

Strategies for Stimulating Customer Relationship: A Study of Some Public and Private Sector Banks

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Abstract

Purpose - The present research has been undertaken to examine the Customer Relationship Management (CRM) strategies adopted by public and private sector banks in India. The initial part of research helps to identify the factors of overall satisfaction of customers. The study also tries to identify the key determinants of CRM of Indian banking.

Research design, data, methodology - The present research uses a self-structured questionnaire having a reliability score of 0.817 to elicit responses from customers in New Delhi and surrounding areas in India to examine the CRM used by public and private sector banks for enhancing customer satisfaction. The scale had 32 questions covering customer perceptions related to overall satisfaction and factors contributing to CRM.

Results - The results highlight that overall satisfaction comprises of two factors namely personalised Services; and reliability and dependability. The determinants of CRM as identified through survey are: Speed, safety and security; Employee CRM; on time services; customer targeting; and friendly and helpful staff. The results also highlight that safety and security was preferred to other factors by the respondents.

Conclusions - The findings of this study show that in terms of performance private sector banks fared better in providing CRM services than public sector banks.

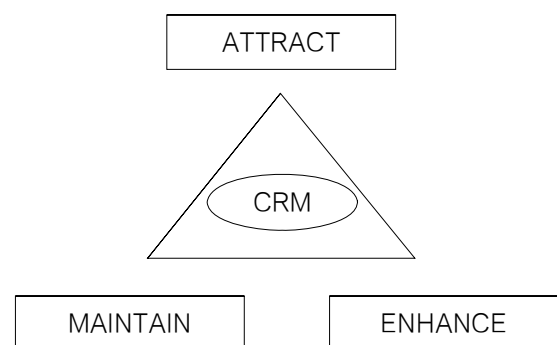
Keywords : Customer Relationship Management (CRM), Public And Private Sector Banks, Customer Satisfaction, India

JEL classifications : C83, G 21, M31.

1. Introduction

Consumer Sovereignty is becoming the mantra for success and how can Indian Banks leave forging ahead an extra mile by not adopting it. Maintaining relationships with customers and offering them complete satisfaction seems to be the foremost agenda on the minds of banks in this globally competitive scenario. CRM seems to offer the much needed strategy and solution to keep customers happy, smiling and connected with the organization across their lifetime. CRM has multiple facets and implications for the banks and is used as an important strategy to prevent cannibalization from competitors and for keeping loyal customers coming back to them for.

CRM is a widely implemented model for managing a company's interactions with customers, clients, and sales prospects. It involves using technology to organize, automate, and synchronize business processes principally sales activities, but also those for marketing, customer service, and technical support. The overall goals are to find, attract, and win new clients, nurture and retain those the company already has, entice former clients to return, and reduce the costs of marketing and client service. CRM describes a company-wide business strategy including customer-interface departments as well as other departments.



<Figure 1> Key Aspects of Customer Relationship Management

CRM as has been depicted through Figure 1 is about attracting, maintaining and enhancing customer relationships. CRM focuses on the "lifetime value" of the customer instead of a single transaction. CRM is not a different kind of advertising model; it is a different kind of business model. It is about enabling the brand to use hard data to understand and guide the relationship that exists between the brand and its customers-both present and future.

In this research an effort has been made to study how public sec-

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tor banks follow customer relationship management for enhancing customer satisfaction and thus leading to customer retention. The research will encompass several key areas in an effort to present a multi-perspective work, an overview of CRM, the best practices and key factors of success through the survey administered to public and private sector banks to lend an element of real business world to the research.'s customer demands not only quality products and services but also looks for value enhancement.

2. Literature Review

CRM has assumed considerable importance in the recent years, be it a business organization, a bank or an office. The development and enhancement of CRM practices is becoming essential for improving the efficiency and effectiveness in the organisations. In an evolutionary process when developing economy struggles to attain higher levels of living, it can hardly over look the need of developing good CRM practices to meet the bigger and new challenges of raising the quality of the masses. Customers, whether consumers or businesses, don't want more choices, they aspire for customised products and services. Technology can help in creating the difference in the levels of satisfaction.

In today's economy there is no single undisputed definition of CRM. CRM is a set of strategies, processes, metrics, organizational culture and technology solutions that enhance an organization's ability to see the differences in its customers and prospects behaviour and needs, track new opportunities to better serve their customers and act, instantly and profitably, on those differences and opportunities. The concept of CRM is multi-dimensional as has been defined by marketers, social scientists, industrialist managers and other academicians in different ways and from different perspectives. Customer Relationship Management is the core business strategy that integrates internal process and functions and external networks (Buttle, 2004), to identify, cultivate and maintain long-term profitable relationships so as to provide those very customers with service quality exceeding their expectations (Mc Donald, 2002).

