

Customer Relationship Practices in Public and Private Sector Banks - Employees Perspective

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ABSTRACT

In the present era banking scenario, there is fierce competition amongst banks for increasing customer base. To cope with this situation, banks are bringing new instruments, products and exploring fresh avenues for business growth. Keeping in view, the market perception and need of the customers, banks are coming up with new products and services. In other words, the customer are the focus now and strategies are being formulated to acquire, develop and retain the customers. The customers want that their banks should help them, treat them in a personal and caring way. The focus is therefore, shifting from customer acquisition to customer retention. CRM is purely a good business sense and it is also a means of survival. Because of limited possibilities of product differentiation, the banks have started realizing to satisfy and retain their existing customers as a critical factor for their profitability and their survival. There is a dramatic effect of the improved customer retention on business profitability, where technology plays an important role. The developments in the IT industry are being utilized to know the customer needs and subsequently to design and develop the services accordingly. CRM allows banks to gather and access information about customer's buying histories, preferences, complaints and other data, so they can better anticipate the customer wants. The goal is to instill customer loyalty.

1. Introduction

CRM is a disciplined application of customer information profitable customer relationships through:

- Continually refining insights into customer needs, behavior and economics,
- Developing targeted and tailored value propositions based on those inputs,
- Strategically focusing business sources on activities that build long term customers and economic value.

CRM is also known as Relationship Marketing and Customer Management and is concerned with the creation, development and enhancement of individualized customer relationships with carefully targeted customers and customer groups resulting maximizing total customer life-time value. Relatively few organizations have adopted relationship marketing & CRM approaches to effectively harness the tools of marketing to deliver real increased value and with the help of technology, developing appropriate long-term relationships with the customers. CRM recognizes that marketing starts after the sale is over, not when the sale is completed. CRM initiatives result in reduced costs and increased profits. Loyal customers are typically less sensitive to price and therefore yield upwards rather than diminishing value. Marketing to loyal customers is also far more cost effective than acquiring new ones. Research has shown that identifying new customers is between 4-10 times costly than retaining the existing ones. Other benefits include:

- Faster response to customer enquiries
- Increased efficiency through automation
- Deeper understanding of the customer
- Increased marketing and selling opportunities
- Identifying the most profitable customers

- Receiving customer feedback that leads to new and improved products or services
- Obtaining information that can be shared with business partners

Personalization needs not to be limited to the high value customer segments. The availability of electronic channels such as internet and use of mass customization techniques provide the means of personalizing service for the masses without incurring heavy overheads or developing personal one to one relationship for large number of people.

CRM focuses on 3 imperatives of customer relationships:

1. Customer Acquisition
2. Customer Development
3. Customer Retention

Means of achieving these goals are:

- Understanding customer value and lifestyle to prioritize marketing and service resources.
- Understanding customer information to target promotional offers and cross selling activities effectively
- Using customer information in the design and development of products and services
- Recognizing customers as individuals at all customer points
- Offering personalized services or mass customized service
- Utilizing multiple alternate channels for marketing, sales and service transactions in order to improve service and reduce cost

CRM will be by far greatest source of competitive advantage in the future, with only a 5% increase in retention resulting in a profit increase of up to 125%. It helps a company to run the business, cut costs create and retain customers. It is a methodology for creating golden customers through the analysis of cost of customer acquisition vs cost of retention that it can cost 4 to 7 times more to replace a customer than it does to keep one.

2. Review of Literature

Jasmine Kaur (2018)Customers are known to be always right and they can effortlessly switch to different banks on account of any negative experience if they come across.

Shailja Paul (2018) CRM create a competitive advantage in terms of understanding, communicating, delivering and developing existing customers and creating new customers. Banks are required to design strategies in term of customer acquisition, customer retention and contact management and employee’s behavior.

Gayathry S (2016)In the ongoing era, unbeaten accomplishment of CRM calls for a calculated approach. It includes designing customer focused strategies, proper implementation of technology and tools, empowerment of employees and enhancing the knowledge levels of customer.

Selva Kumar MarimuthuRamarLakshnan (2016)Today bank officials must distinguish themselves by meeting the needs of their customers better than those of their competitors. Bank officials should prepare service plans that include decision on target customers, product and services and service atmosphere. Thus, a general agreement that a basic banking strategy for creating competitive advantage is the delivery of high service quality.

