this new era banks are focusing on managing customer
relationships, particularly customer satisfaction, in order to efficiently maximize revenues. Today banking is not just developing, delivering and selling, it is moving towards developing and maintaining mutually long term relationships with customers. Customer Relationship Management is becoming important in banking services. If a bank develops and sustains a solid relationship with its customers, its competitors cannot easily replace them and therefore this relationship provides for a sustained competitive advantage. Several research studies have indicated that severe competitive pressures force financial institutions to restructure their marketing strategies by developing into long-term relationship with customers. In order to survive and grow in this competitive environment it is necessary that the banks satisfy their customers by providing them with qualitative services. So, firstly they should identify what are their customers’ need and requirements and then whether customers are satisfied with the current services and what needs to be done to develop long-term association with their customers. The study has been carried out to see how CRM is taking place in public and private sector banks.

The key to customer retention is good customer service. Regardless of whichever industry one is a part of; customer care is of utmost importance. An increasing number of banking organizations are realizing that with growing competition, new technological innovations and constantly improving services and products, customers are being pulled in different directions. It is vital to ensure that customer loyalty programs are an integral part of an organization. Acquiring new customers is important, but holding on to existing customers is crucial. After all if existing clients are satisfied they will help in acquiring new
ones by spreading the news of your outstanding customer services. To find out the real contribution of customer relationship management in public and private sector banks, a detailed in-depth comparative study is undertaken. No such study has so far been conducted as regards a comparative study of CRM in public and private sector banks. The present study is a pioneering effort in this direction.

The above discussion about CRM indicates the need for banks to think about establishing long-term relationship with customers. In a competitive world there is a need for banks to maximise all their resources. One of the resources that are often overlooked is that of existing customer base. Customer relationship management (CRM) is a tool that is becoming increasingly popular as it provides a method of maximising existing customer resource as well as adding value from the customers' perception. CRM consists of three simultaneous considerations that drive CRM strategy: (1) people, business culture and relationships, (2) processes, and (3) technology. In a globalised economy, cross-cultural is attaining extreme importance to many researchers and practitioners, but there is a lack of literature on the impact of CRM practices implementation on banking services performance. Banking organizations face the situation of how to adopt CRM implementation process according to differences in CRM factors from branch to branch. They face the problem of answering whether it is the same implementation process from place to place, from branch to branch within the same organization or not. The most critical issue that drive CRM projects to fail is ignoring culture readiness. The scope of this study is to investigate the various CRM practices being practiced in public and private sector banks and its impact on service
performance of banks and finally on the customer. The study also find its cope in understanding the overall environment of the banks in relation to CRM environment and a comparative analysis help us to know how public and private sector banks are striving to be competitive in modern day cut-throat competitive world of banking. This will lead to develop a framework for CRM implementation process in banking organizations environment. To achieve the proposed aim and measurable objectives the study employs a qualitative approach to accomplish this research. The study uses a comparative case study, which helps to compare between different banks to investigate the impact on CRM implementation.

1.3 Objectives of the study

A comparative study of CRM in public and private sector banks is bound to reveal whether CRM climate is congenial to the development of these organizations and what improvements are required. So far, no comprehensive study covering major aspects of CRM in private and public sector banks has been undertaken. It is in this background that the present study focuses on making an in-depth study of the CRM system prevailing in public and private sector banks.

The study relates to the following objectives:

1. To investigate what significant CRM developments have taken place over the last decade leading to globalization of markets and whether managers perceive it as a myth or reality.

2. To study the factors that appear to have influenced or are affecting changes in the CRM.
3. To explore the potential challenges imposed by factors in effective implementation of globalized campaigns to manage CRM.

4. To find out the significant differences which exist between the public and private sector banks in relation to CRM.

5. To find out the kind of CRM strategies that Indian banks are pursuing in today’s rapidly changing and highly competitive environment.

6. To find out the strengths and weaknesses as revealed by the customers.

7. To make recommendations to improve the CRM on the basis of the findings of the study.

1.4 Significance of the study

Customer relationship management (CRM) is the key strategy to banking organizations’ success. Some investigations in India show that CRM is the issue that banks care about the most, but are short of knowledge and professional support of skill. The banking industry is one of the best beneficiaries of the CRM explosion in all sectors, but studies seldom explore it from an industry-specific perspective with action plans. The strategic review of the best practices of CRM in leading banks is carried out inorder to come out with effective CRM practices, including contact channel management, enterprise-wide management on integrating and streamlining front-office and back-office systems, customer data management on implementing database and customer analysis and information technology management. India’s banking industry may follow it to respond to the revealed internal and external challenges in this study, as well as to develop and evaluate its own CRM
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tiatives. Hopefully, this study also benefits future researches into CRM
readiness.

