**CHAPTER – 1**

**CUSTOMER RELATIONSHIP MANAGEMENT**

* 1. Introduction
  2. Meaning and Definition
  3. Objective of CRM
  4. CRM Architecture

**INTRODUCTION TO CRM**

**1.1 INTRODUCTION**

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CRM, or Customer relationship management, is a number of strategies and technologies that are used to build stronger relationships between companies and their customers. A company will store information that is related to their customers, and they will spend time analyzing it so that it can be used for this purpose. Some of the methods connected with CRM are automated, and the purpose of this is to create marketing strategies which are targeted towards specific customers. The strategies used will be dependent on the information that is contained within the system. Customer relationship management is commonly used by corporations, and they will focus on maintaining a strong relationship with their clients.

There are a number of reasons why CRM has become so important in the last 10 years. The competition in the global market has become highly competitive, and it has become easier for customers to switch companies if they are not happy with the service they receive. One of the primary goals of CRM is to maintain clients. When it is used effectively, a company will be able to build a relationship with their customers that can last a lifetime. Customer relationship management tools will generally come in the form of software. Each software program may vary in the way it approaches CRM. It is important to realize that CRM is more than just a technology.

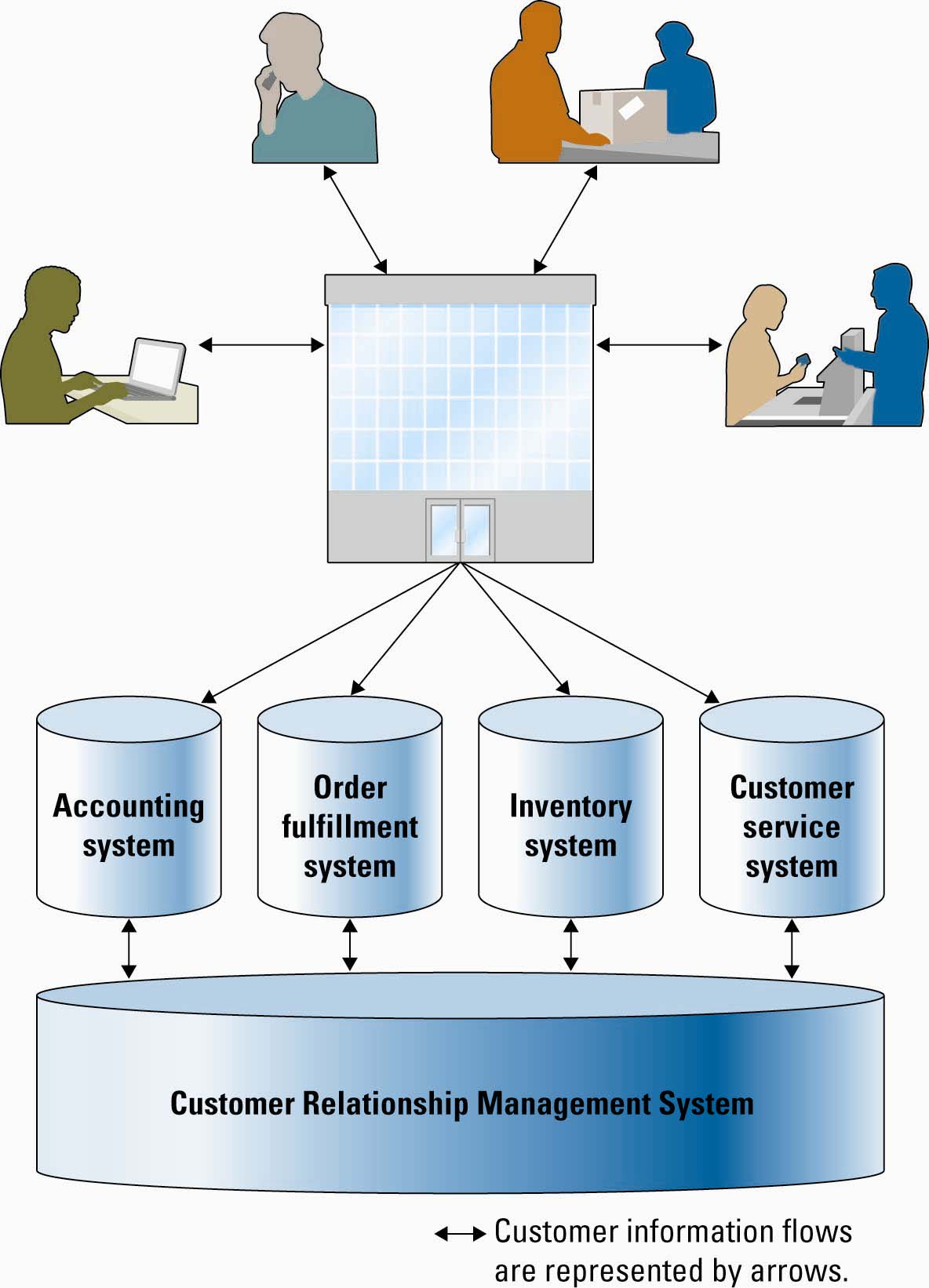
Customer relationship management could be better defined as being a methodology, an approach that a company will use to achieve their goals. It should be directly connected to the philosophy of the company. It must guide all of its policies, and it must be an important part of customer service and marketing. If this is not done, the CRM system will become a failure. There are a number of things the ideal CRM system should have. It should allow the company to find the factors that interest their customers the most. A company must realize that it is impossible for them to succeed if they do not cater to the desires and needs of their customers. Customer relationship management is a powerful system that will allow them to do this.

