

# A Comparative Study of SBI & Other Nationalised Bank: With Special Reference to Customer Relationship Management in Banking Sector

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## ABSTRACT

The battle for banks to gain a greater slice of the market share is increasing year by year as with the globalization effect banks are finding it increasingly difficult to meet the high growth of customer expectations. In order to boost their economic lines, Banks are increasingly looking at ways of achieving organic growth through acquisition of new customers and retaining existing customers. In this 21st century one of the approaches which are creating the buzz in the banking sector is Customer Relationship Management (CRM). Banks are realizing that the magical formulae for attaining success in such a competitive environment are to focus on maintaining relationship with customers leading to customer loyalty and retention. In fact customer relationship management involves organizing activities around the sole customer which can ensure differentiation at each point of sales by creating a unique customer experience to customer. But in reality the paradox is that since the word customer is associated with CRM, many banks are under the misconception that they secure competitiveness by implementing CRM as a piece of software. As such the main objective behind this study is to analyze whether banks are really implementing the whole concept and philosophy of CRM as a means of securing competitive advantage. To achieve this objective, the research design will consist of both exploratory and descriptive research whereby different aspects with regards to CRM in the banking sector have been extracted from literature review and tested on a sample size of both employees and customers. These results were discussed and analyzed so as to get an indication of how far CRM is strategically implanted to secure competitive advantage or it's just as an old wine in a new bottle concept. Based on the findings, a set of recommendations will be made so as to pinpoint how CRM can be rendered and can be used to secure competitiveness. Finally a model will be proposed which will lay out specific issues which banks have to address so that CRM can be used as an integrated approach to bring out competitiveness in the banking sector. Customers are the focal point in the development of successful marketing strategy. Marketing strategies both influence and are influenced by consumers' affect and cognition, behavior and environment. In the banking field a unique 'Relationship' exists between the customers and the bank. But because of various reasons and apprehensions like financial burdens, risk of failure, marketing inertia etc., many banks are still following the traditional ways of marketing and only few banks are making attempts to adapt CRM. It is with this background, the researcher has made a modest attempt towards the idea that CRM can be adapted uniformly in the banking industry for betterment of Banking Services. The lack of understanding on Customer Relationship Management (CRM) is always a concern among the service providers especially banks. Banks have their own way of managing their relationships with the customers. However, the perception of customers on CRM practices among banks should also be taken into consideration. Here in this paper, effort is given to study the comparative perception of SBI customers and other nationalized banks customers' in the issue of CRM practices. It is observed that the approach of CRM by SBI and other nationalized are to some extent same one but the reach is

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*quiet distinguishable. It is due to the profile, their capability and the strategy of CRM in making it and reaching down to customers. On the contrary, it can also be asserted that the background of banks found to be a big cause for reaching out for the CRM. Hence, CRM is an inevitable tool of marketing that can be considered as Critical Responsibility of Market with regard to Banks in present context.*

**Keywords:** CRM, Commercial bank, Customer satisfaction, apparent business conductance.

## Introduction

Customer relationship management is one of the strategies to manage customer as it focuses on understanding customers as individuals instead of as part of a group. Managing customer relationships is important and valuable to the business. The effective relationship between customers and banks depends on the understanding of the different needs of customers at different stages. The ability of banks to respond towards the customers' needs make the customers feel like a valuable individual rather than just part of a large number of customers. CRM manages the relationships between a firm and its customers. Managing customer relationships requires managing customer knowledge directed towards improving and continuously delivering good services to customers. To understand more in customer relationship management, we first need to understand three components which are customer, relationship and their management. More often, managers always make mistakes by seeing customers' satisfaction from their eye not from customers' eye. Banking sector is a customer-oriented service where the customer is the KEY focus. Research is needed in such sector to understand customers' need and attitude so as to build a long relationship with them. Customer Relationship

Management includes all the marketing activities, which are designed to establish, develop, maintain, and sustain a successful relationship with the target customers. CRM identifies the present and future markets, selects the markets to serve and identifies the progress of existing and new services. Thus, CRM is a managerial philosophy that seeks to build long term relationships with customers. CRM can be defined as the development and maintenance of mutually beneficial long-term relationships with strategically significant customers. It is the establishment, development, maintenance and optimization of long term mutually valuable relationships between consumers and the organizations. Successful customer relationship management 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.

