

A Study on CRM as a Sound Strategy for Banking Sector

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Abstract: Today many financial sector such as banks, insurance etc. has realized the importance of Customer Relationship Management (CRM) and its prospective to support them to attract new customers, retain existing customer and maximize their lifetime value. Customer relationship management is one of the popular and important strategies to manage customer. Strategy focuses on understanding our customers as individuals instead as a group. Marketing strategies both influence and are influenced by consumer's behavior and situation. This study deals with the role of Customer Relationship Management in banking sector which helps to satisfy the need of the Bank to increase customer value by using some CRM applications. CRM is a resonance business strategy which helps the bank to identify their most profitable and potential customers. The effective relationship between customers and banks depends on the understanding of the needs of customers. The capability of banks to respond towards the customers' needs make the customers feel like a valuable individual rather than a large number of customers. CRM manages the relationships between a Bank and its customers. Managing customer relationships requires managing and having customer knowledge. It directs towards improving and continuously delivering good services to customers. The banking business is becoming more and more complex with the changes derives from the liberalization and globalization. For a new bank, customer creation is important, but an established bank it is the retention is much more efficient and cost effective mechanism. It is possible through implementing CRM Strategy in Banks.

Key words: CRM, Customer, Bank

Introduction

CRM Helps an enterprise to enable its marketing departments to identify and target their best customers, manage marketing campaigns and generate quality leads for the sales team. It Assist the organization to improve telesales, account, and sales management by optimizing information shared by multiple employees, and streamlining existing processes. Allowing the formation of individualized relationships with customers, with the aim of improving customer satisfaction and maximizing profits identifying the most profitable customers and providing them the highest level of service. Providing employees with the information and processes necessary to know their customers understand and identify customer needs and effectively build relationships between the company, its customer base, and distribution partners.

Concept of CRM

Customer Relationship Management entails all aspects of interaction that a company has with its customer, whether it is sales or service-related. While the phrase customer relationship management is most commonly used to describe a business-customer relationship, CRM systems are used in the same way to manage business contacts, clients, contract wins and sales leads.

CRM is often thought of as a business strategy that enables businesses to:

- Understand the customer

- Retain customers through better customer experience
- Attract new customer
- Win new clients and contracts
- Increase profitably

Customer Service in Banks

Peter Drucker says Quality in a service or product is not what you put into it. It is what the client or customer gets out of it.

A lot of companies have chosen to downsize, and maybe that was the right thing for them. We chose a different path. Our belief was that if we kept putting great products in front of customers, they would continue to open their wallets. By Steve Jobs

Review of Literature

According to Shani and Chalarani – Customer Relationship Management marketing can be defined as “ an integrated effort to identify, maintain and build up a network with the individual customers and to continuously strengthen the network for the mutual benefit of both parties, through interactive, individualized and value added contracts over a long period of time.

In the words of Lekha “CRM aims at delivering better products and value to the customers through better understanding of his needs.”

Objectives of the study

1. To study the current practices of CRM in banking sector.
2. To know the importance of CRM as a profitable tool for an organization.
3. To offer suggestion to improve the performance of the bank.

Research Methodology

Research methodology explains the various steps that generally adopted by the research in studying research problem along with logic behind them. A research design is simply a plan for study in collecting and analyzing the data. It helps the researcher to conduct the study in an economical method and relevant to the problem.

Research methodology is a systematic way to solve a research problem. The methodology should combine economy with efficiency.

Research Design

The research design adopted for the study is descriptive design.

Data Source

Data was collected through both primary and secondary data sources. Primary data was collected through a questionnaire.

Sample Size

The sample size is 100

Statistical Tools

The tools used for analysis are Percentage Analysis, chi square test and weighted average method.

Data Analysis and Interpretation Chi-Square Analysis

Chi square test is an important test among the several tests of significance. It is a statistical measure used in the context of sampling analysis for comparing a variance to a theoretical variance.

Chi square enables to explain whether or not attributes are associated. Chi square is calculated as follows.

Chi-Square

Comparing customer satisfaction survey and customer comments and complaints.

Hypothesis

A) Null Hypothesis (H₀)

There is no significant relationship between customer satisfaction survey and customer comments and complaints.

B) Alternative Hypothesis (H₁)

There is significant relationship between customer satisfaction survey and customer comments and complaints.

Chi-square test formula

$$X^2 = \sum \frac{(O - E)^2}{E}$$

Where

X^2 -The chi square statistic

O- Observed frequency

E-Expected frequency

Degrees of Freedom

Degree of freedom plays an important part in using the chi square distribution and tests are based on it. The degree of freedom is worked out as follows:

$$\text{Degree of freedom} = (r-1) (c-1)$$

Where

- 'c' means number of columns
- 'r' means number of rows.

