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Customer Relationship Management in Retail Banking

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Abstract:

The Indian Banking Industry has undergone radical changes due to liberalization and globalization measures undertaken since 1991. Today, Indian Banking Industry is one of the largest industry in the world. There has been a great surge in efficient customer services. Retail banks are facing greater challenges than ever before in executing their customer management strategies. Customer Satisfaction has become an important aspect of measuring performance. Particularly for the banking and finance industry. As most banks and finance organizations offer similar products and services. Improving customer satisfaction and loyalty is the most important factor in maintaining as well as increasing market share for these organizations.

Key words:

loyalty, comprehensive, conceptualizes, operationalize, automation, dialog, portfolio, value-adding, customize.

Introduction:

In present scenario of Indian Banking Industry to understand of how to manage customer relationship effectively has become an important aspect for both academicians and practitioners. However, the existing academic literature on customer relationship management (CRM) strategies of banks does not provide a comprehensive outline of what specifically constitutes CRM phases. This study has three purposes:

- » to conceptualize and operationalize the CRM implementation in commercial banks;
- » to determine whether the CRM implementation is positively associated with customer satisfaction; and
- » to determine key moderators between CRM implementation and customer satisfaction.

Retail banks are facing greater challenges than ever before in executing their customer management strategies.

Intensifying competition, proliferating customer contact channels, escalating attacks on customer information, rising customer expectations and capitalizing on new market opportunities are at the top of every bank executive's agenda. In looking for ways to drive growth, banks need to evaluate their customer management strategy. Findings revealed that CRM implementation is associated with customer satisfaction; and there are significant interactions amongst IT capability, contact rate management and recovery management with customer satisfaction.

CRM in retail banking:

In present function of Banking Industry 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. These trends reflect a fundamental change in the way banks interact with the customers they have – and those they want to acquire. Consumer market is challenging the Indian retail banking industry to redefine itself. In today's situation, Indian retail banks can stay competitive only by building lifelong partnerships with customers. CRM can be employed to develop an ongoing dialog with customers, integrated across all contact points. CRM allows retail banks to integrate customer-interaction channels and provide consistency to their interactions with customers, generate better customer intelligence, customize their offerings and communications to customers, manage customer interactions and relationships more effectively, and manage the customer portfolio by assessing the lifetime value of customers. The future for the retail banking industry in India depends on whether it continues to provide value to its customers. The challenge for retail bank managers and relationship supervisors is to understand what customers want. In view, understanding the services that people demand and exploring banks' comparative advantage in supplying them will be crucial in determining increasing acquisition of new customers.



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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. 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 transfer mere “account holders” into loyal, long-term, profitable customers. g the future of the Indian retail banking industry. 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.

Any CRM solution invested in must be implemented with the clear goals of improving the following:

- » Customer satisfaction and loyalty
- » Customer insight
- » Speed-to-market for products and services
- » Customer security

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:

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

Conclusion:

By considering the value-adding activities of banks, it provides a strategic framework for evaluating profitable opportunities and assessing competition from other banks, money market funds, or even phone and computer software companies. The paper also examines how new methods of delivering financial services may affect the role of the retail banks in regard to money, the payments system, and banking supervision through the use and implementation of strategic CRM business models.

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