## 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. Different organizations got affected from this revolution; the banking industry is one of it. In this technology revolution, technology based remote access delivery channels and payment systems surfaced. ATM displaced cashier tellers, telephone represented by call centers replaced the bank branch, internet replaced the mail, credit cards and electronic cash replaced traditional cash transactions, and interactive television will replace face-to-face transactions. 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. If the bank could track customer behavior, executives can have a better understanding, a predicative future behavior and customer preferences. The data and applications can help the bank to manage its customer relationship to continue to grow and evolve. Most sectors of the financial services industry are trying to use CRM techniques to achieve a variety of outcomes. In the area of strategy, they are trying to

1. Create consumer-centric culture and organization
2. Secure customer relationships
3. Maximize customer profitability

4. Integrate communications and supplier – customer interactions across channels
5. Identify sales prospects and opportunities
6. Support channel management, pricing and migration.
7. Support cross and up-selling initiatives

CRM is a sound business strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationship with those customers through individualized marketing, reprising, discretionary decision making, and customized service through the various sales channels that the bank uses. Any financial institution seeking to adopt a customer relationship model should consider six key business requirements. They are

1. Create a customer-focused organization and infrastructure.
2. Gain accurate picture of customer categories.
3. Assess the lifetime value of customers.
4. Maximize the profitability of each customer relationship.
5. Understand how to attract and keep the best customers.
6. Maximize rate of return on marketing campaigns.

In India, the banking sector has been operating in a very stable environment from last thirty forty years. In current scenario of banking sector, the falling of interest rates and tough competition between these players had made Indian bankers to realize that the purpose of their business is to create and retain a customer and to see that the entire business process is consistent with an integrated effort to discover, retain and satisfy customer needs. But the success of CRM Strategy depends upon its ability to understand the needs of the customer and to integrate them with the organization's strategy, people, and technology and business process. Financial services are in a structural change whereby competition and customer demands are increasing.

### CRM Development

To be prepared to the changing economic conditions and, in particular, to a rapidly decreasing inflation rate scenario Garanti Bank has started timely to focus on developing a customer relationship management (CRM) system. The total number of customers is presently around two mill lions, but

an increase to roughly three millions is foreseen as merging with Osmanli Bank and Koferz bank are achieved and the present growth targets are reached. The importance for the bank of managing the relationships with their customers has been the drive of the joint projects that have been developed with IBM in the last three years. During the projects a number of crucial technological and architecture choices have been made to implement the entire process. Realizing the importance of customer information availability the first of these projects has focused on the problem of routinely collecting and cleansing data. The project has been undertaken by the bank with the spirit that has characterized the whole CRM development. The project has promoted a massive involvement of the branches, namely of the portfolio managers and campaigns have been launched for popularizing among branch staff the importance of gathering and maintaining reliable customer data. Another set of methods have been tested for customer not included in portfolios (pool customers), such as mailing or distributing questionnaires in the branches or using automatic teller machines (ATM) and the call center. Methods for data checking and testing have been developed to be routinely employed by the bank's staff. Results obtained are very good: for portfolio customers data available are respectively 98% for the commercial ones and 85% for the retail ones. For pool customers availability goes down to 65%: this is a well-known phenomenon due to the loose relationship with the latter customers.

### Objectives of the Study

The main objective of the study is to examine the importance of CRM in banking sector, and its Impact on the 'Customer Satisfaction' with a special reference to State Bank of India (SBI) and other nationalized bank including UBI, BOB, BOI, UCO, PNB and Allahabad bank. The other Specific objectives of the study are:

1. To review the literature on the concept and use of CRM in banking sector.
2. To analyze the perception of customer on CRM as a tool of banking sector in retention of Customers in general and SBI and other nationalized banks in particular.
3. To offer pertinent suggestions based on the findings of the study.