Mishra &Vathianathan (2015) also supported the fact that “it costs less to retain a customer than acquire a new one” and therefore underlined the philosophy of importance of enhancing customer lifetime value, generate customer loyalty instead of implementing traditional short- term transaction- oriented marketing activities.

Dr. H. Balakrishnan & R. Krishnaveni (2014) The scope of CRM is very wide including different aspects like customer satisfaction, service quality, relationship quality, market orientation, trust, loyalty, commitment, customer retention etc. To be successful banks need to be not just high tech but high touch as well.

Love Kumar Patwa & Kush Kumar Patwa’s (2014) examines the relative CRM performance and evaluate its collision on customer retention behavior in private and public sector banks. They considered 2 Public (UBI & OBC) and 2 Private (Axis &Ingvysya) for study and found that the private sector banks had been able to implement CRM practices more effectively when compared to their public sector counterparts. Private banks have been more innovative in understanding their customers and in building good relations with them. The analysis of results received suggests that the banks are equally affected by the kind of CRM initiatives they undertake.

Sanjay Kantidas (2012) CRM is a sound business strategy to identify bank’s most profitable customers and prospects. Successful CRM focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them

with the organization’s strategy, people, technology and business processes.

Chary T Satyanaryana&Ramesh.R. (2012)Any financial institution seeking to adopt a customer relationship model should consider 6 key business requirements and they are: create a customer focused organization & infrastructure, gaining accurate picture of customer categories , access the lifetime value of customer relationship, maximize the profitability of each customer relationship, understand how to attract and keep best customers, and , maximize rate of return on marketing campaigns.

(Rangarajan 2010 and Shibu 2011).CRM is developing into a major element of corporate strategy for many organizations

Girdhar (2009) observed that by satisfying the internal customers and building good relationship with them, the relationship with external customers can also be retained and satisfied by the banks.

Rootman et al (2008) investigated the variables that influence the effectiveness of CRM strategies in banks viz attitude, knowledgeability and two-way communication related to bank employees.

(Bansal & Sharma 2008)A clear vision of CRM along with appropriate strategies if applied in banking sectors found out that it is beneficial in ascertaining the customer service quality, customer satisfaction and retention which ultimately leads to the growth of the organization and profitability

3. Statement of Objectives

1. To study the customer relationship management practices adopted by the public as well as private sector banks in India.
2. After the judicious study of the responses of employees of the selected banks, to identify the problem areas in the CRM practices in the bank.
3. To give certain and specific suggestions on the basis of findings of the study so as to improve customer satisfaction and customer retention.

4. Research Methodology

The study is based on the primary data collected from a sample of 60employeesof 4 major banks namely, State Bank OF India, Punjab National Bank, Indusind Bank Ltd and HDFC Bank Ltd. The survey has been conducted by holding personal interviews of the randomly selected 60 respondents through a structured questionnaire containing likert scales, open and closed ended questions. The CRM practices adopted by the banks are examined, evaluated and commented upon the basis of the responses of the 15 employees of each bank.

5. Analysis and Interpretation

All the banks are trying to maintain the customer database with the help of IT and are gathering the information on the following parameters:

Table No.1

Parameters	Indusind	HDFC	PNB	SBI
1.Personal Details	6	6	0	9
2.Lifetime value	0	6	0	3
3.Preferences	0	0	0	0

4.Ability to pay	0	0	0	0
5.Usage Pattern	0	0	0	0
6.Complaints	0	0	0	0
7. Personal details, preference	0	0	6	0
8.Personal details, ability to pay, complaints	0	0	9	0
9. Personal details, ability to pay, complaints, preference	9	3	0	3

Private sector banks gather information about the personal details, lifetime value, usage pattern and complaints while public sector banks maintain the personal records, ability to pay, preferences and cultural background to serve them well.