It is also important for the CRM system to foster a philosophy that is oriented towards the customers. While this may sound like common sense, there are a sizeable number of companies that have failed to do it, and their businesses suffered as a result. With CRM, the customer is always right, and they are the most important factor in the success of the company. It is also important for the company to use measures that are dependent on their customers. This will greatly tip the odds of success in their favor. While CRM should not be viewed as a technology, it is important to realize that there are end to end processes that must be created so that customers can be properly served. In many cases, these processes will use computers and software.

Customer support is directly connected to CRM. If a company fails to provide quality customer support, they have also failed with their CRM system. When a customer makes complaints, they must be handled quickly and efficiently. The company should also seek to make sure those mistakes are not repeated. When sales are made, they should be tracked so that the company can analyze them from various aspects. It is also important to understand the architecture of Customer relationship management.

The architecture of CRM can be broken down into three categories, and these are collaborative, operational, and analytical. The collaborative aspect of CRM deals with communication between companies and their clients. The operational aspect of the architecture deals with the concept of making certain processes automated. The analytical aspect of CRM architecture deals with analyzing customer information and using if for business intelligence purposes. Each one of these elements are critical for the success of a CRM system. A company must learn how to use all three properly, and when they do this proficiently, they will be able to build strong customer relationships and ensure their profits for a long period of time. As more businesses continue to compete on a global level, it will become more important for them to use successful Customer relationship management techniques.

**CRM OVERVIEW**

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* 1. **MEANING OF CRM**

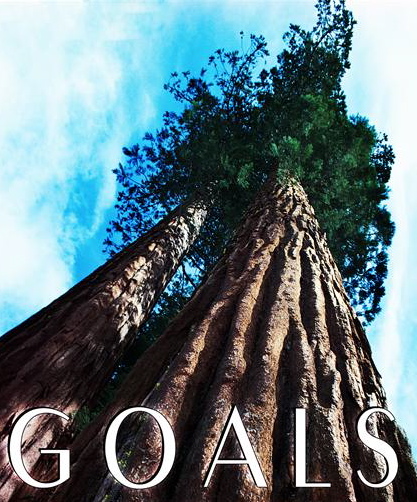
Customer Relationship Management is the establishment, development, maintenance and optimization of long-term mutually valuable relationships between consumers and the organizations. Successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes.

At the heart of a perfect CRM strategy is the creation of mutual value for all the parties involved in the business process. It is about creating a sustainable competitive advantage by being the best at understanding, communicating, and delivering, and developing existing customer relationships in addition to creating and keeping new customers.

**DEFINITION OF CRM**

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**“Customer Relationship Management (CRM) is a co-ordinate approach to the selling process allowing the various operational, customer contact and sales promotional functions of an organization to function as a whole.”**

* 1. **GOALS OF CRM**

Implementing customer relationship management can be a costly undertaking. Organizations spend a lot of money scrutinizing vendors, buying the right CRM software, hiring, consultant, training employees, etc. The only way in which a company can actually measure its success is if it establishes CRM goals prior to the implementation as in this way it is able to determine whether or not it has successfully implemented CRM. Despite the fact that industries have different business aspects they share some common CRM goals.

