



CUSTOMER RELATIONSHIP MANAGEMENT STRATEGIES FOR RETAIL BANKING IN INDIA

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ABSTRACT

The ability to maximize customer loyalty through close and durable relationships is critical to retail banks' ability to grow their businesses. As banks strive to create and manage customer relationships, several emerging trends affect the approach and tools banks employ to achieve sustainable growth. CRM is highly exercised in the industry like hospitality, services industry etc. but it is having equal importance in the retail industry also. The results of this research paper shows that the customers don't take a single second when it comes to change the preference and break the loyalty for an organization, in such a situation it the CRM of the organization which will compel the customers to visit the retail outlet again and again.

Keywords : Customer Loyalty, Customer Relationship Management, Retail banking.

1. INTRODUCTION

The customer relationship management (CRM), essential and vital function of customer oriented marketing is to gather and accumulate related information about customers in order to provide effective services. CRM involves attainment analysis and use of customer's knowledge in order to sell goods and services. Reasons for CRM coming into existence are the changes and developments in marketing environment and web technology. Relationship with customers is a newly distinguished

as a key point to set competitive power of an organization. Companies gather data related to their customers, in order to perform customer relationship management more effectively. Web has disclosed a new medium for business and marketing scope to enhance data analysis of customers' behaviours, and environments for one to one marketing have been enhanced. CRM lies at the heart of every business transaction. CRM is about attracting, developing, maintaining and retaining profitable customers over a period of time. In this increased heightened global competition arena, the new ways of working are firmly shifting into the hands of paying customers and organizations adapting to e-CRM to CRM, With all of these changes, businesses have rediscovered that, in the face of increasing competition and customer's demands, treating existing customers well is better and cheaper than trying to find new ones. That means that a company needs to target and serve its customers on an individual basis by building long-term relationships with them. The relationship is, of course, made up of a continuing series of collaborative interactions. So instead of trying to find more customers for its products, a company should try to find more products and services for its customers. Today lots of people are saying that they understand what building one to-one customer relationships is about, but then they speak about database marketing, call centres, Web sites or e-commerce. The fact is a one-to-one customer relationship program might include some, all, or none of those features. Today, more than ever before, fundamental change in the way banks interacts with the customers they have - and those they want to acquire. How can a retail bank drive growth? Traditionally, banks have grown through an aggressive strategy of acquiring direct competitors and taking over their branch networks. Today, that strategy is no longer sufficient, since it doesn't create organic growth for the financial institution. To build stronger customer loyalty, banks need improved customer knowledge to develop products and deliver services targeted at specific market segments resulting in more directed marketing, sales and service tactics continue to be an effective way to expand product offerings and service capabilities. However, retail banks will focus on acquiring businesses that have essential products or capabilities to complete the bank's portfolio of offerings.

2. REVIEW OF LITERATURE

Chantal rootman (2011)¹⁸ in their article they concluded that the body of knowledge concerning marketing, specifically services marketing, by investigating the influence of identified variables on the relationship marketing and customer retention of retail banks. The relatively large sample size of banking clients in the empirical investigation (n=637), the use of an advanced statistical technique, namely SEM, and the scope of the empirical investigation (as it was conducted in three countries) also add to the value of this study. This study made the identification and development of a conceptual model that outlines the most important factors that influence banks' degrees of relationship marketing and levels of customer retention possible. Therefore, it can be noted that this study contributes to the understanding of the factors that influence the success of banks' marketing efforts, including their relationship marketing focus and their customer retention levels. The study is also unique as it incorporates the viewpoints of both banking clients and bank managers. This was important to compare clients' viewpoints with those of bank managers.

3. CURRENT TRENDS AND DYNAMICS

One of the ways banks can achieve improved growth is by focusing on new markets, emerging demographic segments represent untapped revenue streams that can fuel a bank's growth, as this demographic group continues to pass through different stages of cultural assimilation into the United

States market, financial services companies need to address how to maximize their share of this emerging market segment. While it would be ideal to have a 12-month timeframe and \$50 million to establish Spanish-speaking capabilities like call centres or financial product lines, these are luxuries virtually no bank can afford in today's market. The need every bank has is how to respond quickly and at low cost. And this need is increasing all the time.