Sheth & Sisodia, (1995) opined that in the world of ever changing customer expectations, building cooperative and collaborative relationships with customers seems to be the most prudent way to keep track of their changing expectations and appropriately influencing them.

It has been observed by Ananda and Murugaiah (2004) that today's financial services industry requires new strategies to survive and to continue their operations. The competitive climate in the Indian financial service sector has changed dramatically over the past two decades. As they have to adopt new marketing strategies and tactics which enable them to capture the maximum opportunities with the lowest risks in order to enable them to survive and meet the hard-hitting competition from global players.

Bargal et al. (2008), further remarked that banks will have to adopt the diversified services, open their branches at the shopping

centres, install their web system, proper training system, defining high performance system to improve the behaviour of the employees, customer complaint system and performance based appraisal system to improve the overall services of the banks.

Beckett-Camarata et al. (1998) opine that managing relationships with their customers (especially with employees, channel partners and strategic alliance partners) is critical to the firm's long term success. The researcher emphasized that customer relationship management based on social exchange and equity significantly assists the firm in developing collaborative, cooperative and profitable long-term relationship. The focus of CRM helped financial institutions to understand the customers' current needs, what they have done in the past, and what they plan to do in the future to meet their own goals (Xu, 2002).

According to Dhade and Mittal (2008), customers play an important role in selection of a particular bank. Now, proper customer care, number of years in business and easy accessibility are considered as important factors that influence a customer's choice of a bank. Morpace Report (2008) and Teller Vision (2009) revealed that perception of banks varies depending on their size. However, all banks share the same key opportunity for improvement in customer satisfaction i.e., helping customers achieve their financial goals. But as per the study, the overall customer satisfaction tends to decrease as bank size increases. Customers of national banks tend to be significantly less satisfied than customers of regional or local banks who, in turn, are less satisfied than customers of credit unions. Mihelis et al. (2001) focused on the evaluation of the critical satisfaction dimensions and the determination of customer groups with distinctive preferences and expectations in the private bank sector.

Knox et al. (2003), addressed that CRM is a strategic approach designed to improve stakeholder value (The value the customer receives, the value the organization receives, and the customer retention and its economics) through developing appropriate relationships with key customers and customer segments and through channel and media integration (Channel and media suitability, channel and media structure, and multi-channel and multimedia integration). CRM unites the potential of IT and relationship marketing to deliver profitable, long term relationships.

Jasola and Kapoor (2008) examine the differences in an organization's services employing CRM vis a vis others, as perceived by the customer. They try to find out the relationship between perception and satisfaction, commitment and loyalty which underlines the significance of CRM in Indian banking sector. The study examines the difference by taking two banks, one with CRM and Other Without CRM services. The results highlight that customers in the CRM bank rated its services far more favorably than those in the non-CRM.

Though from the above literature it can be inferred that there is plethora of research on CRM but there are many issues which demand attention. There is scarce literature available on understanding the key determinants of CRM in Indian banking and still less comparing the strategies of Public and Private sector banks. The present study has specifically been undertaken to fill this gap.

2.1. Objectives of the Study:

The present study has been taken with the following broad objectives:

- i. To identify the Factors of Overall satisfaction of Customers
- ii. To Identify the key determinants of Customer relationship marketing of Indian banking
- iii. To compare the CRM strategies of private and public sector banks in India

3. Research Design And Methodology

3.1. Data and Questionnaire Design

The study has used a self structured questionnaire tested for reliability using Primary data. The study has used convenience sampling to target consumers visiting private and public sector banks in and around Delhi. The questionnaire was distributed to 150 respondents and 95 duly filled questionnaires have been used for analysis. The response rate is 63.33 percent. The questionnaire was constructed to record various aspects relating to CRM practices. It consists of 32 questions relating to customer perceptions divided into two major categories: overall satisfaction and factors contributing to CRM. The questionnaire has a good reliability as Cronbach alpha is 0.817. The questionnaire has been validated by faculty and bank executives. Some questions were reframed as per suggestions given by management faculty and bank executives.

The study used descriptive statistics like mean and standard deviation for comparing the satisfaction level of Private and Public sector banks. Factor analysis has been used for identifying the key factors of overall satisfaction and key determinants of CRM.

4. Results And Discussion

The study covers two aspects overall customer satisfaction and key determinants of CRM.

4.1. Overall Customer Satisfaction

To measure overall satisfaction of consumer, the construct has nine questions covering the customer services offered by the banks and also covering customer loyalty and customer retention aspects. Factor analysis was applied on these nine factors to reduce them to smaller and relevant factors. The results of these are presented in table 1.