#### Some of the Commonly Established CRM Objectives are as follows:

#### 1) Increase in Customer Service :

#### Establishing customer loyalty as one of your top CRM goals is absolutely fundamental to CRM successful implementation .For this task it is essential that the whole organization realize that they play a part in this goal. This objective cannot be achieved with the help of a few employees only. Customers need to feel that they have received excellent service. This ensures their continued patronage. This is by far one of the most essential goals of customer relationship management. Customer retention and brand loyalty is absolutely essential to ensure success. Undoubtedly it is far harder to gain a new customer than to actually keep one. Customer service is the pivotal point around which CRM revolves.

#### 2) Increasing Efficiency:

#### One of the most important goals of CRM is the increase in organization efficiency and effectiveness. This is almost always adopted by every organization. It is necessitated by the fact that increase in efficiency is required to boost success. CRM achieves this through cost reduction and customer retention. Adequate CRM training achieves this goal.

##### **3) Lowering Operating Costs:**

CRM goals also include the reduction of costs of operation. This goal should be clearly established and conveyed to all those involved in the CRM implementation process. CRM manages to reduce operating costs through a workforce management system. This helps to maximize skills and thus reduce cost. These reduced costs enable an organization to achieve greater efficiency. If cost reduction is management's objective then the CRM implementation should be carried out in such a way that this is achieved. Throughout the process maximum reduction in costs should be adhered to in order to meet this particular CRM goal.

##### **4) Aiding the Marketing Department:**

Another goal of CRM is generally aiding the marketing department in all its efforts. This includes marketing campaigns, sales promotions etc. If this is fixated as one of the goals of CRM, then it should be communicated to those involved. This goal is fundamental as it boosts sales indirectly thereby increasing the profitability.

**1.4 CRM ARCHITECTURE**

Customer Relationship Management (CRM) is an information industry term for methodologies, software, and usually Internet capabilities that help an enterprise manage customer relationships in an organized and efficient manner. In many cases, an enterprise builds a database about its customers. This database describes relationships in sufficient detail so that management, salespeople, and customer service reps can access information; match customer needs with product plans and offerings; remind customers of service requirements; know what other products a customer had purchased; etc

**The Customer relationship management architecture can be broken down into three categories, and these are operational, collaborative, and analytical.** Each plays an important role in Customer relationship management and a company that wants to success must understand the importance of using these three components successfully.

* **OPERATIONAL CRM**

Operational CRM deals with the automation of certain business processes. Examples of business processes that are connected to operational CRM are marketing and sales. When a connection is made to a customer, the information related to this interaction will be automatically stored in a database, and the company can pull up specific information on that customer when it is needed.

Operational CRM can further be broken down into three components. These components are Enterprise marketing automation, Customer service automation, and Sale force automation. The Enterprise marketing automation will give the company information about the business climate, and it will also provide them with crucial data on their competitors, as will as trends within the industry and other important variables.

As the name implies, Enterprise marketing automation deals with strategies a company can use to strengthen their marketing tactics. Customer service and support will automate specific processes that are connected to service. An example of this could be item returns or customer complaints. Sales force automation will be responsible for automating some of the company's sales task

An example of tasks that SFA would automate is demographics, customer needs, and accounting management. A number of corporations will use call centers to store data on their customers. Once the customer makes a call, the customer service representative can provide them with relevant information. Many companies will also automate processes such as allowing customers to access their accounts.

* **ANALYTICAL CRM**

The next important part of CRM architecture is Analytical CRM. As the name suggests, Analytical CRM deals with analyzing data that is collected by the company. This data will be analyzed so that the company can enhance its customer service capabilities. By enhancing its customer service capability, a company will build a stronger relationship with its customers.

There are a number of common ways that Analytical CRM is used to achieve this. A number of companies will use the data they've collected and analyzed to cross-sell products to their customers, as well as retaining customers that may normally switch to another company.

Analytical CRM can also be used to provide important information to customers within a short period of time. In addition to building stronger relationships with customers, Analytical CRM can be an important tool for fraud prevention and detection. It can analyze the patterns of sales, inventory, and profits in order to find any patterns that are not consistent.