Only those banking organizations which can recognize the power of
customers and satisfy their needs will move toward sustainability. Therefore,
customer relationship should be viewed as a valuable asset and be managed
well in order to switch the focus from the view of marketing into the
development of "customer relationship value". Banking organizations establish
their sustaining competitive advantage by creating customer intimacy. Instead
of treating customers as exploitable sources of income, banks are now
viewing them as long-term assets to be nurtured through CRM. CRM seeks to
understand customers for example, who are they, what do they do, and what
they like from a multifaceted perspective, and it is a source of competitive
differentiation. It is an integration framework and bank strategy which
establishes and integrates contact channels with IT applications, provides
customized services by analyzing customers' data, makes target customers
connect easily and pleasurably with banking organizations.

With this point, how banks initiate their services, satisfy customers' needs,
strengthen the relationship with customers, and develop their CRM is the
source of competitive advantage. Banking industry in India in general is ahead
in responding to opportunities provided by the Internet and best practices
showed that they are beginning to come to fruition from being customer-
centric. By contrast, public sector banks in India are now grappling with some
perceptual issues and are not in the face of worldwide competition yet;
moreover, lacking sophisticated applications and professional support, their
CRM adoption is progressing at a slower pace compared with international
banks. How to develop each bank's own unique and sustainable customer intimacy is an important issue in the era of CRM. Most CRM projects are highly fragmented, lack customer focus, and then fail to meet their objectives such as emotional customer attachment.

CRM is taken seriously, because the cost of acquiring a new customer is six times more than keeping an old one, such that the longer the customer is retained, the higher the profits are that the company earns. This has motivated banks to try to maximize their existing customer relationships. CRM is the driving force that enables the delineation of and increase in customer value, and the correct discipline by which to motivate valuable customers to remain loyal. It is about more than simply managing customers and monitoring their behavior. It has the potential to change a customer's relationship with a bank and increase revenue in the bargain. By contrast, Indian banks both public and private, in India are still struggling with some perceptual issues of CRM.

Banks are recognizing that they can no longer look at a consumer from a specific product or snapshot perspective but must encompass the entire customer relationship to fully understand a client's profitability.

From a strategic standpoint, CRM mobilizes resources around customer relationships rather than product groups and fosters activities that maximize the value of lifetime relationships. From an operational standpoint, CRM links bank processes across the supply chain from back-office functions through all touch points, enabling continuity and consistency across a customer relationship.

The banking organizations are expected to invest on CRM. Those
Investments will payoff for banks by fostering greater long-term loyalty through relationship building, maximizing lifetime value of each customer through cross-selling, enabling immediate action to retain the most valuable customers, identifying high-risk customers and adjusting service accordingly, enabling the bank to fulfill customer needs at the right time with the right offer and increasing the rate of return on marketing initiatives. Thus, customer relationship management can be a powerful new tool for effective and competitive banking.

1.5 Research Methodology

Research design: A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact, the research design is the conceptual structure with which research is conducted, it constitutes the blueprint for data collection, measurement and analysis of data. Research design, in fact, has a great bearing on the reliability of the results arrived at and as such constitutes the firm foundation of the entire edifice of the research work. In this study critical evaluation method of the research design is adopted.

The better the method, the better the resulting decisions are likely to be. In this study critical evaluation approach is adopted, with a purpose of discovering significant variables in the banking sector, and to discover relations among variables. There were two levels of exploratory studies. At the first level is the discovery of the significant variables and at the second level the discovery of relationships between variables. Thus, factor analysis method is used to find out most important factors for the banking organization.
1.5.1 Purpose of study

The study related to identification of the practices and challenges of CRM performance in the banking services industry. To ensure comparability, the study focused on CRM practices in the six banks (Three private banks i.e. ICICI, HDFC and Axis Bank and three public sector banks namely SBI, PNB and OBC) in the NCR region. By making a comparative study of the public and the private banks, efforts are made in the study to find out the level of customer value and satisfaction they are providing and also the area where they are lagging behind in the field of Customer Relationship Management.