Factor analysis of overall satisfaction helped to identify two major factors:

- I. Personalised Services
- ii. Reliability and dependability

Both these factors explained 58.66% of variance. The value of KMO is 0.78 and $p < 0.01$.

<Table 1> Factors of Overall Customer Satisfaction

S. No	Factor Name	Factors Components	Eigen Value	% Of Var.	Item Loading
1.	Personalised Services	I. Bank personnel are sincere, helpful and kind	2.796	27.95	0.761
		ii. Bank personnel understand demands quickly and fulfil them immediately			0.790
		iii. Bank contacts and informs about new campaigns and products			0.559
		iv. Bank makes it different from its rivals by making good relationships			0.674
		v. Wouldn't think of changing bank in near future			0.672
2.	Reliability and dependability	I. Bank reliability	1.836	18.364	0.596
		ii. Do not have to wait for long at bank while doing work			0.561
		iii. Recommend bank to friends & acquaintances			0.601
		iv. Consider myself to be loyal customer of bank			0.716

In Personalised services, the item Bank contacts and informs about new campaigns and products had highest loading (0.790). It was followed by: Bank Personnel are sincere, helpful and kind with loading of 0.761. Personalised services in today's competitive world will make all the difference. This has been corroborated by Yu-Lin (2005) Personalization is a strategy that can be easily differentiated and which cannot be simulated by competitors in the market. Thus, Overall satisfaction of customers could be enhanced by providing information about new schemes and also through co-operation and assistance provided by employees.

The important items in the second factor Reliability and Dependability are Loyalty and recommendation to others. Undoubtedly, the recommendations will improve if the customers are given a feeling of special cared customers, resulting in their also being loyal to banks.

According to Onut et al. (2002) 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, help sales staff close deals faster, simplify marketing and sales processes, discover new customers, and increase customer revenues. Some researchers emphasize technological side of CRM while the others consider IT perspective of CRM. The present study corroborates this as the results are clear pointers to human resources playing an important part in customer satisfaction. Customer loyalty results in numerous benefits, which include increased profits and customer retention (Abratt and Russell, 1999). Customer retention is the real measure of ultimate financial success. Hence, there is a need to focus on these factors to improve their competitive position in banks.

4.2. Key Determinants of CRM

After analysing factors influencing overall customer satisfaction, it was important to examine the key determinants of CRM. This section in questionnaire covered thirteen questions.

The results of the key determinants of CRM are depicted in table II. Factor Analysis helped to classify the key determinants of CRM into five factors. These are:

- i) Speed, safety and Security
- ii) Employee CRM
- iii) On time services
- iv) Customer targeting
- v) Friendly and helpful staff

The five factors explain 54% of variance. The value of KMO is 0.596 and $p < 0.01$.

<Table 2> Key Determinants of CRM

S. No	Factor Name	Factor Components	Eigen Value	% Of Var.	Item Loading
1.	Speed, safety and Security	Secure Relationship with customer	2.018	10.08	0.570
		Speed of ATM and related services			0.610
		Data protection and privacy of individual details			0.730
2.	Employee CRM	Interactive management	1.957	9.787	0.500
		Employee Empowerment			0.792
		Home services			0.654
3.	On time Services	Process on internet without risk	1.923	9.617	0.696
		Speedy services			0.514
4.	Customer Targetting	Customer prospecting	1.707	8.524	0.508
		24*7 – telephonic support			0.842
5.	Service quality	Staff cooperation and behaviour	1.705	8.524	0.649
		Presence geographically			0.687
		Quality of service and staff			0.756

In the first factor Speed, safety and security consists of the item Data protection and privacy of individual details has highest loading signifying its importance. All banks are providing more of e-banking services and security in the key issue.

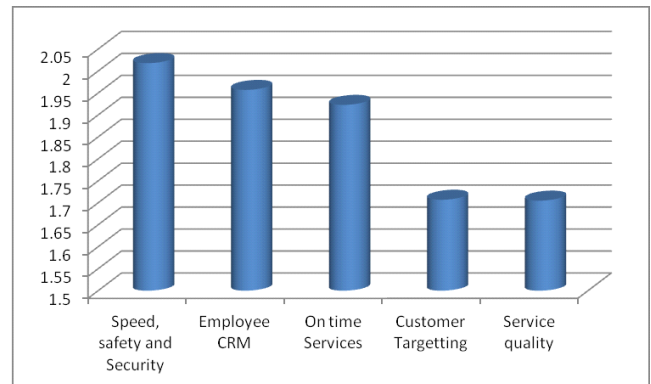
In employee CRM, employee empowerment had the highest loading. A bank has to care for its employees and employee empowerment will help in enhancing its image and a well cared employee will have better dealings with the customers.