Analytical CRM is also important when it comes to both product development and risk management. It is important to realize that Analytical CRM is an ongoing process. The company may need to alter its strategies or methods based on the information that is analyzed through this process.

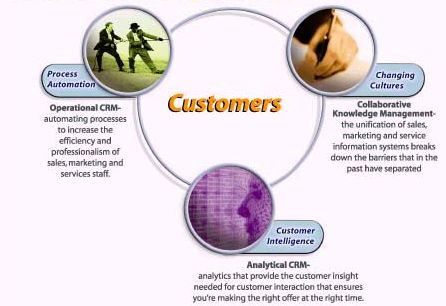
* **COLLABORATIVE CRM**

The third important aspect of CRM architecture is Collaborative CRM. Collaborative CRM is important because it places an emphasis on the interactions that a company will make with its customers. These interactions could be personal, or they could come through mediums such as the telephone or the Internet. Collaborative CRM will give companies a powerful form of communication that will utilize multiple technologies.

It will also be responsible for providing services over the Internet so that the costs of the service can be reduced. When interactions are made with customers, Collaborative CRM will allow the company to provide them with useful information. At the highest level, CRM should be an important part of all interactions that a company makes with its customers.

When this done, a company can become highly successful. The goal of CRM is to find out what customers need, and to make sure those needs are filled. Once a company is making interactions with their customers, they can collect and analyze information. This information can be used to strengthen interactions.

**CRM ARCHITECTURE**



**CHAPTER - 2**

**CUSTOMER RELATIONSHIP MANAGEMENT IN BANKS**

2.1 Introduction

2.2 Objective of CRM in banks

2.3 Need of CRM in banks

2.4 CRM Strategies

**2.1 INTRODUCTION**

Today, customers have more power in deciding their bank of choice. Consequently, keeping existing customers, as well as attracting new ones, is a critical concern for banks. Customer satisfaction is an important variable in evaluation and control in a bank marketing management. Poor customer satisfaction will lead to a decline in customer loyalty, and given the extended offerings from the competitors, customers can easily switch banks. Banks need to leverage effectively on their customer relationships and make better use of customer information across the institution.

Competition in the financial services industry has intensified in recent years, owing to events such as technology changes and financial industry deregulation. Conventional banking distribution has been gradually supplemented by the emerging use of electronic banking. Many bank customers prefer using ATMs or a website rather than visiting a branch, while technology has also reduced barriers to entry for new customers.

**CRM--A POWERFUL TOOL**

CRM is a powerful management tool that can be used to exploit sales potential and maximize the value of the customer to the bank. Generally, CRM integrates various components of a business such as sales, marketing, IT and accounting. This strategy may not increase a business's profit today or tomorrow, but it will add customer loyalty to the business.

In the long term, CRM produces continuous scrutiny of the bank's business relationship with the customer, thereby increasing the value of the Customer’s business. Although CRM is known to be a relatively new method in managing customer loyalty, it has been used previously by retail businesses for many years.

The core objective of modern CRM methodology is to help businesses to use technology and human resources to gain a better view of customer behavior. With this, a business can hope to achieve better customer service, make call centres more efficient, cross-sell products more effectively, simplify marketing and sales processes, identify new customers and increase customer revenues.

As an example, banks may keep track of a customer's life stages in order to market appropriate banking products, such as mortgages or credit cards to their customers at the appropriate time.

The next stage is to look into the different methods customers' information are gathered, where and how this data is stored and how it is currently being used. For instance, banks may interact with customers in a countless ways via mails, emails, call centres, marketing and advertising. The collected data may flow between operational systems (such as sales and stock systems) and analytical systems that can help sort through these records to identify patterns. Business analysts can then browse through the data to obtain an in-depth view of each customer and identify areas where better services are required.

**CRM AND BANKS**

One of the banks' greatest assets is their knowledge of their customers. Banks can use this asset and turn it into key competitive advantage by retaining those customers who represent the highest lifetime value and profitability. Banks can develop customer relationships across a broad spectrum of touch points such as at bank branches, kiosks, ATMs, internet, electronic banking and call centres.