4. CREATING DEEP BUSINESS INSIGHT INTO CUSTOMER PREFERENCES

Customer loyalty that drives growth can only through a consistent customer experience. This means understanding each individual customer's needs and preferences. One of the largest challenges banks face is how to better understand their customers and provide personalized customer service. A "one-size-fits all" customer strategy no longer works. Banks need to serve the rapidly diverging needs of all markets: aging baby-boomers, time-stressed mid-lifers and younger technophiles. Banks must move out of their "comfort zone" and develop services and products that address the specific needs of different market segments. It is clear that financial service providers can no longer sustain growth and profitability targets through mass direct mail campaigns that deliver less than 1 percent response rates. Those that do will lose out to competitors implementing personalized communications that target the right customer, at the right time, with the right product or service. To optimize customer relationships and loyalty, banks need to integrate processes and technologies that enable them to build - and then act upon - a detailed view of what each customer wants. This will require highly skilled customer service professionals, with the right combination of linguistic, culturally aligned and financial services skills, as well as the ability to deploy customer service strategies quickly, efficiently and cost-effectively.

5. IMPROVING DISTRIBUTION AND CHANNEL MANAGEMENT

How are retail banks responding to intensified market competition? To take themselves to the next level of improved sales and service, banks are focusing on developing, implementing and integrating their channels more rapidly and efficiently. Their goal is to meet three objectives:

- a. Improved and more consistent service based on a full customer view
- b. Increased revenue through adoption of new products
- c. Improved profitability through lower product development and service costs

Forward-looking banks will simultaneously improve customer service quality and profitability by deploying an integrated CRM strategy. Deepening relationships with their customers means that banks must offer their products and services through appropriate delivery channels that appeal to their customers. Deploying multiple channels and integrating them at the enterprise level give banks a consistent and full view of the customer. To be successful, this must include all service channels - both physical and virtual - including, call centers, Web, branch, kiosk, ATM, phone and mobile devices.

6. SAFEGUARDING CUSTOMER INFORMATION

Adding to this complexity, customer privacy and information security are under attack as never before. The threats come from many quarters - including increasingly sophisticated identity thieves, constant phishing expeditions by criminals seeking to trap unwary customers, and even "inside jobs" where staff sells customer data to criminals. Expanding legislative and industry requirements for

customer security are also increasing costs for financial services companies. Compliance with customer information regulations is becoming increasingly complex as regulations are growing at all operating levels: At the global level – The Payment Card Industry (PCI) Act requires a single set of information security standards and requirements for all payment organizations. At the national level –The Act not only requires that financial institutions ensure the security and confidentiality of customer records and information but also requires companies to protect against anticipated threats and unauthorized access, which could result in substantial harm or inconvenience to a customer. At the state level – The California Information Practice Act requires businesses in California to disclose any security breach that occurs to any California resident whose unencrypted personal information was, or is reasonably believed to have been, acquired by an unauthorized person. Against this ever-expanding background, it is vital that banks ensure their customer.

7. REAPING THE BENEFITS OF A CRM SOLUTION

Faced with these numerous and varied trends, retail banks are reshaping the way they must interact with their customers. A fully integrated, enterprise wide CRM platform ensures banks have the core capabilities to take full advantage of their customer relationships and capitalize on these market dynamics, rather than losing out because of them. Based on decades of experience in developing CRM solutions for our clients, this has developed best practice business requirements for CRM systems. These best practices reflect business results a financial services company must obtain by implementing its CRM solution.

8. GAINING SALES MOMENTUM

In today's increasingly competitive environment, where maximizing organic growth is a bank's priority, sales momentum is essential to build this momentum, banks need to focus simultaneously on: Increasing acquisition rates of new and emerging customer segments, improving retention of existing customers and saving "at risk" customers Increasing profitability of customer relationships, either at the top-line through increased sales, or at the bottom-line through more cost-effective service Improving integrated channel distribution strategies to get the right product, to the right client, at the moment the customer has the need Maximizing the value and return from CRM investments that have already been made.