Ways of gathering information:

Table No.2

Ways	Indusind	HDFC	PNB	SBI
1.Survey	3	3	0	0
2.Personal contact	0	0	0	6
3.Back office	0	0	0	0
4.Account opening form	6	6	9	9
5.Survey & personal contact	0	3	0	0
6.Survey & account opening form	0	0	3	0
7.Personal contact & account opening form	3	3	3	0

Invariably information is gathered at the time of account opening and through personal contacts in addition to surveys by all the banks and secrecy of the data is maintained by all and the gathered information is applied to generate knowledge so as to design the customer centric services, upgrade the technology and processes, to redefine the service marketing mix, employee skills, to differentiate the customers and to provide personalized customer services.

All the respondents agree that the customers respond to new developments introduced by their banks positively.

Marketing Programs of the banks

Table No.3

Programs	Indusind	HDFC	PNB	SBI
1.Mass Marketing	0	3	3	9
2.Niche Marketing	0	0	0	0
3.Specific services to selected customers	12	12	9	0
4.All programs specific to each customer needs	0	0	0	3
5.Mass Marketing & Specific services for selected customers	3	0	3	3

33 employees state that they are providing specific services to selected customer groups (12 each of Indusind & HDFC, 9 of PNB), 15 are pursuing mass marketing (9 of SBI, 3 each of HDFC, PNB), whereas 6 are adopting mass marketing

as well as specific services to Selected customers (PNB & SBI).

For developing long term relationships with the customers, 27 state that they are customizing the relationship with each customer (9 of Indusind, 6 each of HDFC, PNB & SBI). 3 employees of Indusind bank say that they are augmenting the core service with extra benefits. 3 PNB employees reveal that they are provide pricing services to increase customer loyalty and 27 responded that their respective banks are undertaking all the above activities for building long term relationships (9 each of HDFC & SBI, 6 of PNB, 3 of Indusind)

Customers of HDFC & Indusind Bank are getting value for their money through personalized services, ATM, E-Banking, Phone & Mobile banking. Indusind is also giving promotional offers like gifts, appreciation to their valued customers & through formation of the clubs for loyal and high value customers. Customers of SBI are getting value through personalized services, promotional offers in the form of low interest on cars and home loans and PNB customers are getting personalized and value added services like ATM, E-banking & CBS etc.

Employee empowerment to deliver quality service

Table No. 4

Parameters	Indusind	HDFC	PNB	SBI
1.Strict rules	0	0	0	0
2.Independent decisions	9	9	15	9
3.Encourage customer satisfaction	0	0	0	3
4.Ensure customer satisfaction	3	3	0	0
5.1 & 2	0	3	0	0
6.2 & 3	0	0	0	3
7.All	3	0	0	0

42 employees are empowered to make independent decisions within the guidelines subject to confirmation (15 of PNB, 9 each of Indusind, HDFC & SBI), 3 employees of SBI are of the view that their decisions effecting customer satisfaction are encouraged, 3 from Indusind Bank state the bank requires each employee to ensure customer satisfaction, 3 SBI employees take independent decisions within guidelines and encouraged to take the decisions which effect customer satisfaction, 6 Employees of Indusind & HDFC offered mixed response.

It was observed that PNB is not giving any rewards for handling the customers well to its employees whereas others are offering. However, employees of each bank feel satisfied to a great extent with the service they provide to their customers and for that they are relevant training.

Benefits of IT being perceived by the employees:

Table No.5

Parameters	Indusind	HDFC	PNB	SBI
1.Enquiry Handling	3	3	0	0
2.Fast/efficient service	9	9	6	9
3.Satisfaction	0	0	0	3
4.Accuracy	0	0	0	3
5.Security	0	0	3	
6.Fraud Detection	3	3	6	0

33 employees are facilitated by the IT /computerization in terms of fast & efficient services (9 each of Indusind, HDFC & SBI & 6 of PNB. 6 employees of Indusind& HDFC feel facilitated in enquiry handling. 12 employees are enabled to detect the frauds through daily balancing & increased security, accuracy and improved quality as a result of IT (6 of PNB, 3 each of Indusind& HDFC).

Measurement of customer retention & satisfaction

Table No.6

Parameters	Indusind	HDFC	PNB	SBI
1.Increased usage	3	3	0	6
2.Increased frequency of usage	3	6	0	0
3.Profitability/sales	9	6	12	6
4.All	0	0	3	3

33 respondents state that their banks measure the customer retention and satisfaction mostly through the turnover (12 of PNB, 9 of Indusind, 6 each of HDFC & SBI). 12 employees consider increased usage as yardstick for measuring customer satisfaction & retention (6 of SBI,3 each of Indusind& HDFC). 9 voted for increased frequency of usage (6 of HDFC & 3 of Indusind bank) and 3 employees of PNB & SBI opted for all the parameters.