CRM is not a new phenomenon in the industry. Over the years, banks have invested heavily in CRM, especially in developing call centres, which, in the past, were designed to improve the process of inbound calls. In future, call centres will evolve to encompass more than just cost reduction and improved efficiency. According to Gartner Group, more than 80 per cent of all US banks will develop their call centres as alternative delivery channels and revenue centres, to be used for the delivery of existing products and services.But to be successful, a bank needs more than the ability to handle customer service calls. It needs a comprehensive CRM strategy in which all departments within the bank are integrated.

**2.2 OBJECTIVES OF CRM IN BANKS**

**** CRM, the technology, along with human resources of the banks, enables the banks to analyze the behavior of customers and their value. The main areas of focus are as the name suggests: ***customer***, ***relationship***, and ***the management of relationship*** and the main objectives to implement CRM in the business strategy are:

* To simplify marketing and sales process
* To make call centers more efficient
* To provide better customer service
* To discover new customers and increase customer revenue
* To cross sell products more effectively

The CRM processes should fully support the basic steps of ***customer life cycle***. The basic steps are:

* Attracting present and new customers
* Acquiring new customers
* Serving the customers
* Finally, retaining the customers

In today's increasingly competitive environment, maximizing organic growth through sales momentum has become a priority for Banks and Financial institutions. To build this momentum banks are focusing on Customer relationship management initiatives to improve

* Customer satisfaction and loyalty
* Customer insight/ 360º view of customer
* Speed to market for products and service
* Increase products-to-customer ratio
* Improve up sales and cross sales
* Capitalizing on New market opportunities

The idea of CRM is that it helps businesses use technology and human resources gain insight into the behavior of customers and the value of those customers. If it works as hoped, a business can: provide better customer service, make call centers more efficient , cross sell products more effectively, help sales staff close deals faster, simplify marketing and sales processes, discover new customers, and increase customer revenues .It doesn't happen by simply buying software and installing it. For CRM to be truly effective, an organization must first decide what kind of customer information it is looking for and it must decide what it intends to do with that information.

For example, many financial institutions keep track of customers' life stages in order to market appropriate banking products like mortgages or IRAs to them at the right time to fit their needs. Next, the organization must look into all of the different ways information about customers comes into a business, where and how this data is stored and how it is currently used.

One company, for instance, may interact with customers in a myriad of different ways including mail campaigns, Web sites, brick-and-mortar stores, call centers, mobile sales force staff and marketing and advertising efforts. Solid CRM systems link up each of these points. This collected data flows between operational systems (like sales and inventory systems) and analytical systems that can help sort through these records for patterns. Company analysts can then comb through the data to obtain a holistic view of each customer and pinpoint areas where better services are needed.

In CRM projects, following data should be collected to run process engine:

1) Responses to campaigns,

2) Shipping and fulfillment dates,

3) Sales and purchase data,

4) Account information,

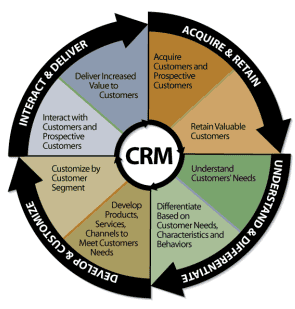
5) Web registration data,

6) Service and support records,

7) Demographic data,

8) Web sales data.

**2.3 NEED OF CRM IN BANKS**

****Bank merely an organization it accepts deposits and lends money to the needy persons, but banking is the process associated with the activities of banks. It includes issuance of cheque and cards, monthly statements, timely announcement of new services, helping the customers to avail online and mobile banking etc. Huge growth of customer relationship management is predicted in the banking sector over the next few years.

Banks are aiming to increase customer profitability with any customer retention. This paper deals with the role of CRM in banking sector and the need for it is to increase customer value by using some analytical methods in CRM applications. It is a sound business strategy to identify the bank’s most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, pricing, discretionary decision making.

In banking sector, relationship management could be defined as having and acting upon deeper knowledge about the customer, ensure that the customer such as how to fund the customer, get to know the customer, keep in tough with the customer, ensure that the customer gets what he wishes from service provider and understand when they are not satisfied and might leave the service provider and act accordingly.

CRM in banking industry entirely different from other sectors, because banking industry purely related to financial services, which needs to create the trust among the people. Establishing customer care support during on and off official hours, 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 etc are required to keep regular relationship with customers.

