

# Factors Determining CRM in Banking Industry

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*[Customer Relationship Management in Banking sector personalizes the customer's journey to their financial well-being. It is more significant in the customer focused industry. It helps to understand the needs of the customer and provide them better solution. CRM assists the banks in sales modules, in identifying and converting the customers in to a potential customer. The various factors are discussed in this paper to draw insights on the outcome of CRM.]*

**M**anaging and retention of customers are the strategic platform for the Banking industry.

Customers are the king for their business. Meeting the customer needs and satisfying their expectation are the twin objectives of retail banking. A complete transformation has taken place from bank centric activities to customer centric activities. With the advent of technology, banks have developed a new strategy to attract new customers and to retain the existing customers. In this direction, Customer Relationship management embraces a new phase in retaining the customers and enhancing the customer loyalty (Karim & Habiba, 2020) It is a business

strategy that provides a comprehensive, reliable and integrated view of its customer base in identifying the valuable customers, enhancing the customer service in turn expand mutually beneficial relationships. Measuring and valuing customer relationships is critical to implementing this strategy.

The customer delight is developed with the components of CRM to build a unique and long-term relationship between the customers and the bank. The framework includes collaborative, operational, and analytical which plays a vital role for the successful implementation of CRM. The collaborative aspect deals with communication process with the customers. The operational aspect makes the processes automated. The analytical aspect analyses the customer information for the various purposes to build strong customer relationships (Liu, 2007).

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Implementation of successful customer relationship management focuses on empathizing the needs and desires of the customers and is achieved by providing a quality service and integrating them with the organization's strategy, people, technology and business processes (Lebdaoui & Chetioui, 2020) thereby enhancing the customer loyalty. Improving the customer experience by prompt customer response, dwelling in to the needs of the customer through customer knowledge, improving the value of the customers are the best way to differentiate themselves in a competitive edge.

CRM in banking industry plays a pivotal role in creating the trust among the people. An adequate attention is established to customer care support, making timely information about interest payments, maturity of time deposit, issuing credit and debit cum ATM card, creating awareness regarding online and e-banking, adopting mobile request which are required to maintain the relationship with customers. It has gained importance with the aggressive strategies for customer acquisition and retention. This has resulted in the adoption of various CRM initiatives by these banks. With this background, the researcher has made a modest attempt to study uncovered factors which determine the CRM in development and promotion of banking sector through the sidelines of the practices and problems.

### **Review of Literature**

The top most priority of the banking sector is the acquisition of new customers. Understanding the transactional behavior for the customers with different perspectives, responding to the queries of the customers are the challenging task in the current scenario. Customer Relationship management improves the acquisition, building a rapport between the customers and banks. There is a substantial body of empirical literature that establishes the factors determining the effective implementation of CRM.

### **Customer Acquisition**

Applying the techniques of the CRM, it boosts up the banking customer acquisition strategy with the depth of data and the processing capabilities. It is been demanded more and plays an important role in the customer life cycle (Ang & Buttle, 2006). The important element of attracting the new and the potential customers is by the way of building a trust

and an engaged customer relationship. The conversation with the customers focuses on the capturing the insights on different products and services offered by the banks and making them to believe that their financial and non-financial needs will be met by the unique process with the help of CRM tools.

### **Customer Response**

The reply to the customer queries depends upon the understanding and interpreting in the best way to provide the possible solution. It is an important criterion to build a better relationship and to enhance the satisfaction and loyalty with the customers. Prompt response in a professional way provides a better avenue for smooth interaction between its customers, employees and enhance the satisfaction and loyalty with the customers (Shang & Lu, 2012)

### **Customer Knowledge**

Campbell (2003) defines customer knowledge as: "organized and structured information about the customer as a result of systematic processing". The knowledge is classified in various perspectives like knowledge about customers; knowledge for customers and, finally, knowledge from customers (Gebert et al. 2002). The requirements of customers, is "knowledge about customers". When the needs and desires of the customers are satisfied then, it is "knowledge for customers". The Customer experiences is "knowledge from customers". The expectations of the customers are pooled together and the services are customized according to their needs. Understanding the demographic conditions, background of the customers, the customer segments, helps the banking industry to understand their needs and wants. Thereafter the knowledge about the customers helps to deliver a quality service which in turn leads to customer loyalty (Karim & Habiba, 2020)

### **Customer Information System**

Customer information system used to access, collect, store use transmits, protect or dispose of customer information. It is an important tool of CRM that allows the user to define a virtually unlimited number of fields and codes in addition to the large number of predefined information. It aids to understand the different perspectives of customer and devising the wiser strategy to improve the performance the banking

industry. This in turn enhances the customer satisfaction and customer loyalty (Liu, 2007)

### **Customer Value Evaluation**

CRM captures the holistic view of the customers on the products and services offered to them. The customers value is the weapon for devising a strategy to attract and retain the customers. It allows the banking industry to serve the customers according to their needs and in turn elevate the customer satisfaction and increase the loyalty of the customers. The banking industry can compete with the competitive advantage by driving the customer relationship (Wang et al., 2004).

