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# "A Study on CRM and E-CRM"

## [Conceptual Framework on Customer Relationship Management in Indian Banking Industry]

*1Vyas Jaimini Naimish and 2Dr. Vigna Oza

*1Ph.D. Research Scholar, Department of Commerce, Kadi Sarva Vishwavidyalaya, Gandhinagar, Gujarat (India)
2Principal, A. A. Patel Commerce College, Dept of Commerce, Kadi Sarva Vishwavidyalaya, Gandhinagar, Gujarat (India)

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***Corresponding Author**

*Email: jaiminivyas.jv20991@gmail.com*

**ABSTRACT**

*Banks are in constant interaction with customers. A winning and proven strategy for the banking industry is to put the customer in the centre of the business model and make customer the focus. To build customer loyalty, and ultimately customer protagonism the banks must render a superior customer experience. CRM (Customer Relationship Management) and E-CRM (Electronic Customer Relationship Management) is an opportunity that banks can avail to increase advantages by developing actual relationships with the customers. Trust and Convenience is a major benefit provided to the customers of the banks. E-CRM improves and maintains transactions security of the customers. On account of factors such as rise in the depositor base of banks and an increasing tendency among the new generation banks to diversify into web enabled services, the number of net bank registrations has sky rocketed. World- wide trend shows that net banking is perceived as a convenient and fast way of doing banking business and is fast gaining grounds. This work is outcome of a review of various research studies carried out on Customer Relationship Management and Electronic Customer Relationship Management. This paper examines importance of E-CRM and various techniques of E-CRM in banking institutions in India. Many companies, organizations, and communities in India have now begun to take advantage of E-CRM.*

### INTRODUCTION

CRM has been one of the most talked subjects' recently in corporate circles. It is a strategy used to learn more about customer's needs and behaviours in order to develop stronger relationships with them. Over all good customer relationships are at the heart of business success. The concept of CRM has been a core concept which has attracted all facets of business. CRM has relevant and demanding applications in service marketing. Retail banking and financial services have also not been an exception to this phenomenon.

Customer relationship management (CRM) is a business strategy that aims to understanding, anticipating and managing the needs of an organization's customers as well as potential customers. It is a journey of strategic, process, organization and technical change whereby a company seeks to better manage its own enterprise around customer behaviours. It entails acquiring and deploying knowledge about one's customers and using this information across the various touch points to balance revenue profits with maximum customer satisfaction.

CRM is a management approach that seeks to create, develop and enhance relationships with carefully targeted customers to maximize customer value, corporate directly or indirectly with production processes. It won't be long before they become valuable CRM stakeholders. CRM is a comprehensive approach which provides seamless integration of every area of business that touches the customer – namely marketing; sales, customer service and field support- through the integration of people, process and technology, taking advantage of the revolutionary impact of the Internet more effectively. An enhanced relationship with one's customers cans ultimately lead to greater customer loyalty and retention and, also profitability.

"CRM is the process of utilizing detailed information about individual customers & carefully managing all the customers' touch points with the aim of maximizing customer loyalty." [KOTLER]

Customer Relationship Management (CRM) is a strategy and business process by means of which firms acquire, manage and retain customers.

It is a customer centric business strategy with the goal of maximizing profitability, revenue and customer loyalty by focusing activities towards the customer. CRM is a shift from traditional marketing as it focuses on the retention of the customers in addition to the acquisition of new customers. CRM works by gathering information about opportunities and providing superior customer service. CRM is a business philosophy and set of strategies, programs, and systems that focuses on identifying and building loyalty with the customers.

### COMPONENTS OF CRM

CRM consists of three components

- ➢ Customer,
- ➢ Relationship and
- ➢ Management

✓ **Customer:** The customer is the only component of a company's business on which the growth and sustainability of the company depends upon. A customer is the entity that consumes products and has the ability to choose between different products/services. An ideal customer is which generates revenues and hence the profits of the company with very little inputs.

- ✓ **Relationship:** The relationship is the two way communication process between a company and its customers. The relationship can be short-term or long-term, continuous or discrete, and repeating or one-time
- ✓ **Management:** CRM is not only concerned with the marketing function. Rather it involves continuous corporate change in culture and processes. The customer information collected is analysed by the corporate team, which leads to development of such activities that take advantage of the information and of market opportunities available.

Thus, CRM involves the following:

- ➢ Organisations must be customer focused.
- ➢ Organisations must be prepared to adapt so that it take customer needs into account and delivers them.
- ➢ Market research must be undertaken to assess customer needs and satisfaction.