The present day CRM includes developing customer base. The bank has to pay adequate attention to increase customer base by all means, it is possible if the performance is at satisfactory level, the existing clients can recommend others to have banking connection with the bank he is operating.  Hence asking reference from the existing customers can develop theirclient base. If the base increased, the profitability is also increase. Hence the bank has to implement lot of innovative CRM to capture and retain the customers.

There is a shift from bank centric activities to customer centric activities are opted. The private sector banks in India deployed much innovative strategies to attract new customers and to retain existing customers. CRM in banking sector is still in evolutionary stage, it is the time for taking ideas from customers to enrich its service. The use of CRM in banking has gained importance with the aggressive strategies for customer acquisition and retention being employed by the bank in today’s competitive milieu. This has resulted in the adoption of various CRM initiatives by these banks.

**STEP TO FOLLOW**

The following steps minimize the work regarding adoption of CRM strategy. These are:

* Identification of proper CRM initiatives
* Implementing adequate technologies in order to assist CRM initiative
* Setting standards (targets) for each initiative and each person involved in that circle
* Evaluating actual performance with the standard or benchmark
* Taking corrective actions to improve deviations, if any

Customer Relationship Management is concerned with attracting, maintaining and enhancing customer relationship in multi service organizations. CRM goes beyond the transactional exchange and enables the marketer to estimate the customer’s sentiments and buying intentions so that the customer can be provided with products and services before the starts demanding. Customers are the backbone of any kind of business activities, maintaining relationship with them yield better result.

* 1. **CRM STRATEGIES**

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This is a new way of thinking for many banks with thousands, even millions of customers. Managing customer relationships successfully means learning about the habits and needs of your customers, anticipating future buying patterns and finding new opportunities to add value to the relationship.

**Customer Behavior Patterns**

For example, in the financial sector, early beneficiaries of [successful CRM](http://customer-relations.suite101.com/article.cfm/learning_from_crm_successes) strategies have been the banks. These organizations use data warehousing and data mining technologies to learn from the millions of transactions and interactions with their customers, and to anticipate their needs. The patterns of customer behavior and attitude derived from this information enable the banks to effectively segment customers on pre-determined criteria.

Detailed customer data can provide answers to the following questions:

* Which communication channel do they prefer?
* What would be the risk of leaving the bank to go to the competition?
* What is the probability the customer will buy a service or product?

This knowledge assists financial institutions with CRM solutions in place to develop marketing programs that respond to each customer segment, support cross-selling and customer retention programs and enables the staff to understand how to maximize the value of each customer’s interaction.

CRM applications provide functionality to enhance customer interactions. Banks known for its high level of customer service might use this characteristic as a starting point for implementing a CRM application. Another company may be very good at targeting profitable customers. Each bank should seek a niche on which to develop its CRM strategy.

**Customer Data**

A common problem many organizations share is integrating customer information. When information is disparate and fragmented, it is difficult to know who the customers are, and the nature of their associations or relationships. This also makes it difficult to capitalize on opportunities to increase customer service, loyalty and profitability. For example, knowing that other family members are also customers provides an opportunity to up-sell or cross-sell products or services, or knowing that a customer uses several sources of interaction with a supplier can also provide opportunities to enhance the relationship.

The creation and execution of a successful CRM strategy depends on close examination and rationalization of the relationship between an organization’s vision and business strategy.Building toward a CRM solution and evaluating the use of customer data requires analysis and alignment of the following core capabilities:

* Customer value management
* Prospecting
* Selling
* Collection and use of customer intelligence
* Customer development (up-selling and cross-selling)
* Customer service and retention
* Protection of customer privacy

Successful CRM implementations result from the capability of the organization and its employees to integrate human resources, business processes and technology, to create differentiation and excellence in service to customers, and to perform all of these functions better than its competitors. The current economic context and financial crisis has most probably led many financial services institutions to refocus their CRM strategies with the customer relationship being more than ever the key to profitability of a retail activity. These institutions have to design a new approach to regain and reassure customers. Even if they have only started building a “how to win back trust" strategy, there is a general movement towards “refocusing on he customer” for the “post-financial” crisis phase.