Practices and challenges of CRM performance in banking services: In order to identify CRM performance practices and related challenges, the study examined three aspects of the CRM performance of the selected banks: it first examined the evolution of the CRM practices benefits in the form of service orientation of banks. Secondly, the study focussed on the performance of the ongoing operative CRM activities by dividing this aspect into four sections: customer knowledge, customer interaction, customer satisfaction and customer value. Thirdly, the selected six banks’ perspectives capture the different aspects of CRM performance comprehensively and helped to structure the problem domain.

1.5.2 Research Problem

In this Internet age, when the customer enjoys access to a variety of products and services it is becoming extremely difficult for banks to survive. In this situation, when customer inquiries were not met easily or transactions were complicated, the customer complained for new levels of services, and only sticked to those banking institutions who were making a real effort to provide
a high level of quality and efficient service through all the bank’s touch points, call centers, ATMs, voice response systems, internet and branches. Managers really need to look at areas where opportunities lie because industry consolidation, virtual delivery channels and the ability to move money around at the click of a mouse are making it easier for customers to pack their bags and say bye to the bank. Of course, only depending on technological capabilities can’t ensure customer service. Banks need to analyse the business situation and understand the real requirements for automation.

In this difficult situation CRM is an opportunity that banks can avail to rise above minor advantages by developing actual relationships with their customers. Banks committed to CRM must continuously invest in its relationship with its customers, to change their internal business processes, and exploit human and organizational resources, in order to manage good relationship with their customers. Institutional success lies in the secret of successfully delivering customer oriented product or service to every customer.

1.5.3 Data Sources

The primary data was collected through interviews with the bank managers at the six banks. In order to improve the reliability of these interviews, the interview guide was sent to respondents in advance. The interview confirmed that the respondents were the right person at the bank to talk with. He/she was familiar with the terms used in the questions and answered them appropriately. Secondary data was made use of through various sources like Internal sources, online Information, Annual Reports of banks,
banks' Data Base and catalogues and external data sources, magazines like Business Standard, books and journals related to CRM.

1.5.4 Research Methodology

Any research methodology may relate to any one or more of the following ways:

1. Critical evaluation of the problem.

2. Application of computers involving regression techniques and/or multiple and partial correlation techniques.

3. Ratio-analysis techniques.

The present study made use of the critical evaluation approach of CRM practices in public and private sector banks. In order to elicit first hand information regarding CRM practices as prevalent in public and private sector banks, a questionnaire was supplied to 20 managers each of all the six banks (Axis, ICICI, HDFC, SBI, OBC, PNB) and to 100 customers of each of the selected public and private sector banks. Also, the results obtained through the questionnaire method were supplemented with the help of personal interviews of the managers and customers of the selected public and private sector banks.

Comparative analysis between the public and private sector banks with respect to CRM facilities was undertaken considering the following factors: dissatisfaction level of customer, reinforced customer, convenience, benefit and facility, increase in customer revenue.

1.5.5. Data Collection

The study has used two types of questions, an open-ended or free-answer or free-response, in which the interviewee can answer the question in detail.
using his own words and a set of close-ended questions in which the interviewee has to make a choice in ‘Yes/No’ or ‘No Idea’ etc.

Secondary data are existing information that may be useful for the purposes of specific surveys. This type of data was obtained internally and also externally.

In the study both types of data are used, primary data and secondary data, since face-to-face and telephonic interviews where source of primary data and website data, published data from research journals is the source of secondary data. The primary data is considered as qualitative data since the respondents’ opinions and point of view has a great importance on the outcome of this study. The data is also based on meanings expressed through words and not derived from numbers.

In the interview, the interview guide (see Appendix 3) is followed. In this study free-response interview with open-ended questions is used, so that interviewee has the free choice of words and can express about the phenomenon freely. During the interview the questionnaire was also filled by the respondents. Therefore the interview made it very clear that responses were accurate and thus interview proved to be of immense help in the research study.

1.5.6. Primary Data Sources

Questionnaire: A formal list of questions was formulated for asking the questions from the managers who were having the related information.
Also, through interview the researcher has tried to gain deep insights into CRM practices in banks. The interview answers also formed the basis of source of primary data.

1.5.7. Secondary Data Sources

The secondary data relating to the work was collected from the sources like Bombay Stock Exchange Official Directory, Government publications and Reserve Bank of India Bulletin, etc.

1.5.8. Sampling Design: Description of the sample

In the present study six banks are chosen, three from public sector banks-State bank of India (SBI), Punjab National Bank (PNB), Oriental Bank of Commerce (OBC) and three from private sector banks-Industrial Credit and Investment Corporation of India (ICICI bank), Housing Development and Financial Corporation (HDFC) and Axis Bank.