**CRM PROCESS**

1. Collecting Customer Data.
2. Analysing Customer Data
3. Identifying Target Customers
4. Developing CRM Programs
5. Implementing CRM Programs

**ELECTRONIC CUSTOMER RELATIONSHIP MANAGEMENT (E-CRM)**

The E-CRM or electronic customer relationship management covers all the function of CRM by using the net environment i.e., intranet, extranet and internet. Electronic CRM pertains all kinds of managing relationships with customers with the use of information technology (IT). E-CRM is corporate using IT to integrate internal organization resources and external "marketing" strategies to understand and fulfill their customers' wants and needs. Comparing with traditional CRM, the integrated information for E- CRM intra organizational collaboration can be more efficient to communicate with customers.

E-CRM = Old CRM + Internet

Most sectors of the financial services industry are trying to use E-CRM techniques to achieve a variety of outcomes.

**TECHNIQUES OF E-CRM**

1. Automatic teller machine
2. Data Warehousing and Data Mining
3. Electronic Fund Transfer (EFT)
4. Fax
5. Mobile Banking
6. Online Banking
7. Telephone Banking
8. Telex
9. Internet
10. INFINET
11. Electronic Clearing Services

**1. Automatic Teller Machine**

Automatic Teller Machine is an electronic telecommunication device which renders those services which makes customers capable to perform financial transactions, especially cash withdrawal, without any need of human cashier or clerk of a financial institution is known as automatic teller machine. ATM is also known as an automated teller machine, automated banking machine, cash machine, and cash point and cash line.

In modern ATMs, the customer is identified by inserting a plastic ATM card with a magnetic stripe or a plastic smart card with a chip that contains a unique card number. Customer enters a personal identification number (PIN) for providing authentication. Using an ATM, customers can approach their bank deposits or credit accounts in order to make a variety of financial transactions such as cash withdrawals, credit mobile phones or check balances. ATM is also helpful for foreign travellers by providing them the best possible exchange rates. If the currency being withdrawn from the ATM is different from that in which the bank account is denominated the money will be converted at an official exchange rate.

Not only near or inside the premises of banks, ATMs are also placed in locations such as shopping malls, airports, metro stations, railway stations, grocery stores, petrol pumps and gas stations, restaurants, or anywhere frequented by large numbers of people.

Without ATM, customers have to wait for the beginning of their bank's next time of opening hours. Many banks charge ATM usage fees. ATM was originally developed for just cash withdrawals but now it performs many other bank- related functions.

- Paying routine bills, fees, and taxes (utilities, phone bills, social security, etc.)
- Printing bank statements
- Updating passbooks
- Cash advances
- Cheque Processing Module

**2. Data Warehousing and Data Mining**

A database consists of one or more than one file that need to be stored on a computer. Databases are stored in a central system rather than on the individual computers of working staff in big organisations. There are many computer servers in a central system. A data warehouse is a set of databases that work together. Without data warehouse it is impossible to integrate data from multiple databases. Data warehouse helps in providing new insights into the data. A data warehouse supports this goal by providing an architect and tools to systematically organize and understand data from multiple databases. The ultimate goal of a database is not just to store data, but to help businessmen in making important decisions based on that data. Data warehouse is also known as an enterprise data warehouse. They store current and historical data for creating analytical reports for knowledge workers throughout the enterprise. A data warehouse maintains a copy of information from the source transaction systems. It is helpful in improving data quality and integrating data from multiple source systems for presenting the organization's information consistently. It is also helpful in increasing the value to operational business applications, peculiarly in customer relationship management (CRM) systems.

Data Mining is the process of analysing and summarizing data to produce useful information. After storing and organizing all the data in databases, the next step is data mining. Sophisticated data analysis tools are used in data mining to discover patterns and relationships in large datasets. These tools are much more than basic summaries and use much more complicated algorithms. When data mining is applied in business field, it can be referred as business analytics or business intelligence.

### 3. Electronic Funds Transfer

Electronic Funds Transfer is the electronic transfer of money from one bank account to another, either within a single financial institution or across multiple institutions, through computer-based systems and without the direct intervention of bank staff. EFTs is known by a number of names. In the United States, they may be referred to as electronic checks or e- checks. EFT is a system of transferring money from one bank account directly to another without any paper money changing hands. One of the most widely used EFT programs is direct Deposit, in which payroll is deposited straight into an employee's bank account, although EFT refers to any transfer of funds initiated through an electronic terminal, including credit card, ATM, Fed wire and point-of-sale (POS) transactions. It is used for credit transfers, like payroll payments, and for debit transfers, like mortgage payments.

### 4. Fax

Fax is short name of facsimile. Fax is the telephonic transmission of scanned printed contents of both text and images, normally to a telephone number connected to a printer or other output device. It is also known as telecopying or telefax. The original document is scanned with a fax machine (or a telecopier), which processes the material (text or images) as a single fixed graphic image, converting it into a bitmap, and then transmitting it through the telephone system in the form of audio-frequency tones. The receiving fax machine interprets the tones and reconstructs the image, printing a paper copy. Since the 1980s, most machines modulate the transmitted audio frequencies using a digital representation of the page which is compressed to quickly transmit areas which are all- white or all-black. Fax system has the advantage of reducing costs by eliminating unnecessary printouts and reducing the number of inbound analogue phone lines needed by an office.

