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ROLE OF CRM IN CUSTOMER RETENTION AND CUSTOMER SATISFACTION: BANKING SECTOR PERSPECTIVE

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ABSTRACT :

Realising though belatedly, that it is customers on whom depends the ultimate survival of banks and it is they whose willingness to pay for a product or service converts economic resources into wealth and things into goods and it is they who determine what is its business and, what it produces and whether it will prosper, commercial banks have, of late, embarked upon long-term marketing plan with focus on customers. However, they are still finding it to difficult to woo new customers and retain the existing ones because of higher value offered by the new players in terms of cost, quality, product differentiation, delivery and service. The mind-boggling question before Indian bankers today is how to attract customers and retain them. This Paper focuses upon the role of CRM in customer retention and customer satisfaction specially in banking sector.

KEYWORDS : *Banking Sector, CRM, Customer Retention, Customer Satisfaction*

INTRODUCTION:

With unleashing of forces of competition and large scale disintermediation in recent years following the policy of deregulation, liberalisation and privatisation and growing awareness of customers due to path breaking technological developments, Indian customers have become more finicky and sophisticated demanding better service and higher service and higher value and aspiring for personal care, continuous attention and involvement. Sensing the need for retaining the existing customers in highly competitive market in view of much higher costs involved in wresting new customers than those in servicing extant ones and also realising that losing a customer means more than losing a single sale[1], Indian organisations including commercial banks have, of late, started focusing on customers' service. Thrust of quality customer service is on more involvement and choice and building on-going customer relationship. Although use of sophisticated technology has helped the new players in improving their operational efficiency and achieving an edge over their competitors, it is quite doubtful if it can totally substitute the human element from the process especially in the context of banking business. Maintaining relationship with the customers certainly requires people who can give a personal touch to the transactions and retain the customers in the bank's fold.

The word 'customer' signifies a relationship in which duration is not of essence. A person whose money has been accepted by the bank on the footing that they undertake to honour cheques up to the amount standing to his credit is a customer of the bank in the sense of the statute irrespective of whether his connection is of long or short standing. The contrast is not between a habitual and a newcomer, but between a person for whom the bank performs a casual service, e.g., cashing a cheque for a person introduced by one of their customers, and a person who has an account of his own at the bank.

CONCEPT OF CUSTOMER RELATIONSHIP MANAGEMENT

Relationship banking or Customer Relationship Management (CRM) in banks is a comprehensive management system which seeks to touch all areas and functions of banking business connected with value creation and delivery chain of the organization. CRM is neither a product nor a service; it is an overall business strategy that enables organizations to effectively manage relationships with their customers by providing and integrated view of the customers to everyone in the organisation. It is a philosophy that places the customer at the heart of an organisation's processes and culture to improve his satisfaction and, in turn, maximize profits for the organization.

Relationship banking involves creating, maintaining and enhancing strong relationships with customers. It is the process of attracting. Maintaining, enhancing and commercializing a relationship between a buyer and a seller. Attracting customers is only the first step in relationship management, while it is the be-all and end-all in a transaction approach. In fact, the actual relationship starts when transaction ends. A sale merely consummates the courtship at which point the marriage depends on how the seller manages the relationship.

Thus, relationship banking emphasizes on building and maintaining profitable long-term relationships with customers by creating superior customer value and satisfaction. Relationship banking is oriented toward the long-terms customer satisfaction.

The relationship banking is based on the premise that customers do not merely buy banking products or services, but solutions to their problems. This is more so in the case of high value customers of critical importance, who mostly belong to the corporate sector.

In relationship banking, bank's people, processes and technology are integrated is such a way as to maximize the relations of the bank with all types of its customers. The true value of relationship banking is to transform strategy, operational processes and business functions so as to retain customers and increase customer loyalty and profitability. What is most important to note that high level allegiance to customers can be sustained in the long run if it is based on emotions. Everyone in the organisations has to be emotionally attached to the targeted customers.

UTILITY OF RELATIONSHIP BANKING

Relationship banking based on philosophy of nurturing and building long-term relations with customers is significantly useful to banking institutions in as much as it enhances their competitive advantages through revenue growth and cost savings. Retention proves more profitable as current customers place frequent orders and buy more. It is much easier to discover client needs and concerns in an existing client setting. With growing confidence of clients, and so also increasing image, more of new business opportunities may emerge.

Costs shrink too. The need for prospecting new customers tends to decline with higher retention rate. Extant customers prove less skeptical and price sensitive- everything may offer a price premium. Since the need for comfort building measures is less, services can be delivered by the operating executive themselves without much demand on the time and effort of the top management.

Further, with growing competitive pressure, costs of attracting new customers are rising. In competitive markets it might cost five times as much as to attract a new customer as to keep a current customer happy. By reducing customer dissatisfactions by only 5 percent, organisations can improve profits anywhere from 25 to 85 percent.