9. INCREASING ACQUISITION OF NEW CUSTOMERS

A CRM solution should help a bank target customers based on the "value" they bring to the bank, now and throughout the life of the customer (and beyond through "next generation" marketing). Banks need to ensure that their value propositions have traction with the right market segments. This will enable the bank to identify, target and capture new customers. Clearly, customer insight and strategy are the core differentiators for the bank. CRM solutions (people, applications, systems and processes must support these strategies to get the right products and services to the right customers.

10. IMPROVING RETENTION OF EXISTING CUSTOMERS

Customer retention can be achieved by enhancing customer satisfaction and loyalty, improving problem resolution, and creating the ability to identify and save “at-risk” customers. In fact, an “at-risk” customer actually represents a major opportunity for additional revenue – if handled correctly. However, the greatest danger for banks is either not identifying “at risk” customers or not having the capabilities to do anything to recover them. For example, a customer makes a large withdrawal from his or her account. This may signal that the customer is switching funds to another bank. Or the customer may be buying a house, a boat, or paying college tuition, in which case there are clear opportunities to sell additional products or investments. The identification and treatment of this customer should reflect his or her lifetime value. CRM-driven techniques will help retain customers and can migrate mere “account holders” into loyal, long-term, profitable customers.

11. INCREASING THE PROFITABILITY OF CUSTOMER RELATIONSHIPS

Boosting revenues requires improving the product pipeline and close rates, while reducing sales and service costs. On the revenue side, the bank’s CRM solution should use customer intelligence to target specific offers and manage marketing campaigns for a high likelihood of acceptance. Customer treatment strategies should be fully integrated with a CRM platform and the processes to support them. On the cost side, better channel management, CRM automation and integration will help increase the efficiency and effectiveness of sales and service.

12. IMPROVING DISTRIBUTION AND CHANNEL MANAGEMENT

To win profitable customers and build long term relationships with them, banks need To have the right insight, products and services for the right customer at the lowest possible cost. From call centres to Web sites, every one of a bank’s multiple channels must be scalable, flexible, low-cost and fully integrated with all the other channels. This is the only way to consolidate customer information and provide consistent treatment across the enterprise. Each of the bank’s channels must also be able to accommodate change and adapt to future trends in the marketplace

13. MAXIMIZING THE VALUE OF PAST CRM INVESTMENTS

As new technologies and channels emerge, the need to control costs and maximize the ROI from existing CRM investments raises many questions: How can a bank lower its operational cost structure while leveraging the newest technologies - such as interactive voice recognition-based routing - to improve service quality and customer experience? How can it manage its customer service/ call centre workforce more efficiently and effectively - in an era when a major call centre has to handle tens of millions of calls a year from a vastly diverse spectrum of customers? How can the bank’s investment in customer care be refocused to create a permanently lower and more flexible cost base - perhaps through use of a common platform, technologies and processes? With intensifying competition putting pressure on increasing required customer service levels and improving top-line revenues, investment in new capabilities to make the customer relationship stronger and more profitable is critical for future growth. However, it is important for banks to maintain a tight rein on their costs while deploying these solutions.

14. CONCLUSION

Retail banks are facing increasing pressure to increase their growth rate, this is how we may be able to help your institution optimize the value and loyalty of your customer relationships, increase top-line growth and use customer knowledge into competitive advantage, while dramatically reducing operating costs. With intensifying competition threatening banks' revenues and putting downward pressure on operating margins and profits. How can banks leverage their most important asset – their customers – to accelerate organic growth? Banks has learned how and why customers interact with their bank and what they are looking for when they do. We have to apply this deep practical knowledge to develop a CRM solution specifically for the retail banking industry. Banks can achieve real business results, including the following: Delivering more consistent service based on a full view of the customer increasing the adoption rate of new products Lowering product development and service costs Deploying customer channels more rapidly and efficiently Our deep knowledge in implementing CRM solutions for global financial services clients has positioned us as a recognized leader in optimizing the customer experience. We help companies around the world transform their businesses and embrace new opportunities.

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