### 5. Mobile Banking

Mobile Banking is a term used to refer to systems that allow customers of a financial institution to conduct a number of financial transactions through a mobile device such as a mobile phone or tablet. The earliest mobile banking services were offered over SMS, a service known as SMS banking. With the introduction of smart phones with WAP support enabling the use of the mobile web in 1999, the first European banks started to offer mobile banking on this platform to their customers. Mobile Banking refers to provision and advantage of banking- and financial services with the help of mobile telecommunication devices .The scope of offered services may include facilities to conduct bank and stock market transactions, to administer accounts and to access customised information. With the advent of technology and increasing use of smartphone and tablet based devices, the use of Mobile Banking functionality would enable customer connect across entire customer life cycle much comprehensively than before. With this scenario, current mobile banking objectives of say building relationships, reducing cost, achieving new revenue stream will transform to enable new objectives targeting higher level goals such as building brand of the banking organization. Mobile banking is used in many parts of the world with little or no infrastructure, especially remote and rural areas. Mobile banking services may include:

- Account information
- Transaction
- Investments
- Support
- Content services

### 6. Online Banking (OLB)

Online Banking (OLB) is an electronic payment system that enables customers of a financial institution to conduct financial transactions on a website operated by the institution, such as a retail bank, virtual bank, credit union or building society. Online banking is also referred as Internet banking, e- banking, and virtual banking. To access a financial institution's online banking facility, a customer with Internet access would need to register with the institution for the service, and set up some password for customer verification. The password for online banking is normally not the same as for telephone banking. Financial institutions now routinely allocate customers numbers, whether customers have indicated an intention to access their online banking facility or not. To access online banking, a customer would go to the financial institution's secured website, and enter the online banking facility using the customer number and password previously setup. Some financial institutions have set up additional security steps for access to online banking, but there is no consistency to the approach adopted. Online banking facilities offered by various financial institutions have many features and capabilities in common, but also have some that are application specific.

- Viewing account balances and recent transactions.
- Downloading bank statements, for example in PDF format
- Viewing images of paid cheques
- Ordering cheque books
- Download periodic account statements
- Downloading applications for M-banking, E-banking etc.
- Funds transfers between the customer's linked accounts
- Paying third parties, including bill payments and third party fund transfers
- Credit card applications
- Register utility billers and make bill payments
- Financial institution administration
- Management of multiple users having varying levels of authority

### 7. Telephone Banking

Telephone Banking is a service provided by a bank or other financial institution that enables customers to perform a range of financial transactions over the telephone, without the need to visit a bank branch or automated teller machine. Telephone banking times are usually longer than branch opening times, and some financial institutions offer the service on a 24-

 

hour basis. From the bank's point of view, telephone banking minimizes the cost of handling transactions by reducing the need for customers to visit a bank branch for non-cash withdrawal and deposit transactions.

### 8. Telex

Telexis a switched network of teleprinters similar to a telephone network, for the purposes of sending text- based messages. The term refers to the network, not the teleprinters; point-to-point teleprinter systems had been in use long before telex exchanges were formed starting in the 1930s. Teleprinters evolved from telegraph systems, and like the telegraph they used the presence or absence of a pre-defined level of current to represent the mark or space symbols. For this reason, telex exchanges were entirely separate from the telephone system, with their own signalling standards, exchanges and system of "telex numbers" (the counterpart of a telephone number). Telex provided the first common medium for international record communications using standard signalling techniques and operating criteria as specified by the International Telecommunication Union. Customers on any telex exchange could deliver messages to any other, around the world. To lower line usage, telex messages were normally first encoded onto paper tape and then read into the line as quickly as possible.

### 9. Internet

Internet is a global system of interconnected computer networks It is a network of networks that consists of millions of private, public, academic, business, and government networks of local to global scope, linked by a broad array of electronic, wireless, and optical networking technologies. The Internet carries an extensive range of information. The Internet continues to grow, driven by ever greater amounts of online information and knowledge, commerce, entertainment and social networking. Email is an important communications service available on the Internet. Compared to printed media, books, encyclopaedias and traditional libraries, the World Wide Web has enabled the decentralization of information on a large scale. The Internet allows greater flexibility in working hours and location, especially with the spread of unmetered high-speed connections. The Internet can be accessed almost anywhere by numerous means. The Internet allows computer users to remotely access other computers and information stores easily, wherever they may be. Electronic business (e-business) encompasses business processes spanning the entire value chain: purchasing, supply chain management, marketing, sales, customer service, and business relationship.