### Literature Review

In this paragraph, sincere effort is given to highlight the concept and significance of CRM vis-a-vis the

uses and application of CRM in Banking sector. In the literature, the main difference among the definitions of CRM are technological and relationship aspects of CRM. The phrase CRM appeared in the literature after the evolution in the relationship marketing philosophy. Berry (1983) defined relationship marketing as attracting, maintaining and enhancing the customers' relationships in multi-service organisation. After a few decades, the evolution in relationship marketing philosophy changed the word relationship marketing to CRM. According to Brown (2000) CRM is a process of acquiring new customers, retaining the existence customers, and at the same time understands, anticipates and manages the needs of an organisation's current and potential customers. Furthermore, Mylonakis (2009) described CRM as an innovative process to create a long term relationship and gaining trust. CRM in financial service industry is a cyclical process which starts with definition of customer actions (Panda, 2003). CRM is fundamental to building a customer-centric organisation. CRM is a key element that allows a bank to develop its customer base and sales capacity. The goal of CRM is to manage all aspects of customer interactions in a manner that enables the organization to maximise profitability from every customer. Panda (2003) described customer expectations are difficult to manage but are often the cause of dissonance which results in loss of existing customer base. So understanding of customer expectations with regard to service delivery levels and product quality is essential for establishing a long term symbolic value relationship. From the foregoing, it can be said that the purpose of CRM is to bring about Customer Focused Services (Gummesson, 1987; Gronroos, 1990; Varki and Colgate, 2005; Gan et al., 2006), Information and Communication Technology, Complaints Management (Wilke 1994; Ingram, 1996; O'marley and Tynan, 2000; Gilly et al., 2005; Achumba, 2006), High Quality Service (Khandwalla, 1995; Eisingerich and Bell, 2006), Timeliness in Service Delivery, Friendliness of Employees (Reinatz and Kumar, 2003), Ease of Opening Account and Competitive Charges in order to enhance organisational performance as indicated by such variables as Customer Satisfaction (Morgan and Hunt, 1994; Naidu et al., 1999), Customer Retention (Dick and Basu, 1994; Morgan and Hunt, 1994; Reichheld, 1996), increase in number of customers (Gronroos, 1990), and increased net profit (Khandwalla, 1995; Page et al., 2006). The

organisational performance is enhanced because marketing efficiency is achieved due to the cooperative and collaborative processes (Sheth and Sisodia, 1995) introduced by CRM which helps in reducing transaction costs and overall development costs for the company. These brings about two important processes of proactive customer business development and building partnering relationships with the most important customers (Chitanya, 2005) and eventually leads to superior mutual value creation between the organisation and the customer. Further, a clear vision of CRM along with appropriate strategies if applies in banking sectors found out that beneficial in maintaining the customer service quality, customer satisfaction and customer retention which ultimately leads to the growth of the organisation and profitability (Bansal and Sharma, 2008). Girdhar (2009) observed that by satisfying the internal customers and building good relationship with them, the relationship with the external customers can also be retained and satisfied by the banks.

### **Research Problem**

Modern Marketing philosophy advocates the concept of CRM that creates customer delight. This applies to all sectors of Sales and Marketing including the banking. In the banking field a unique 'Relationship' exists between the customers and the bank. But because of various reasons and apprehensions like financial burdens, risk of failure, marketing inertia etc., many banks are still following the traditional ways of marketing and only few banks are making attempts to adapt CRM. It is with this background, the researcher has made a modest attempt towards the idea that CRM can be adapted uniformly in the banking industry for betterment of Banking Services. The role of CRM is quite different and distinguishable to traditional type of Marketing CRM participate not only in Marketing but also in implementing the business as a strategy to acquire, row and retain profitable customers with a goal of creating a sustainable competitive advantage. Particularly in banking sector, the role of CRM is very vital in leading the banks towards high level and volume of profits. So there is a need to study the role of CRM in development and promotion of banking sector through the sidelines of the practices, problems and impact of the CRM on banking sector all the time.