A total number of 120 managers (20 from each of the six banks) and six hundred customers (100 from each of the six banks) were considered as sample in the present study. The data were collected from the three public sector banks and from the three private sector banks. Random stratified sampling was used for data collection in the present study.

1.5.9. Tools used for the present study

The questionnaires were prepared to find out the relevant facts and figures related to CRM in the line of banking goals, marketing goals, strategic goals, operational goals, and general goals, resource allocation, joint planning, and other factors such as different market/competitive structure across public and private sector banks, senior management myopia, CRM culture differences between and within banks, adaptation, trust, commitment, communication,
co-operation, conflict, conflict resolution, citizenship behaviour, interdependence, past satisfaction, complaint handling, account management, customer care, customer satisfaction, responsiveness, credibility, capability and tangibility, increased revenue, reduced servicing costs, improved retention and better targeting of new customers.

The final questionnaire was prepared keeping the following points in mind:

i. Factorial statement was avoided

ii. Those statements were not included which were likely to be endorsed by almost everyone or almost none

iii. The language of the statements was very simple, clear and direct

iv. Attention was given to sentence construction and proper choice of words

v. Double negative was avoided

vi. Uncommon vocabulary words were avoided

vii. Words, such as 'only', 'merely', 'just', and others of similar nature were avoided.

The questionnaire was sent to top-level managers.

1.5.10. Research Questions and Frame of Reference

Apart from the insight developed with the help of these questions, it was pertinent to keep in mind that it is becoming increasingly difficult to sustain a competitive advantage for long, primarily due to shortening of product-cycle and product-design cycle. In order to maintain customer relationship the banks must think of continuous working to improve its competitive advantage. The banks needed to find innovative ways to customize and add value to the product or service being provided in addition to approaching towards cost
leadership. Clear research questions based on the relevant literature will act as a focus for the research that follows. Research is theory dependent. Therefore the research questions are based on the literature reviewed. The study has emphasized on interviewing bank managers to get the real picture of CRM in the selected Indian public and private sector banks.

How can CRM in banks be described?

An understanding of how to manage customer relationships effectively has become an important issue for the banking industry. Banks are among the most committed CRM proponents. The first question is to find out how banks viewed CRM. Moreover, few banks were transforming the information into knowledge and then missed the opportunity to provide value to their customer. If banks were transforming the customer data into knowledge and then use that knowledge to build relationships it will create loyalty. CRM is the tool that contributes to profit.

The first question is: How definition and benefits of CRM in banks be described?

Banks are realizing that customers have different economic value to them, and they are subsequently adapting their customer offerings and communication strategy accordingly. However, more than half of the banks investing in CRM considered it a disappointment, according to the survey. Most showed weaknesses in one or more of the following areas-market analysis, marketing strategy, distribution channel management, program planning, people, processes, data management, understanding the customer's perspective, and measurement. Many banks were also struggling with their CRM programs. They have rushed ahead with the purchase of new
CRM systems, and have not done the work to ensure that these systems will be deployed effectively and efficiently, CRM must be used to retain as much personal attention as it can to retain customers and acquire new ones.

The second question of the research problem is to find out: How can the CRM process in banks be described?

Concerning the second question, this study used process cycle that includes four stages. Knowledge discovery, market planning, customer interaction, analysis & refinement. The first stage is the process of analyzing customer information to identify specific market opportunities and investment strategies. Analysis and Refinement stage is to continue to learn from customer dialogues that organization has received by capturing and analyzing data from customer interactions. Buyer-seller relationship consisted of following relationship development stages: Awareness, Exploration, Expansion, Commitment and Dissolution. So, these CRM concepts are used for the second question.

Question 3: How the CRM technology in bank be described?

CRM technology is the information technology that is utilized for the specific purpose of better initiating, maintaining, and/or terminating customer-relationships. It plays a critical role in the CRM activities and contributes to improved organizational performance in the market; also, it can be a powerful tool to help banks segment clients and provide targeted products and services. Banks can better understand their customer needs and preferences by the use of custom-developed methodologies, software and internet capabilities.

Banks’ managers must be aware of new developments in technology and
their possible effects because technologies, customers and banking organizations are a function of a win-win interaction. Most banking activity should be based on the technology and a desire to make a relationship work. With information technology developing, CRM technology also requires to be increasingly updated.