6. Conclusion

The study reveals that all the banks are maintaining customer database so as to retain their profitable customers by acquiring personal information, customer preferences, their financial standing and usage pattern mainly at the time of account opening and personal contact. Occasionally surveys are also being conducted. As far as use of IT for collecting and maintaining data the private sector banks have already taken the lead.

The information so gathered in conjunction with the experience is used to generate customer knowledge of the selected customers almost by all the banks.

The employees of PNB & SBI strongly feel that the generated knowledge about the customers id being used to upgrade the technology as both these banks have shifted to IT enabled technology.

The service processes are highly influenced by the customer feedback at SBI, whereas employees of other banks do not visualize any impact of customer feedback on the service process.

The employees at HDFC followed by other banks are significantly realizing the impact of customer needs and requirements in redesigning the marketing mix.

The customer requirements are being particularly kept in view at PNB while developing the skills of its employees, SBI is also paying attention on the aspect followed by other banks.

Almost all the banks are doing customers differentiation on the basis of knowledge gathered about their respective customers.

As per the opinion of the employees the generated customer knowledge is being used to provide customized services at HDFC, whereas other banks are lagging on the issue.

All the banks are offering the products/ schemes that cater to the needs of specific customer groups. SBI & PNB are also pursuing mass marketing

Though in different proportions all the banks are customizing the relationships with their customers followed by service pricing to encourage customer loyalty, marketing to employees and extra benefits.

Both SBI & PNB employees are of the view that customers are getting for their money through personalized services because of their long term association with the customers and private bank employees considered that the customers are getting value for their money value added services like ATMs, e banking , phone & mobile banking in addition to personalized services being given.

Employees of all the banks agree in varying degree that the service processes are customer centric and technology is being selected keeping in view the requirements of customers. HDFC seems to be highly concerned on the issue.

50% of the employees are of the opinion that customers are getting high quality service on a regular basis.

65% of the employees, state that they are empowered to take independent decisions within the guidelines.

Employees of PNB are highly dissatisfied that they are not being rewarded suitably for handling their customers well, whereas SBI is developing and motivating its internal customers.

75% of the employees interviewed feel that they are facilitated through IT in providing fast /efficient service and remaining 25% narrated other benefits of IT like detection of fraud, tallying of balance and accuracy, increased job satisfaction etc.

The customer retention and satisfaction is being measured through turnover/ sales and increased frequency of usage.

7. Recommendations

Pertinent and complete data about the customers is not being collected and maintained by any of the banks. Customers are not in position to avail IT enabled services via Internet banking, mobile banking, phone banking etc. because of lack of computers, internet subscription etc. Therefore, CRM implementation in its true sense appears to be a distant dream. However, the following recommendations are being made to bring possible improvements in the present scenario.

Almost all the banks are generating customer knowledge for select customers and there is no rigorous process for each customer that is the ultimate goal of the CRM. The generated customer knowledge has not far been used to update the: service processes by PNB, HDFC & Indusind, service marketing mix by Indusind, SBI & PNB, employee skills by Indusind, HDFC & SBI & customization by PNB, SBI & Indusind.

Almost all the banks should re-examine the service processes and should redesign the same as per the requirements of the customers. These are required to customer focused.

SBI & PNB have to promote further the various value services like ebanking, mobile banking and ATMs for the convenience of the customers so as to retain the existing customers and to attract the new ones. There should be regular review of the service processes to match the same with customer expectations.

The service quality should be consistent at each customer contact point. PNB & SBI should thoroughly examine the issue and take corrective action.

Employees should be adequately empowered and rewarded to ensure customer satisfaction especially at PNB & Indusind.

As far as internal customer satisfaction is concerned only 40% of the employees feel satisfied in providing the services

that indicate that internal marketing in all the banks particularly at HDFC & PNB needs to be pursued.

There is need for frequent training programs for the employees of all the banks in particular that of HDFC & Indusind to enhance their skills, change their attitude and to motivate them.

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