A STUDY ON CUSTOMER RELATIONSHIP MANAGEMENT IN RETAIL BANKS WITH SPECIAL REFERENCE TO VIRUDHUNAGAR

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Introduction

The traditional mode of marketing mainly focused on segmenting and acquiring new customers by using tools and techniques developed for mass marketing. In the present competitive era, this is in vain, as there are different approaches to businesses such as relationship marketing, customer retention and cross-selling leading to customer extension, which is a better means than the traditional segmentation model.

The relative and marked emergence of Customer Relationship Management (CRM) as a business strategy has radically transformed the way organizations operate. There has been a shift in business focus, from transactional to relationship marketing, where the customer is at the centre of all business activities. Organizations are desperately trying to restructure their processes around the needs of their strategically significant customers. The critical driver of such a seismic shift towards customer orientation is the realization that customers are business assets that when managed effectively can derive continuous and sustainable economic value for an organization over their lifetime.

The dynamics of the banking business ecosystem have changed the way in which retail banks do business both in relationship management and in streamlining their operations. Relationship marketing or customer relationship management is emerging as a core marketing activity for businesses in a fiercely competitive environment. On an average, statistics suggest that businesses spend six times more to acquire new customers than to retain them (Vikas Mehra, 2000).[1] Therefore, many firms are now paying more attention to their relationships with existing customers to retain them and increase their share of customer purchases.

In order to improve the relations with the customers, retail banking comprehensively concentrates on the quality of products and services offered to the customer, as it is the basic foundation for maintaining and developing long-term relations with the customer. Offering quality products and services is not only essential to develop long-term customer relations, but is also essential to improve marketing productivity and long run profits and growth. In sum, managing customers has become a well-formulated and well-studied science and art known as customer relationship management (CRM).

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[1] *Vikas Mehra, ─Tremors in the Indian banking system nonperforming assets erode bank profitability. The Journal of Indian Management and Strategy, Vol3, No.3, July – Sep 2000, pp 26 – 29.*

Customer Relationship Management

The processes of liberalization and globalization have unleashed competitive forces transforming the sellers' market into the buyers' market, thus challenging the retail banks to make customer communications truly interactive. The concept of CRM is moving away from one to many mass communication philosophies to more individualized, one to one communication. Real time automated marketing communication in relation to the effective, personalized sales and services will make the retail bank's communications to the customer relevant and timely.

CRM can be defined as ─*activities that an enterprise performs to identify, select, acquire, develop and retain increasingly loyal and profitable customers. CRM integrates sales, marketing and service functions through business process automation, technology solutions and information resources to maximize each customer contact. CRM facilitates relationship among retail banks, customers and employees*.

CRM aims at focusing all the bank's activities towards developing long-term collaborative relationship with customers to develop them as lifetime customers. Retaining the customers through developing long term relationships is an issue which is of increasing importance for all businesses, and is arguably of particular relevance to services such as retail banking in which, building and maintaining a long term customer relationship is seen as central to improve bank's performance. Research done over the years has clearly revealed the importance and the role of service quality in contributing to a bank's ability to retain the loyal customers and improved bank performance.

CRM is very wide, encompassing for retail banking different areas like customer satisfaction, customer loyalty, service quality, and relationship quality and market orientation. Among the different areas, there is a direct positive relationship between service qualities and successful customer relationships; that is, one of the determinants of the success of the relationship marketing strategies of a firm is how the customer perceives the resulting service quality. This is because the perceived service quality is a key driver of the perceived value. The perceived value determines the strength of bank customer relationship.

Figure 1.2 explains the fact that a customer first considers the quality of the product offered to start off his dealings with retail banks. Secondly, the customer develops a relationship with the retail banks based on the quality of services offered, which the bank exhibits through its performance, serviceability, conformance, aesthetics and quickness of response.

Customer Relationship Management and Service Quality
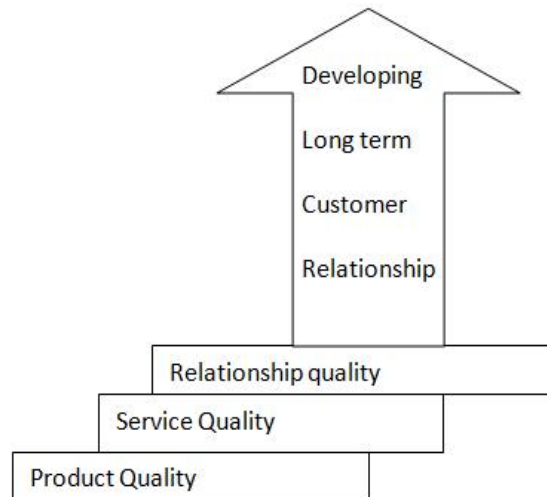
Source: Aldaigan A H and Buttle F A (2002)[2]

When the quality of the services offered by the retail bank meets or exceeds the expectations of the customer, the bond between the bank and customer strengthens thereby improving the quality of relationship (which includes trust, commitment and intimacy) between them. This helps the bank to progress towards the ultimate goal of CRM (that is, acquiring a customer and maintaining him as a life time customer).