In the next factor On time Services, Providing risk free speedy Internet services had higher loading. I-banking is gaining favour of customers.

The next factor is Customer targeting. Survival of banks without customer targeting is not possible. This factor is comprised of: i) customer prospecting (0.502) and ii) 24*7 –telephonic support (0.842). The customer today desires all time and any-time banking facilities to be available and that is precisely the reason why this item had the

highest loading not only in this factor, but rather in all the factors.

The last factor is Service quality. It is seen that many times the customer wants only a smile from the bank employees along with assistance in filling the forms. Helpful employees are an asset to any organisation. The item Quality of service and staff (0.756) loaded highly on this factor. Johnston(1995) and Jun et al. (1999) also highlighted that Service quality is an important criterion that is being used by the customers in selecting a bank.

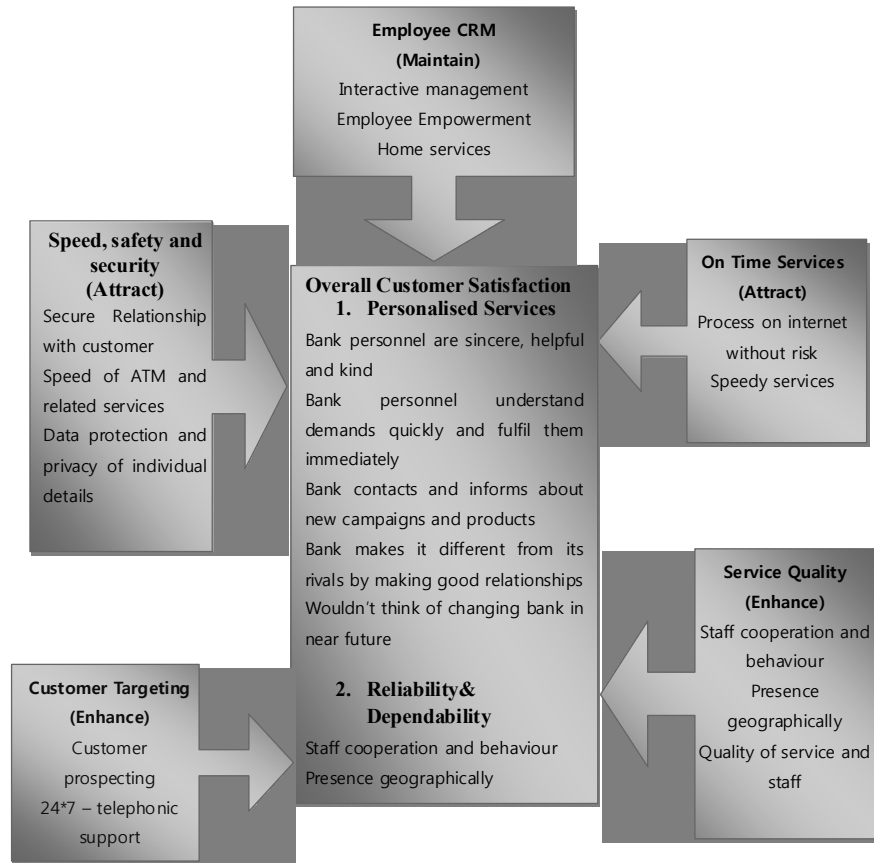


<Figure 2> Determinants of CRM

An analysis of Key determinants of CRM as shown through figure 2 highlights the importance accorded to the first factor, viz. speed, safety and security. CRM implementation help customers gain benefits such as: Speed of processing the transaction through e-Response (Singh, 2002) and Trust (Anumala and Reddy, 2007).

Based upon the above results the researchers have provided a framework for CRM in Indian banking through figure 3. Public and private sector banks can focus on providing better services to improve their customer relationship. As the results highlight speed, security and safety is given topmost priority.

CRM as explained earlier is Adopted for basically for i) attracting the customer, ii) maintaining good relation with customer and iii) for enhancing relationship. Accordingly the framework presented above focuses on: Speed, safety and security and on time services to attract customers. Employee CRM is essential for maintain good relation with customer through providing personalised services to them. For enhancing relationship banks would have to focus on targeting the customers and provide them quality serving. Overall Customer Satisfaction can be realised through personalised services and improving reliability and dependability of customers. Private or public banks focussing on these aspects will emerge as winners.