### **Customer Satisfaction**

CRM's focal point is towards the customer satisfaction. It is the primary performance indicator for the performance of the banking industry. The effective implementation of CRM strategy maintains and enhances the customer base. The CRM practices are the positively affluent towards the customer satisfaction (Faraj Aldaihani et al., 2020). Customer satisfaction is the key differentiated factor and a key element for successful business strategy of banking industry. In reaching out the customer satisfaction, the feedback from the customers is frequently obtained in regular intervals and the strategy is adopted for enhancing the quality service to the customers which in turn increases the loyalty of the customers resulting in higher performance and growth of the banking sector (Saeed Awadh Bin-Nashwan & Hassan, 2017).

### **Customer Retention**

The winning Customer Retention is the first start for every organization to improve its performance and the growth in the market share. It is achieved by reducing customer defections. CRM practices are implemented effectively to win over the customers and retain them throughout the entire life time of the business. It is all about exceeding the expectations of the customers and creates a reputation in the marketplace. Adapting the CRM practices in the banking sector, deliver a consistent quality service in a competitive environment and maintain a high standard in the market place. Thereby it embraces the customer- centric management to identify the customer needs and make the customers to be emotionally committed to the organization resulting in customer loyalty.

The literature summarizes the outcomes in terms of customer satisfaction and loyalty which in-turn increases the performance and the growth of the banking sector. Hence the research attempted to uncover the factors determining the CRM practices in Banking sector leading to customer satisfaction resulting in customer loyalty is depicted in the conceptual framework.

### **Research Objective**

This paper investigates in-depth into the factors determining Customer Relationship Management practices in banking sector which enhances the customer satisfaction resulting the customer loyalty to acquire the untapped market and to attract new customers and retain the existing customers.

### **Methodology**

#### ***Sample and Data Collection***

An exploratory approach is adopted for this study. The employees and the customers of the retail banking sector constitutes the participants of the study. Around 300 questionnaires were distributed among the participants. 247 questionnaires received back representing a response rate of 82.3 per cent. Participants were assured that the data or the information that are shared will be kept confidential and will be used only for the research purposes.

The questionnaire included two phases; first phase covered the demographic details of the participant. The second phase included the factors determining the CRM practices. The questionnaire for the customers included the questions on satisfaction and loyalty. The variables were measured by the adopted scale on 5-point Likert scale based on review of literature. Multi-dimensional analysis was carried out to analyse the various factors determining the CRM practices which leads to customer satisfaction and loyalty.

### **Results and Analysis**

#### ***Respondents Profile***

The sample of employees had an average age of 42 years, customers had an average age of 35 years. The employees employed in the organization on an average of 5.8 years and with the experience of 5-9 years in bank. 54 per cent of the participants were male and 46 per cent of the participants were female.

Nearly 47 per cent of the participants were saving account holders. On an average the relationship of the customers with bank was once in a month reporting 57 per cent. The contact of the customers with the bank was through the online banking reporting 52 per cent.

### **Discussion and Conclusion**

The contribution of the banking sector to the economic development is at the higher phase due to the evolution of technology. CRM is the focal point in which facilitates the data gathering on the customer information, analysing the needs and fulfilling the customers' needs. The management Information system is a need of hour to pool the information from various sources and enable the banking sector to identify the customers and turn out them to be a potential customer. The information is needed to provide a better and quality services to the customers thereby gaining a competitive edge in the market place. In this study more attention has to be paid towards the customer information system to lure the customers in the quest to attract them and retain them for long period. The constraints are in the form of internet-based applications which has arisen due to the information system vulnerability. Therefore, banks have to be cautious and vigilant and provide a level of security to the customers that their information cannot be breached. Thereby it will enhance the satisfaction among the customers in turn improves customer loyalty.

To conclude, the benefits of information system are numerous. Along with the benefits the challenges also have to be taken care of on the parallel line. The effective implementation of CRM practices will revolutionize the customer satisfaction and customer retention.

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