Customer satisfaction	Customer comments and complaints				
	Face to face interview	Toll free numbers	Formal surveys	Other means	Total
Yes	18	69	4	1	92
No	2	1	4	1	8
Total	20	70	8	2	100

Calculation for Chi-Square

O	E	O-E	(O-E) ²	(O-E) ² /E
18	18.4	-0.4	0.16	0.0087
69	64.4	4.6	21.16	0.3286
4	7.36	-3.36	11.2896	1.5339
1	1.84	-0.84	0.7056	0.3835
2	1.6	0.4	0.16	0.1
1	5.6	-4.6	21.16	3.7786
4	0.64	3.36	11.2896	17.64
1	0.16	0.84	0.7056	4.41
Total				28.1833

$$\begin{aligned} \text{Degree of freedom} &= (r-1) (c-1) \\ &= (4-1) (2-1) \\ &= 3 \times 1 \\ &= 3 \end{aligned}$$

Level of significance 5%
 Calculated value = 28.1833
 Table value = 9.488

$$\text{Cal value} > \text{table value} \quad 28.1833 > 9.488$$

Findings

As Pearson Chi square value is 9.488 for degree of freedom 3. Significance value calculated is 0.000 which is greater than significance table value 0.05. So H1 is accepted

Interpretation

As the calculated value is more than the tabulated value. Null hypothesis is rejected. Hence the alternative hypothesis is accepted.

Conclusion

Thus H1 is accepted so the result is there is relationship between customer satisfaction survey and customer comments and complaints.

Percentage Analysis

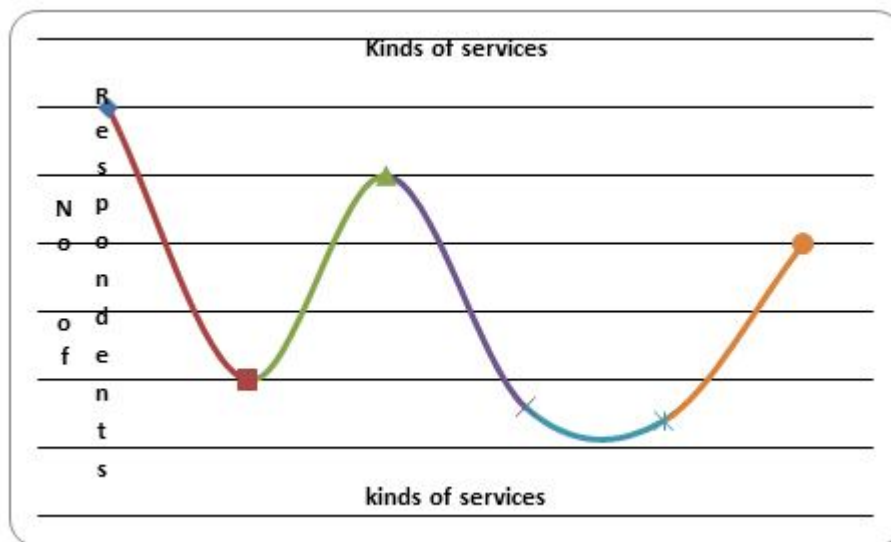
Kind of Services Used

Particulars	No. Of respondents	%of respondents
Withdraw	30	30%
Deposit	10	10%
Transfer money	25	25%
Money exchange	8	8%
Update pass book, cheque	7	7%
Others	20	20%
Total	100	100

Inference

The above table shows that 30% of customers are usually used these withdraw services, 10% are used deposit services, 25% are transfer money, 8% are money exchange, 7% are update passbook and cheque services and 20% are used other services usually.

Chart for kind of services used



Weighted Average Method

S.NO	FACTORS	1 W1=5	2 W2=4	3 W3=3	4 W4=2	5 W5=1	TOTAL	AVERAGE	RANK
1	Facilities	20	10	25	22	23	282	18.8	3
2	Customized services	19	11	35	26	9	305	20.33	2
3	Staff, Time management	21	11	5	7	56	234	15.6	5

4	Scope of services provided	50	20	12	8	10	392	26.13	1
5	Others	12	15	17	20	36	247	16.46	4

Result of Weighted Average Method

RANK	FACTORS
1	Scope of services provided
2	Customized services
3	Facilities
4	Others
5	Staff, Time management

Findings & Suggestion

- There should be more and more emphasis should be given by the Bank to satisfying their customer to retain them.
- More Information technology has to be adopted
- Bank has to reduce the procedure to be adopted by the customers.
- Inadequate information about the customer is also a problem so proper database should be maintained.
- There should be a good communication between them and their clients.
- The staff as well as the time should be managed to bring the bank effectively.
- It is recommended that the bank should provide enough facilities to the customers.
- The bank can improve the services to the customers.

Conclusion

On the basis of the study it is clear that to retain and develop customer for a Bank, customer relation act as a strategic tool. During delivery of service they have to focus and identify the behavior pattern of the customers. To maintain relationship to the employees has to be given training and proper implementation of complaint handling system should be there. It is very clear that CRM became important for all business especially financial services sectors. So customer relations plays a major role as a strategic tool for banks to hold the customer for long period and success of the concern.

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