As such, focus of a bank's first line of defence should lie on customer retention. The best approach to customer retention is to deliver high customer satisfaction and value that results in strong customer loyalty. Loyalty is an invaluable asset of an organisation. It does not exist on its own unless it is earned. Once earned it will appreciate in value, as satisfied customers become the bank's most vocal person. Thus, relationship begets loyalty which, in turn, multiplies cash flows.

A focus on customer is pivotal to relationship banking. It is, therefore, essential to have an understanding of what customers aspire. Customers normally aspire for higher value from a bank to be derived from the services of both tangible and intangible attributes, features and benefits.

PROCESS OF DEVELOPING RELATIONSHIP WITH CUSTOMERS

Process of developing relationship with customers is a circular one. It begins with identification of customer needs which may be manifest in needs and arouse incipient needs through proactive marketing approach. Further, entire range of needs of the customer should be discerned.

Once the needs of the customer have been determined, the banker must try to find out an agreed price for the product for delivering the product with value. This value could be by way of product quality, optimum cost, timely delivery, post sales service package, etc. Besides, the value would be both actual (Seller's point of view) and perceived (buyer's point of view). It is the creation of value that helps maintain and enhance relationship between the buyer and the seller.

Third step involved in the process of relationship banking is to get feedback from the clients about the product offerings and suggestions about improved product use of helpful new products. This will enable to banker to determine the gap, if any, between the upfront promises and the down stream realities and sincere efforts should be made as early as possible to remove the gap so as to avoid any damage to the relationship. This will generate customer loyalty which culminates into customer retention and repeat orders.

FORMULATING RELATIONSHIP BANKING STRATEGY

So as to nurse and develop long-term relationship with customers and to generate customer loyalty, a banker has to draw up strategic plan, focusing on long-term course of action to be taken at the organisational level to develop customers relations and gain customers loyalty and steps to be undertaken to execute the plan. Accordingly, a banker should take the following steps:

- **Articulating Corporate Vision, Mission and Objectives of the Bank**

Relationship banking strategy has to be crafted within the parameters of vision, purpose and mission and long-term objectives of the bank. In the changed economic milieu, the banker will have to think with a vision for the future which would involve redefining its purpose and mission and resetting its objectives.

- **Evolving a Strategy**

With a view to achieving purpose and objective, suitable strategy of market segmentation has to be drawn up. Segmentation makes relationship strategy focused, helps devise appropriate delivery system and tailor the relationship programmes to customer needs. Market segment is nucleus of relationship management because the latter is effort-oriented and cannot spread too thin on all and sundry. As such, only those segments, which are accessible, measurable and of minimum critical size should be the thrust of relationship building.

- **Designing Appropriate Structure**

With a view to executing customer focused strategy, the banker must strive for organisational structure which is market driven, responsive to customers' needs and performance based. Lean and flat structure with clearly defined authorities and responsibilities coupled with self-managed teams is the demand of the day.

- **Designing a Service Delivery System**

Since the market driven delivery system has to be process-based instead of function-based, logistics should be so designed as to ensure a cost effective, yet constant output. Besides, product quality is also guaranteed. In fact, product quality is critical particularly when repeat sale is the primary concern of an organisation.

- **Cultivating Skill**

For relationship management to be effective a banking organisation must have three skills, i.e., marketing skill, product skill and listening skill. While relationship manager requires marketing skill, product executive needs product skills. Of course, every executive including top management needs listening skills.

- **Creating Invigorating Organizational Ambience**

Successful relationship banking demands creation of an organisational climate where there is least resistance to any change in the organisation. Corporate bank managers have to foster trust, generate a sense of pride and ownership in the organisation and provide life satisfaction to the people and sustain it through culture, useful traditions, practices and systems.

- **Creating Transformational Leadership**

All the above strategic measures cannot achieve the desired results without profound change in perceptions and mindsets of corporate leaders and paradigm change in style of leading people from transactional to transformational so as to move from exercising gross power of authority, which not only produces compliance to the subtle power of influence which secures commitment and passes ownership down the line. Transformational leaders direct their employees through vision. Inspiration, ideas and fire their desire to reach destination, generate a since of pride and ownership on the organisation and provide life satisfaction to them.

CUSTOMER EXPERIENCE MANAGEMENT IN BANKS

With deepening competitive pressures, traditional demands of product function, reasonable price and quality have lost their relevance. Even concept of customer relationship management with focus on strengthening long-term relationship has not been found significantly helpful in retaining customers. Everyone is now realizing that no matter what the firm's product offering is, there will always be competitors willing to do it cheaper or better. One can always find a cheaper car, a better-looking designer shirt, a mobile service offering more freebies, an airline with better seats, a bank with more ATMs. As such, if one wants to retain one's premium positioning and higher margins, one is left with only one option: delver a really powerful and pleasant customer experience, and reinforce it in as many ways as possible, so that customer no longer cares if the rival product is cheaper or has more frills.