### 10. INFINET

INFINET means Indian Financial Network. It is a satellite based wide area network using VSAT (Very Small Aperture Terminal) technology set up by the RBI in June 1999. The hub and the Network Management System of the INFINET are located in the Institute for Development and Research in Banking Technology, (IDRBT) Hyderabad (an institute set up by the RBI). A Closed User Group of the member banks of the network called the "INFINET User Group" has been formed to resolve issues of common interest on a continuing basis. Among the major applications identified for porting on the INFINET in the initial phase are e-mail, Electronic Clearing Service-Credit and Debit, Electronic Funds Transfer and transmission of Inter-city Cheque Realisation advices. Later, other payment system related applications as well as Management Information System (MIS) applications are proposed to be operationalized.

### 11. Electronic Clearing Services (ECS)

Electronic Clearing Services (ECS) is an electronic mode of funds transfer from one bank account to another bank account. It can be used to pay bills and other charges such as telephone, electricity, water or for making equated monthly installments payments on loans as well as SIP investments. It can also be used by institutions for making payments such as distribution of dividend interest, salary, and pension, among others. ECS can be used for both credit and debit purposes.

## OBJECTIVES OF E-CRM

- To Reduce Costs of marketing
- To Improve Accuracy and relevancy
- To Increase Customer satisfaction
- To Maintain Customer retention
- To Enhance profitability
- To provide good customer service
- To discover new customers
- To enhance customer loyalty
- To help sales staff close deals faster
- To simplify marketing and sales processes
- To reduce the costs (like administrative)
- To increase the goodwill and profitability by increasing the customer satisfaction
- To keep up with every customer’s interaction

## BENEFITS OF E-CRM

### Benefits to banks

- Healthy Relationship with customers
- Using e-mail for business communication
- Personalized services or one to one services
- Website to market products or services
- Transaction security
- Ability to introduce new schemes at a faster rate
- Decreased administrative costs
- Enhance Bank’s Perspective
- Increased sales revenues
- Improved customer service rating

### Benefits to Customers

- Interactions with customers and satisfaction
- Convenience
- Speed of processing the transaction through e-Response
- Service quality
- Increased convenience
- Trust

## DIFFERENT LEVELS OF E-CRM

The scope of E-CRM can be explained by three different levels:

1. **Foundational services:** This includes the minimum necessary services such as web site effectiveness and responsiveness as well as order fulfillment.

2. **Customer- centred services:** These services include order tracking, product configuration and customization as well as security/trust.
3. **Value-added services:** These are extra services such as online auctions and online training and education.

## FAILURES IN E-CRM IMPLEMENTATION

- Difficulty in measuring and valuing intangible benefits.
- Failure to identify the focus on specific business problems.
- Lack of active senior management sponsorship.
- Poor user acceptance.
- Trying to automate a poorly defined process.

## CRM AND E-CRM IN BANKING SECTOR

Over the last few decades, technical evolution has highly affected the banking industry. For more than 200 years, banks were using branch based operations. Since the 1980s, things have been really changing with the advent of multiple technologies and applications.

In recent years, banks have moved towards marketing orientation and the adoption of relationship banking principles. The key motivators for embracing marketing principles were the competitive pressure that arose from the deregulation of the financial services market particularly in India. This essentially exposed clearing banks and the retail banking market to increased competition and led to a blurring of boundaries in many traditional product markets. The bank would need a complete view of its customers across the various systems that contain their data. The idea of CRM is that it helps businesses use technology and human resources gain insight into the behaviour of customers and the value of those customers.

If the bank could track customer behaviour, executives can have a better understanding, a predicative future behaviour and customer preferences. The data and applications can help the bank to manage its customer relationship to continue to grow and evolve. High quality customer service and support was the key to improve retention rates and maintaining good customer relations. In today's competitive environment, companies pay more attention to fulfill the needs of customers. Customer service personnel providing support to customers require operational integration with field service personnel and the sales force. E-CRM can help in integrating these groups with operational organization as a whole and the sales force.

## CONCLUSION

Though implementing E-CRM in the operational business, banks can improve their services to their valued clients. By implementation of E-CRM banks can improve their regulating and monitoring process. The Government need to pass a bill involves legal provisions relating to piracy, defamation, advertising, taxation, digital signatures, copyrights and trade secrets in the cyber-world and that bill will intend to facilitate e-business by removing legal uncertainties created by new technologies. The final objective of the E-CRM process is to create a powerful new tool for customer retention, customer value, customer acquisition & profitability. Hence, CRM and E-CRM is an inevitable tool of marketing that can be considered as Critical Responsibility of Market with regard to Banks in present context. Hence E-CRM should significantly applicable for banks all over the world.

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