Here are some global banking institutions that have deployed CRM Customer Relationship Management systems, their CRM strategy and their goals.

|  |  |  |
| --- | --- | --- |
| **Global Banks** | **CRM Strategy** | **Goal** |
| **Bank of America** | Provide service representatives with 360-degree view of customer relationship for corporate and retail banking | Improve customer experience, retention |
| **FleetBoston** | Segment customer base into six different groups based on demographics and banking behavior | Attain cross-sell revenues, maximum lifetime value |
| **BNP Paribas** | Deploy CRM system across branch network, integrating with central office, link multiple customer databases | Improve customer experience, cross-sell |
| **Societe Generale** | Integrate call center, branch, and central office; link 80 banking applications to support unified view of customers | Improve customer experience, support consistent message |

 Irrespective of whether it is a public sector bank or a private sector bank; a regional rural bank or a foreign bank all banks commonly store details of tens of thousands of customers and prospects - both in a corporate database and in discrete documents on the desktops of individual bank staff. Retrieving customer data to support targeted marketing activities in this environment has traditionally involved sorting hard copy by hand, which is time-consuming, inaccurate, and increasingly cost-prohibitive.

Hence the banks devise software, which would mitigate this task of customer relationship management solution, to take full advantage of their valuable customer data. It also provides a way to quantify a campaign's success and aids in planning future marketing strategies, better work flow tracking and management, considerable increase in the speed of the marketing campaign planning process, greater cost efficiency with improved ROI, easy monitoring of multiple marketing campaigns and improved workflow management.

**CHAPTER – 3**

**CRM IN INDIAN BANKS**

3.1 Introduction

3.2 Importance of CRM in Indian Banks

3.3 Implementation of CRM in Indian Banks

3.4 CRM- A new mantra in Indian banking

3.5 CRM Principles

* 1. **CRM IN INDIAN BANKS**

**** In recent years, the banking industry around the world has been undergoing a rapid transformation. In India also, the wave

of deregulation of early 1990s has created heightened competition and greater risk for banks and other financial intermediaries. The

cross-border flows and entry of new players

and products have forced banks to adjust the product-mix and undertake rapid changes in

their processes and operations to remain competitive. The deepening of technology

has facilitated better tracking and fulfillment of commitments, multiple delivery channels for customers and faster resolution of miscoordinations.

Unlike in the past, the banks today are market driven and market responsive. The top concern in the mind of every bank's CEO is increasing or at least maintaining the market share in every line of business against the backdrop of heightened competition. With the entry of new players and multiple channels, customers (both corporate and retail) have become more discerning and less "loyal" to banks. This makes it imperative that banks provide best possible products and services to ensure customer satisfaction. To address the challenge of retention of customers, there have been active efforts in the banking circles to switch over to customer-centric business model. The success of such a model depends upon the approach adopted by banks with respect to customer data management and customer relationship management.

Over the years, Indian banks have expanded to cover a large geographic & functional area to meet the developmental needs. They have been managing a world of information about customers - their profiles, location, etc. They have a close relationship with their customers and a good knowledge of their needs, requirements and cash positions. Though this offers them a unique advantage, they face a fundamental problem. During the period of planned economic development, the bank products were bought in India and not sold. What our banks, especially those in the public sector lack are the marketing attitude. Marketing is a customer-oriented operation. What is needed is the effort on their part to improve their service image and exploit their large customer information base effectively to communicate product availability. Achieving customer focus requires leveraging existing customer information to gain a deeper insight into the relationship a customer has with the institution, and improving customer service-related processes so that the services are quick, error free and convenient for the customers.

Furthermore, banks need to have very strong in-house research and market intelligence units in order to face the future challenges of competition, especially customer retention. Marketing is a question of demand (customers) and supply (financial products & services, customer services through various delivery channels). Both demand and supply have to be understood in the context of geographic locations and competitor analysis to undertake focused marketing (advertising) efforts. Focusing on region-specific campaigns rather than national media campaigns would be a better strategy for a diverse country like India.

Customer-centricity also implies increasing investment in technology. Throughout much of the last decade, banks world-over have re-engineered their organizations to improve efficiency and move customers to lower cost, automated channels, such as ATMs and online banking. But this need not be the case.