The Indian banking organisation face a number of problems due to blatant and aggressive telemarketing and e-mail or SMS marketing because we find them irritating the customers. The banks not managing the channel properly, often, face embarrassing situations and this makes a strong advocacy in favor of an integrated CRM. Today, we find a number of robust CRM platforms integrating voice, e-mail, chat, fax, snail-mail and text-mail contacts to help customer service agent or telemarketer in viewing the contact history and refrain from aggressive pitching. The IVR technology enables customer recognition based on phone numbers. Real-time customer segmentation is a key benefit provided by CRM (**Jha, 2011**).

Explaining the reasons of management of customer experiences becoming a key differential factor for many brands, Joseph Pine II and James Gilmore observed that technology, that powers so many experiences, and increases competitive intensity are the main there is a natural progression of a commodity to goods, product, service and experience.

Components of Customer Experience Management

Components of customer experience management include

Service

Service is a critical component of experience, and providing good service requires many characteristics, including empathy, sensitivity and caring.

Technology

Emerging technologies are enhancing value of products and services and also facilitating greater experiences. For banks, technology becomes the centerpiece because it is the interface the customers.

Look Beyond the Product

The key to managing customer experience lies in taking the story well beyond the product. A bank has to provide a comfortable space where human minds can relax and interact freely.

The Critical Intangible-Trust

Most of the factors in the customer experience management are intangible and the very first thing on this list is trust. If a banker has built trust in customers, they will not switch over to other institutions.

Realign People Practices

Every company has to realign its people practices because managing the internal customer is no different from managing the external customer. Without employees enchanting experiences, there is no customer experience. Employees are the creators of customer experiences. The In sum, if a bank is building a case for a customer experience strategy and counting on the great financial rewards that it can deliver by a reduction of customer churn and an increase in business per existing customer, it must always remember that the employee's experiences is the path to customer's experiences. One cannot happen without the other.

CRM OPERATIONS BY COMMERCIAL BANKS IN INDIA

During the past decade Commercial bank in India have been working hard to improve customer relation management operations and spending enormous funds annually on CRM initiatives as the banks are facing challenge of catering to a more demanding customers someone who is less tolerant of errors or omissions. With the cost to acquire new customers rising ever markedly against the cost to retain customers, they want to hang on for along time. In addition to building new relationship, bankers are looking at deepening relationships. The bankers are gradually realizing that the cornerstone of the business rests on providing superior products and services designed to add value for customers. There is a huge demand for innovation, value added products and services that enhance the overall customer experience. The bankers' move to provide creative solutions for customers spending needs is in that direction.

Commercial banks in India have, of late, taken several steps to improve services to their customers. The most important ones are outlined below:

- **Introducing Multiple Delivery Channels**
- **Extended Banking Hours Facility**
- **Management of Customer Complaints**
- **Customer Retention**
- **Designing Products and Services to suit Customers**
- **Relationship Pricing**
- **Customizing the Relationship**
- **Focus on Quality Customers**

CONCLUSION

In the wake of pathbreaking economic reforms leading to increased competitiveness and fast changing social, familial and personal values of people, bank's customers have, of late, become finicky demanding better service and higher value as also personal care, and the management's growing realization that retaining existing customers is as important as attracting new customers and for that matter developing long-term relationship with customers is imperative, concept of customer relationship management (CRM) in banks has become cliché for commercial banks the world over.

CRM, in fact, involves creating, maintaining and enhancing strong relationships with customers with a view to delivering long-term value to customers. So as to nurse and develop long-term relationship with customers and to generate customer loyalty, a banker has to draw up strategic plan focusing on long-term course of action to be taken at the organisational level.

With deepening competitive pressures, concept of CRM has been found lacking in retaining customers. It is, therefore, being realised that if a bank intends to retain one's premium positioning and higher margins, one is left with only one option: deliver a really powerful and pleasant customer experience and reinforce it in as many ways as possible so that the customers no longer cares if the rival product is cheaper or has no frills. Thus, concept of customer experience management (CEM) is gaining prominence these days.

Focus of CEM is on customers, technology, look beyond the product, trust, realignment of people practices. Regarding CRM operations by commercial banks in India, it has been noted that during the past decade the banks have been striving hard to improve customer relationship management operations and spending enormous funds yearly on CRM initiatives. They have, of late, taken several steps to improve services to their customers.

Realising the inadequacy in banking services, the RBI issued in recent times specific guidelines to the banks. Even the Banking Ombudsman Scheme has been revamped in 2006 in order to enlarge its extend and scope of the authority and make the scheme more effective. The RBI has also directed the banks to build adequate institutional machinery, for formulating policies and executing them to the benefit of customers. Lately, the RBI permitted banks to deliver cash and drafts to the individual customers at their doorsteps on request.

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