The fourth question is: How can the CRM organizational structure and people in banks be described?

The study tries to find out as to who coordinates the business process in a bank? Who identified the right customers and the investment opportunities? Who created the right offer to the customers? Who decided when the offer shall be introduced to the customers? Who connected the customer online? It is clear that managing customers better is supported by a broad supporter of the issue, viz., cross functional working at different levels of the organization. So, it is necessary to restructure the banking organization for CRM. It can include systems experts; business analysts; backroom operations specialists, managers, and frontline sales and service people who are responsible for inputting much of the data CRM needs to create rich insights. CRM consultants believed that the key to organizational effectiveness is to find the good people and get them into positions of power. New ideas originated from employees. The breadth and scope of these supporters created the problem.

Moreover, the bank managers may want to know how a bank attracted, trained and motivated employees who can share the values of the banks and plan those values at every point of consumer interaction.

How CRM in banks be described? This research problem confines itself to investigate organizations that are dealing with finance, precisely speaking the
banks. Further, which banks are dealing in CRM area. Besides, the study focuses on banks that are adopting CRM. Finally, the study looks at the bank’s perspective, and also from customer perspective.

1.5.11. PROCESSING AND ANALYZING THE DATA & FINDINGS

Data Analysis Method

Qualitative data are based on meanings expressed through words. The collected data is classified and analyzed through the use of conceptualization. The cross case analysis is done to compare the single cases with each other and to increase generalizability. The aim is to see processes and outcomes across many cases in order to understand how they are qualified by local conditions and thus to develop more sophisticated descriptions and more powerful explanations.

In this study, both within case analysis and cross case analysis are conducted. Firstly, each case is analyzed separately and compared with CRM concepts. This analysis follows the structure as given in the frame of reference. Secondly, the six single cases is compared with each other in a cross case analysis, following the same structure as the frame of reference. Matrices, in the form of tables and figures are used in order to visualize the collected data for a better understanding.

Score aggregation method is used for analyzing the data and pictorial representation of analysis is done through graphs and tables. Based on the interpretation the findings are given.

1.5.12. Limitations of the study

a. The study is carried out without any financial support.
b. It took repeated efforts to get the questionnaire filled and to get relevant answers from the respondents.

c. All the six banks selected for the study had limited informations about CRM management in their organization; however with repeated attempts relevant informations were collected according to the need and requirements of the study.

d. The busy schedule of the bank managers and the customers proved to be the limitation of the study.

1.6 REVIEW OF LITERATURE

According to Sheth and Paravtiyar developing customer relationship has historical antecedents going into the pre-industrial era. Much of it was due to direct interaction between products of agricultural produce and their consumer; similarly artisans often developed customized products for each customer. Such direct interaction led to relational bounding between the producer and the consumer. In the recent years, however, several factors have contributed to the rapid development and evolution of CRM. These include 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-customer. For example, in many industries such as banks, insurance, computer programme software, or household appliances and even consumables, the de-intermediation process is fast changing the nature of banking and consequently making CRM more sought-after and popular. The recent success of online banking, Charles Schwab and Merryll Lynch's online investment programmers, direct selling of
books, automobiles, insurance etc., on the internet all attest to the growing consumer interest in maintaining direct relationship with marketers.

Berry & Parasuraman, Bitner, Crosby & Stephens, Gronroos are of the view that the de-intermediation process and consequent prevalence of CRM is also due to the growth of the service economy. Since services are produced and delivered at the same institution, it minimizes the role of the middlemen. A greater emotional bond between the service users also develops the need for maintaining and enhancing the relationship. It is, therefore, not difficult to see that CRM is important for scholars and practitioners of services marketing.

Frazier, Spekman and o'Neal state that another force driving the adoption of CRM has been the total quality movement, when banks embraced total quality management (TQM) philosophy to improve quality and reduce costs, it becomes necessary to involve suppliers and customers in implementing the program at all levels of the value chain. This needed close working relationship with customers, suppliers and other members of the marketing infrastructure. Thus, several companies, such as Motorola, IBM, General Motors, Xerox, Ford, Toyota, etc. formed partnering relationship with suppliers and customers to practice TQM. Other programs such as just-in-time (JIT) suppliers and Materials-resource planning (MRP) also made the use of interdependent relationship between suppliers and customers.