### **Analysis & Findings**

CRM has emerged as a popular business strategy

in today's competitive environment. It is a discipline that enables the companies to identify and target their most profitable customers. It involves new and advance marketing strategies that not only retain the existing customers but also acquire new customers. It has been found as a unique technique which can bring remarkable changes in total output of companies. Through the literature survey and data analysis it can be inferred that CRM tries to find out the relationship between perception and satisfaction, commitment and loyalty that underlines the significance in Indian Banking Sector. Customers largely select their banks based on how convenient the location of bank was to their homes or offices. With the advent of new technologies in the business of banking, such as internet banking and ATM'S, now customers can freely choose any bank for their transactions. Private Banks have traditionally viewed themselves as exceedingly "Customer Centric" offering what they believe to be highly personalized services to the High Net Worth Customers. It is also found that the structured approach of CRM can provide various benefits to a bank, namely a distinctive and consistent customer experience, clear identification of the organization, technological and process-related capabilities. The banking industry is much further along than other industries in recognizing the value of CRM and implementing decision support systems to support CRM. Though most of the banks have already focused on tactical point solutions, they're ready for a transition toward strategic, enterprise-wide CRM initiatives that cross major business lines. An effective decision support system for CRM enables to collect data about customer from every touch, consolidate this information into a single view of the customer, and use this information for customer profiling, segmentation, cross-selling, up selling and retention efforts. As banks continue to seek a unified understanding of customer relationships across diverse channels, the importance and penetration of CRM is expected to grow like anything in future.

### Conclusion

The general discussion can be said that the bank is yet to develop an integrative approach which focuses on the customer needs and to deliver to it. As shown by the study, the bank is far from developing a customer centric approach both for the customer as well as for the employees. Thus, for customer relationship management to deliver to its expectations, it should play an integrative role within the bank and ensure that all processes

are integrated in the bank global strategy, which is far from reality in the study above. In view of this, to implement a CRM integration strategy, the following recommendations can be adopted:

1. The Indian Banking Sector is flooded with different banks of the same molecule. In such a competitive environment, the Banks should adopt suitable marketing skills rather than depending on the trading skills. Hence, new services should be constantly introduced to ensure the growth of the Banks and to be competitive in the market and to keep up the enthusiasm of the employees and customers etc.
2. Implement a Customer Centric Process in Banks.
3. Employee Relationship Management first before Customer Relationship Management.
4. Increase customer experience through the web site.
5. Develop channel integration for effective Customer Relationship Management.
6. Proper training should be given to the bank personnel regarding the behavioral patterns by the Banks before they come and work in the field.
7. More importance should be given to handling online transaction and using commerce and mobile banking services.
8. It should be realised that customer relation cannot be built overnight. CRM should be considered as Continuous Relationship Management.
9. Data gathered from the customers should be given proper value and it should be properly utilised. Decision making authority should be extended to field force and some resources should be given for faster implementation.
10. The Banking sector is developing and getting higher day by day in urban and semi urban areas; there is large number of customers using the services in the urban and semi urban areas. So a wide scope in rural areas is expected in the days to come. Based on the analysis it is very clear that in almost all issues, the working performance of SBI and other nationalised banks is similar but differing at certain aspects only. The SBI though it is public sector bank, taking much care in implementation of CRM, fine tuning

the CRM and finally putting it on track. Whereas, other nationalised was not at par with SBI in most of the aspects like database management, responding to the customers in mean time and provisioning the services as expected by the customers. Particularly in marketing approach, considering customer retention as a big challenge, provisioning the facilities attending the needs without delay in time, meeting the changing needs creating the database, employee approach to customers, customer awareness impact of CRM relationship with customer impact over bank objectives, CRM and public image, CRM and updating the data, CRM and customer satisfaction, other nationalised is found quite good. On the other hand, in terms of retention of existing key customers, enhancing customer loyalty, provisioning technological infrastructure, location of CRM, existence of CRM, approaches of CRM, coverage of CRM by e-Marketing, relationship with the customer, CRM's objectives and making the customer delight, retention of customers benefits of CRM to the organisation, loyalty, customer confidence, are found quite satisfactory and in good condition with SBI. It is very clear from the foregoing analysis that the approach of CRM by SBI and other nationalised are to some extent same and one but the reach is quiet distinguishable. It is due to the profile, their capability and the strategy of CRM in making it and reaching down to customers. On the contrary, it can also be asserted that the background of both banks also found as a big cause for reaching the top CRM. Hence, CRM is an inevitable tool of marketing that can be considered as Critical Responsibility of Market with regard to Banks in present context. The results in this study show the respondents either agree or strongly agree on majority of the statements in the dimensions used. This study is significant to banks as they get information on what are items that are important to customers so as to maintain the relationship.

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