Retail Banks in Virudhunagar

The town is a home to two large nationalized banks, namely, the Indian bank and State bank of India. All other nationalized banks and most of the foreign and private banks have their branches in the town. The town banking needs are currently served by 23 retail banks in Virudhunagar city. The break up is given below:

Number of Banks in Virudhunagar

Name of the Retail Bank	Number of banks
SBI and its associates	2
Nationalized banks	8
Private Banks	13
Total	**23**

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[2] *Aldaigan A H and Buttle F A (2002),Systra-Sq: A New Measure of Bank Service Quality, International Journal of service Industry, Management, Vol 13, pp 362 – 382.*

Table shows, the information about the number of retail banks in Virudhunagar. There are 2 nationalized banks (SBI and Indian Bank), 2 private banks (City union Bank and ICICI Bank) are taken for the research study.

Statement of the Problem

The intensity of competition in banking industry is bound to grow in the years to come which in turn could make banking operations more challenging and complex. A paradigm shift is noticeable in the banking industry in India. Such a shift reflects in terms of number of banks, Volume of Business in banking as well as nature of business operations. Bankers in general have moved a long way from mere financial intermediaries to full-fledged financial institutions.

In the context of competing bankers who are performing with almost undifferentiated services, for almost equal prices; the customers of one bank are left with multiple options to move over to some other banks in search of better services, with little or no barrier of switch over from one bank to another.

Bankers have to necessarily perform their banking operations with the likelihood risk of the customer making a bank switches over at any given point of time that might result in decline in revenue or loss of revenue on the whole.

To prevent or minimize this possibility of customer deflection; bankers have to come out with customer centric strategic decision. Obviously the conditions draw the attention in evolving meaningful CRM which would provide a platform for not only retaining existing customers but also to expand the customer base by attracting additional customers.

In a rapidly scaling up retail banking industry, the major issues are to hold back the existing customers from migrating towards competitors and in acquiring new customers. In retail banking, product development is limited to the government regulations henceforth the other major challenge is to have product differentiation.

The service/product mix offered by the banks, the service delivery system has drastically changed, thanks to the relentless improvement in the technology and also in view of the phenomenal increase in the expectation of bank customers.

It is critical to identify the customer expectation, which is an influencing element in retaining and increasing the customer base. The complexity in building relationship strategies for retail banks needs clear classification of customers' perceived service quality variables and the variables that need to be inducted to the employees serving the customers.

CRM in retail banking gives rise to a number of issues that includes influences contributing towards relationship and influences leading to dissolution of relationship. In the retail banking business, there is complexity in measuring the relationship quality as it is

influenced by the value proposition of the products offered and the quality of services delivered to the customer.

The perception factors that influences relationship differs between the bank customers and bank Employees. A meaningful understanding of those influences would obviously contribute towards arriving at profitable relationship building strategies and misunderstanding of the influences leading to inappropriate relationship strategies. Building a strategic model for retail banking industry, by classifying and identifying service quality variables, is considered as a significant problem for the study with the following objectives.

Statement of the Objectives

The broad objective of the study is to understand the CRM practices of retail banks and to critically analyze the perceived service quality of the customers and employees of retail banks in Virudhunagar during the period 2013 - 14.

The Specific Objectives

Based on the above stated broad objective, the specific objectives are,

1. To develop a conceptual framework for CRM Model, applicable to retail banks.
2. To assess the External and Internal Service quality perception with respective to retail banks.
3. To analyze the influence of service quality to customer behavior with respective to retail banks.
4. To identify the key variables that contributes to relationship building in the order of their relative significance.
5. To identify the customer relationship strategies that can be adopted by the banks for better delivery of the services to their customers.
6. To find out the customer satisfactions level and its influence in building the customer loyalty to achieve a sustained market share and profit.

Statement of Hypotheses

Bank Customer

H1:   There is a significant relationship between educational qualifications of the customers and expectations of guidance from bank employees.

Bank Employee

H1:   There is a significant relationship between internal service quality dimensions provided by the bank and level of customer satisfaction.

H2:   There is a significant relationship between internal service quality dimensions provided by the bank and the reasons for a customer to select a bank.