Anderson and Narus, Sharpio stated that with the advent of the digital technology and complex products, CRM and system selling become common and essential. The key or national account management program in banking organization designates account manager and account terms those asses the customer's needs and then husband the selling banks' resources for the
ustomers benefit. Such programs have led to the foundation of strategic partnering within the overall domain of customer relationship management.

ick and Basu, Reiched state that similarly in the current era of hyper-competition, marketers are forced to be more concerned with customer retention and loyalty. As several studies have indicated, retaining customers is less expensive and perhaps a more sustainable competitive advantage than acquiring new ones. Marketers are realizing that it costs to retain customers than to compete for new ones. According to Canine and Capline, several marketers are also concerned with keeping customers for life, rather than making a one-time sale. There is a greater opportunity for cross-selling and up-selling to a customer who is loyal and committed to the firm and its offerings. In a recent study, Naidu, eT. Al found that relational intensity increased in hospitals facing a higher degree of competitive intensity.

Sheth and Sisodia also stated that customers’ expectations have rapidly changed over the last decades. Fuelled by the new technology and growing availability of advanced product features and services customers’ expectations are changing almost on a daily basis. Consumers are less willing to make compromises or trade-off in product and service quality. In the world of ever-changing customers expectations, cooperative and collaborative relationship with customers seem to be the most prudent way to keep track of their changing expectations and appropriately influencing it.

According to Yip and Madsens, today, many large banking organizations are trying to become global by integrating their worldwide operations. To achieve this they are seeking cooperative and collaborative solutions for global operations from their vendors instead of merely engaging in transactional
activities with them. Such customer needs make imperative for marketers interested in the business of banks who are global to adopt CRM programmes, particularly global account management programmes. Global account management (GAM) is conceptually similar to national account management programmes except that they have to be in scope and thus are more complex. Managing customer relationship around the world calls for external and internal partnering activities, including partnering across a firm's wide organization.

A number of theoretical studies perspective developed in economics, law and psychology is being applied in CRM. These include transaction cost analysis (Madambi Mudambi, Stump and Hiede), agency theory (Mishra, Hiede and Cost), relational contracting (Dwyer, Schrr and Oh), Social exchange theory (Hallen, Johanson and Seyed – Mohammmed), network theory (Achrol), game theory (Rao Reddy), inter-organizational exchange behaviour (Rinehart and page ), power dependency (Gundlach and Cadotte) and interpersonal relation (Lacoducci and Ostrom). More recently resource allocation and resource dependency perspectives (Lohtia) and classical psychological and consumer behaviour theories have been used to explain why banks and consumers engage in relational behaviour (Khan, Simonanian and Ruth). Each of these studies enriched the understanding of CRM. Till recently, most marketers focused on attracting customers from its target segments using the tools and technique developed for mass marketing in the industrial era. In the information era, this is proving to be highly ineffective in most competition and technological developments made businesses look for ways to reduce costs and improve their effectiveness. In the context of service, customer
relationship marketing has been defined as attracting, maintaining and in multi-service organizations enhancing customer’s relationship (Berry). Here attracting customer is considered to be an intermediary step in the relationship building process with the ultimate objective of increasing loyalty of profitable customers. This is because of applicability of the “80-20” rule. According to market line associates, the top 20% if typical bank customers produce as much as 150% of overall profit, while the bottom 20% of customers drain about 50% from the banks and the revenues from just meeting their expenses.

Berry recommended the following five strategies for practicing customer’s relationship management.

(1) Developing a core service around which to build a customer relationship,

(2) Customizing the relationship to the individual customer,

(3) Augmenting the core service with extra benefits,

(4) Pricing services to encourage customer loyalty, and

(5) Marketing to employees so that they will perform well for customers.

Dumblekar, states that CRM is the philosophy that has been driving fundamental change in leading progressive banking organization. CRM first seek to understand the needs and value of their prospects and customers, by profiling their demographics and interactions with the banking organization. Secondly, it helps to align the organization capabilities and resources in order to deliver better value to its prospects and customers. The organization benefits in many ways; increased customer retention, more loyalty, expended
referrals, more revenue and therefore, higher profit per sale. Direct costs are
dner because distributions channels are optimized and marketing costs are
dner because of improved targeting of the customer.

Also, customer expectations have rapidly changed over the last decades.
With the emerging new technology and growing availability of advanced
product features and services, customer expectations are changing almost on
daily basis. Consumers are less willing to make compromises or trade-off in
product and service quality. In the world of ever changing customer
expectations, cooperative and collaborative relationship with customers seem
to be the most prudent way to keep track of their changing expectations and
appropriately influencing it (Sheth and Sisodia).