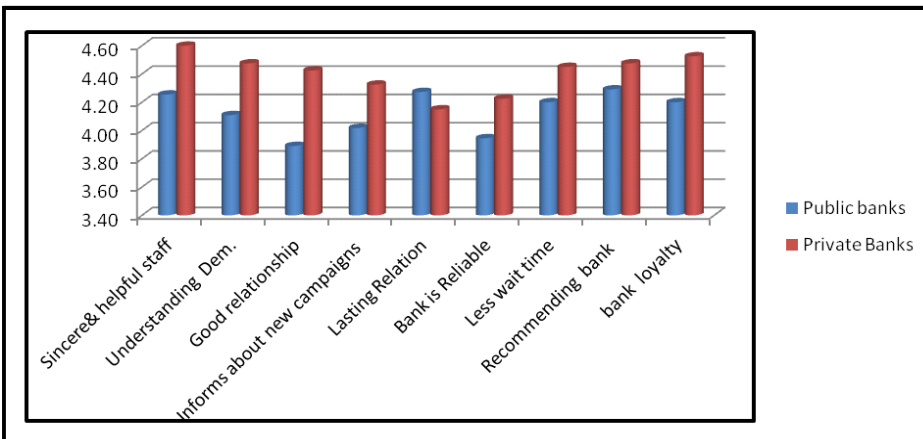


<Figure 3> CRM in Indian Banking

4.3. Private Vs Public Sector banks and CRM Services

The next step of the research has been to identify the customers' preference of CRM Services and finally the choice of banks for various services. The study has used mean of various CRM services to highlight the difference in performance of public and Private banks.

Almost in all CRM services the private sector banks have an edge over public sector banks. Surprising aspect is in despite public banks lacking in all areas are still able to build long lasting relation with customers. One reason for this could be more transparency in public banks. In terms of sincere and helpful staff and understanding demands of customers the private sector showed a marked preference.



<Figure 4> Customer Preference of Private Vs Public Sector banks

5. Conclusion

This paper explores the role and relevance of CRM in creating sustainable relationships with customers. The paper reiterates the growing relevance and demand for building relationships with customers and emphasizes the usage of information technology in creating better value for the end user as has been reflected by higher priorities being accorded to 24*7 – telephonic support, Security, privacy and speedy delivery of services.

Customer Relationship Management (CRM) refers to a conceptually broad business activity becoming increasingly significant for banks in India. Private Bank have captured a large customer base in India due to their fast and efficient working style and better customer service. New technological opportunities, Increasing competition by new market entrants. Customers' changing behavior have been identified as important for CRM (Walter, 2000; Korner and Zimmermann, 2000). CRM has thus become inevitable for growth and profitability of Indian banks, especially in the present scenario enhanced competition, technological advancement and empowered customers. CRM, as referred to in some literature, as 10% strategy and 90% action. A proper strategic alliance between various partners in the process of implementing CRM should be decided well in advance and once accepted it should be implemented in good faith and spirit so as to derive customer delight (Kaur and Dasgupta, 2008).

A comparison of CRM Implementation strategies in both the private and public sector banks highlighted that the Private Sector Banks have been able to implement the CRM practices more effectively when compared to their Public Sector banks. This indicates that strategically speaking, the Private Sector Banks have been more innovative in understanding their customers and in building good relations with them. Almost on all the fronts, whether it is about information about new schemes or it is about delivering quality, speedy services, the performance was better for private sector banks. In terms of Bank loyalty and recommending banks to others also the private sector has higher mean score. Thus the public sector banks in India need to understand the importance to be accorded to CRM strategies to improve their relation with customers. A dissatisfied customer can bring more harm to the organisation. It is high time for Public sector banks to align their strategies to the changing needs of the customers.

6. Implications Of The Study

The present study has provided a framework to enhance CRM in banking. The overall satisfaction of customers is dependent on personalised services and reliability and dependability of services. Banks need to focus on enhancing personalisation. Similarly reliability and dependability of banks depends on staff cooperation and behaviour. Quality of service and staff not only improves the customer relations with banks and also helps in image building as satisfied customer will recommend the bank to others. The key determinants of CRM identified in the study are: Speed, safety and Security; Employee CRM; On time Services; Customer Targeting; and Service quality. There is a dire need for public sector and private sector banks to fo-

cus on the areas they are lacking and provide better services. A greater focus on Customer Relationship Management (CRM) is the only way the public sector banks can improve their market share and boost growth.

7. Limitations Of The Study

The present study has limitations which pertain to limitations of sample survey. Moreover the findings of the study depend purely on the responses given by the sample respondents. The study is restricted to Delhi region only and may not apply findings and suggestions to other areas, although the broad results are true for Indian banking sector as a whole.

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