H3:   There is a significant relationship between presence of CRM package in the bank and the availability of mechanism to understand the level of customer satisfaction.

Limitations of the Study

The findings of the study are purely an outcome of the responses given by the sample respondents (both customers and officials of banks) of the six banks considered for the study. The study is made primarily based on responses from the two nationalized banks and two private banks operating in Virudhunagar. The customer responses are subject to personal biases and there are undoubtedly such biases. The study has been made in the city of Virudhunagar alone. As such generalizations cannot be made from the study and there is need for enough care and caution in so doing using the findings of the study.

Retail Banks in India

Retail banking is typical mass-market banking where individual customers use local branches of larger commercial banks. Services offered include: savings and checking accounts, mortgages, personal loans, debit cards, credit cards, and so on (Alexander, Nicholas and Mark Colgate, 1998).[3]

The Indian Retail Banking environment today is changing fast. The changing customer demographics demands to create a differentiated application based on scalable technology, improved services and banking convenience. Higher penetration of technology and increase in global literacy levels has set up the expectations of the Indian retail bank customer higher than never before. Increasing use of modern technology has further enhanced reach and accessibility.

The market today gives us a challenge to provide multiple and innovative contemporary services to the customer through a consolidated window so as to ensure that the bank's customer gets —Uniformity and Consistency of service delivery across time and at every touch point across all channels (Andrade Chitra, 2004)[4]. The pace of innovation is accelerating and security threat has become a prime issue of all electronic transactions. High cost structure rendering mass-market servicing is at prohibitive expense.

Present day bankers are looking at reduction in their operating costs by adopting scalable and secure technology thereby reducing the response time to their customers so as to improve their client base and economies of scale. (Barbara R Lewis, 1991).[5]
The solution to market demands and challenges lies in innovation of new offering with minimum dependence on branches – a multi-channel bank and to eliminate the disadvantage of an inadequate branch network. Generation of leads to cross sell and

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[3] *Alexander, Nicholas and Mark Colgate, 1998, the evolution of retailer, banker and customer relationships: a conceptual framework', International Journal of Retail & Distribution Management, Vol. 26, No. 6, pp. 225- 236.*

[4] *Andrade Chitra (2004), Banking Products and Services, 1st Edition, M/s, Taxmann Publications Pvt. Ltd.*

[5] *Barbara R Lewis1 (1991),, Service quality; An international comparison of bank customers expectation and perception, Journal of Marketing Management, July 1991, p.47*

creating additional revenues with utmost customer satisfaction has become focal point worldwide for the success of a Bank.

Retail Banking

Retail banking refers to provision of banking services to individuals and small business where the financial institutions are dealing with large number of low value transactions. This is in contrast to wholesale banking where the customers are large, often multinational companies, governments and government enterprise, and the financial institution deal in small numbers of high value transactions.

The concept is not new to banks but is now viewed as an important and attractive market segment that offers opportunities for growth and profits. Retail banking and retail lending are synonymously used, but in fact the latter is just the part of retail banking. In retail banking, all the needs of individual customers are taken care of in a well-integrated manner.

Customer Relationship Strategies

Personalized services to the customers gain the prime importance in customer satisfaction and enhancement of customer base. Focusing on the key strategies attracts more customers and remains instrumental for good banker and customer relationship. The following table 4.17 gives the various strategies used by the banks for maintaining good customer relationship.

Customer Relationship Strategies

S. No.	Particulars	Number of Respondents	Percent
1	Providing Special incentives	24	20.00
2	Sending Greeting cards	37	30.83
3	Making Personal calls	43	35.83
4	Others	16	13.34
	Total	**120**	**100.00**

 Source: primary data

Table shows, that 20 percent of the respondents claim that Special Incentives are provided for maintaining customer relationship, 30.83 percent of the respondents feel that the bank sends Greeting cards during festival seasons, 35.83 percent of the respondents believe that their bank maintains relationship through personal calls and 13.34 percent of the respondents claim that the bank maintains relationship through other means. Such as personal meeting, e-mails, etc. Providing personalized services like personal calls and greetings, creative services and monetary benefits as help the banker differentiate themselves from their competitors.

Customers' Opinion on Their Relationship with Banks

Although Banks work on various strategies to build and maintain customer relationship it is more important to look how the customers' evaluate those strategies. Any change or improvement in the bank towards excellence must start from the feedback of the customers. The customers' rating on the initiatives of the bank helps to know the need for improvement and to modify the customer relationship strategies. The following table 4.18 gives the bank relationship rating by the customers.

Opinion About Customers' Relationship With Banks

S. No	Particulars	Number of Respondents	Percent
1	Very Poor	59	49.17
2	Poor	29	24.16
3	Average	14	11.67
4	Good	12	10.00
5	Very Good	6	5.00
	Total	**120**	**100.00**

Source: primary data

Table shows, that 49.17 percent of the respondents claim that the relationship with their bank is very poor, 24.16 percent of the respondents respond that their relationship with their bank is poor, 11.67 percent of the respondents claim that their relationship is Average, 10 percent of the respondents opine that their relationship with their bank is good whereas only 5 percent of the respondents rate their relationship as very good. Since 80 percent of the respondents have poor relationship with their banks, the strategies of the banks on customer relationship are not effective. Hence there is a huge gap between the banks and the customers which has to be bridged to have satisfied and loyal customers.

Service Quality Perception Level

Weighted average rank can be defined as an average whose component items are multiplied by certain weights and the aggregate of the services are divided by total of weights. Here, the researcher assigned weight 5 for most expected, 4 for somewhat expected, 3 for no neutral, 2 for least expected, 1 for not required.

Service Related Aspects

S. No	Service	ME		SWE		N		LE		NR		Total Score	Rank
		NR	Score	NR	Score	NR	Score	NR	Score	NR	Score		
1	Computerised services	100	200	20	20	--	--	--	--	--	--	**230**	I
2	Speed of operation	55	110	30	30	35	0	--	--	--	--	**140**	VIII
3	Responsiveness of staff	70	140	28	28	10	0	12	(12)	--	--	**156**	III
4	Flexible working time	69	138	27	27	11	0	10	(10)	3	(6)	**149**	V
5	Holidays services	63	126	39	39	7	0	5	(5)	6	(12)	**148**	VI
6	Simplicity of operation	71	142	41	41	5	0	3	(3)	--	--	**180**	II
7	Convenient banking hour	61	122	37	37	11	0	7	(7)	4	(8)	**144**	VII
8	Convenient location	67	134	31	31	13	0	6	(6)	3	(6)	**153**	IV

ME – Most Expected;   SWE – Some What Expected;   N – Neutral;
LE – Least Expected;   NR – Not Require;   NR – Number of Respondents.

From the above weighted average table shows that, I rank goes to the computerised services, II rank goes to the simplicity of operation, III rank goes to the speed of operation, IV rank goes to the convenient location, V rank goes to the flexible working time, VI rank goes to the Holidays services, VII rank goes to the convenient banking hour, VIII rank goes to the speed of operation.

Level of Satisfaction and Bank - Customer Relationship in Terms

Weighted average rank can be defined as an average whose component items are multiplied by certain weights and the aggregate of the personal related are divided by total of weights. Here, the researcher assigned weight 5 for highly satisfied, 4 for satisfied, 3 for neutral, 2 for dissatisfied, 1 for highly dissatisfied.

Level of Satisfaction and Bank-Customer Relationship in Terms

S. No	Bank-customer relationship	HS		S		N		DS		HDS		Total Score	Rank
		NR	Score	NR	Score	NR	Score	NR	Score	NR	Score		
1	Operational time	107	214	13	13	--	--	--	--	--	--	**214**	III
2	Flexible working time	99	214	17	17	1	0	3	(3)	--	--	**228**	I
3	Quality of services	101	202	11	11	5	0	1	(1)	2	(4)	**208**	IV
4	ATM facilities	97	194	--	--	10	0	9	(9)	4	(8)	**177**	VII
5	Computerized Services	100	200	20	20	--	--	--	--	--	--	**220**	II
6	Trust worthiness	75	150	30	30	15	0	--	--	--	--	**180**	V
7	Personal touch	63	126	22	22	34	0	--	--	1	(1)	**147**	XI
8	Assurance	67	134	40	40	8	0	2	(2)	3	(6)	**166**	IX
9	Reliability	70	140	39	39	11	0	--	--	--	--	**179**	VI
10	Responsiveness	49	98	33	33	21	0	15	(15)	2	(4)	**112**	XIII
11	Preferential	35	70	41	41	37	0	7	(7)	-	-	**104**	XV
12	Secrecy	60	120	55	55	5	0	--	--	--	--	**175**	VIII
13	Safety	81	162	11	11	19	0	5	(5)	4	(8)	**160**	X
14	Loan facilities	27	54	57	57	36	0	--	--	--	--	**111**	XIV
15	Credit card facilities	59	118	29	29	11	0	19	(19)	2	(4)	**124**	XII

HS – Highly Satisfied,   S – Satisfied,   N – Neutral,
D – Dissatisfied,   HD – Highly Dissatisfied

From the above weighted average table shows that, I rank goes to the flexible working time, II rank goes to the computerized services, III rank goes to the operational time, IV rank goes to the quality of services, V rank goes to the trust worthiness, VI rank goes to the reliability, VII rank goes to the ATM facilities, VIII rank goes to the secrecy, IX rank goes to the assurance, X rank goes to the safety, XI rank goes to the personal touch, XII credit card facilities, XIII rank goes to the safety, XIV rank goes to the loan facilities.

Chi-Square Test

Null Hypothesis (Ho): There is no significant relationship between Internal Service quality dimensions provided by the bank and the reasons for a customer to select a bank.

Alternative Hypothesis (H₁): There is significant relationship between Internal Service quality dimensions provided by the bank and the reasons for a customer to select a bank.

Table: Internal Service Quality Dimensions Provided By the Bank and the Reasons for a Customer to Select a Bank

Internal Service quality		Major reason for customer to select your bank			Total
		Better services	Variety of products	Personnel related	
Training	Count	3	3	5	11
	Expected count	3.025	4.125	3.85	11
Rewards and recognition tools	Count	1	5	2	8
	Expected count	2.2	3	2.8	8
Managerial/ Team Support	Count	2	5	3	10
	Expected count	2.75	3.75	3.5	10
Communication	Count	5	2	4	11
	Expected count	3.025	4.125	3.85	11
Total	**Count**	**11**	**15**	**14**	**40**
	Expected count	**11**	**15**	**14**	**40**

Statistical inference

	Chi- square Value	D.f	Table value	Assumption
Person Chi Square	5.947	6	12.6	5.947<12.6

d.f. $= (r-1)(c-1)$

$= (4-1)(3-1)$

$= 3 \times 2$

$= 6$

Level of significance $= 0.05$

Chi-square test is used to test the above hypothesis. As indicated in table 4.27, there is no significant relationship between internal service quality dimensions provided the bank and the reasons for a customer select a bank. Hence the null hypothecs (H0) is accepted.

Chi-Square Test

Null Hypothesis (Ho): There is no significant relationship between presences of CRM package in the bank availability of mechanism to understand the level of customer satisfaction.

Alternative Hypothesis (H$_1$): There is significant relationship between presences of CRM package in the bank availability of mechanism to understand the level of customer satisfaction.

Table: Presence of CRM Package in the Bank Availability of Mechanism to Understand The Level Of Customer Satisfaction

Implemented CRM package		Level of customer satisfaction		Total
		Yes	No	
Yes	Count	2	9	11
	Expected count	3.025	7.975	11
No	Count	9	20	29
	Expected count	7.975	21.025	29
Total	**Count**	**11**	**29**	**40**
	Expected count	**11**	**29**	**40**

Statistical Inference

	Chi- square Value	D.f	Table value	Assumption
Person Chi-Square	0.661	1	3.84	0.661,3.84

$$
\begin{aligned}
\text{d.f.} \quad &= (r\text{-}1)\,(c\text{-}1) \\
&= (2\text{-}1)\,(2\text{-}1) \\
&= 1 \times 1 \\
&= 1
\end{aligned}
$$

Level of significance = 0.05

Chi-square test is used to test the above hypothesis. As indicated in Table-, there is no significant relationship between implemented the CRM package and level of customer satisfaction. Hence the null hypothecs (H0) is accepted.

Conclusion

The study provides an insight of banking in India with focus on retail banking. This provides a clear understanding of banking industry in both retrospective and prospective.

The study brings to light the various aspects relating to relationship building in retail Banking Industry. The variables identified are contributing towards relationship building and dissolution of relationship. It will definitely help bankers to evolve appropriate strategies towards relationship building. The study also found that there is a difference in the service quality perception of customers and bankers as regard to several aspects of relationship management. Such perception gaps are to be minimized so that the bankers can gain customer loyalty. Expectations vary across the various segments of the retail bank customers which have to be clearly identified and personalized to have higher levels of customer satisfaction. On this line of the study various suggestions towards improving Bank

customer relationship by enhancing the delivered service quality and the development of personnel involved in the delivery system which is coined as External and Internal service quality.

The relationship models identified in the study would throw further light on strategic decision pertaining to relationship building. An effective CRM program designed and executed will obviously provide a win win platform to both the service providers and the customers. It is hoped that this study is a humble contribution towards achieving this goal.

Considering the research model given in the study as a base for finding the variables of service quality, further research on the weightage of the variables and their contribution in relationship building can be studied.

Therefore in order to develop long- term relational with the customers, the bankers have to concentrate on both aspect of internal and external service quality. In the present study one of the segments of the bank's customers – corporate customers has been taken into consideration for analysis to, validate the research model developed.