As is proved by the experience, banks are now realizing that one of their best assets for building profitable customer relationships especially in a developing country like India is the branch-branches are in fact a key channel for customer retention and profit growth in rural and semi-urban set up. However, to maximize the value of this resource, our banks need to transform their branches from transaction processing centers into customer-centric service centers. This transformation would help them achieve bottom line business benefits by retaining the most profitable customers. Branches could also be used to inform and educate customers about other, more efficient channels, to advise on and sell new financial instruments like consumer loans, insurance products, mutual fund products, etc.

There is a growing realization among Indian banks that it no longer pays to have a "transaction-based" operating model. There are active efforts to develop a relationship-oriented model of operations focusing on customer-centric services. The biggest challenge our banks face today is to establish customer intimacy without which all other efforts towards operational excellence are meaningless. The banks need to ensure through their services that the customers come back to them. This is because a major chunk of income for most of the banks comes from existing customers, rather than from new customers.

Customer relationship management (CRM) solutions, if implemented and integrated correctly, can help significantly in improving customer satisfaction levels. Data warehousing can help in providing better transaction experiences for customers over different transaction channels. This is because data warehousing helps bring all the transactions coming from different channels under the same roof. Data mining helps banks analyses and measure customer transaction patterns and behavior. This can help a lot in improving service levels and finding new business opportunities.

It must be noted, however, that customer-centric banking also involves many risks. The banking industry world over is being thrust into a wild new world of privacy controversy. The banks need to set up serious governance systems for privacy risk management. It must be remembered that customer privacy issues threaten to compromise the use of information technology which is at the very center of e-commerce and customer relationship management - two areas which are crucial for banks' future. The critical issue for banks is that they will not be able to safeguard customer privacy completely without undermining the most exciting innovations in banking. These innovations promise huge benefits, both for customers and providers. But to capture them, financial services companies and their customers will have to make some critical tradeoffs.

**3.2 IMPORTANCE OF CRM IN INDIAN BANK**

 For long, Indian banks had presumed that their operations were customer-centric, simply because they had customers. These banks ruled the roost, protected by regulations that did not allow free entry into the sector. And to their credit, when the banking sector was opened up, they survived by adapting quickly to the new rules of the game. Many managed to post profits. For them an unexpected bonanza came from government bonds in which most were hugely invested.

Ironically, the Reserve Bank of India's moves to cut aggressively the interest rates after 1999, pushed up the prices of bonds. So banks had a windfall doing almost nothing. The bond profits, like manna from heaven, improved the balance-sheets of all banks irrespective of their core performance. However, the era of lazy banking is soon to end. The mesh of rules that propped up the Indian banking industry is now being dismantled rapidly.

**According to a RBI road-map, India will have a competitive banking market after 2009.** As one of the most attractive emerging market destinations, India will see foreign banks come in, what with more freedom to come in, grow and acquire. Therefore, it is imperative that Indian banks wake up to this reality and re-focus on their core asset — the customer. A greater focus on Customer Relationship Management (CRM) is the only way the banking industry can protect its market share and boost growth.

CRM would also make Indian bankers realize that the purpose of their business is to "create and keep a customer" and to "view the entire business process as consisting of a tightly integrated effort to discover, create, and satisfy customer needs."

What is CRM, and what will it deliver to the banks? CRM is, probably, one of the least clearly defined business acronyms, as there is no single definition for it. It is probably easier to say what CRM is not. Unfortunately, CRM has also become a misnomer for a range of solutions from IT vendors, each providing its own spin on the idea.

 CRM is variously misunderstood as a fancy sales strategy, an expensive software product, or even a new method of data collection. It is none of these. Customer Relationship Management (CRM) in the Indian banking system is fundamental to building a customer-centric organization. CRM systems link customer data into a single and logical customer repository. CRM in banking 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 banks to maximize profitability from every customer. Increasing competition, deregulation, and the internet have all contributed to the increase in customer power. Customers, faced with an increasing array of banking products and services, are expecting more from banks in terms of customized offerings, attractive returns, ease of access, and transparency in dealings. Retaining customers is a major concern for banking institutions which underscores the importance of CRM. Banks can turn customer relationship into a key competitive advantage through strategic development across a broad spectrum. This book examines issues related to changing banking industry in India and the challenges in CRM.

CRM is a simple philosophy that places the customer at the heart of a business organization’s processes, activities and culture to improve his satisfaction of service and, in turn, maximize the profits for the organization. A successful CRM strategy aims at understanding the needs of the customer and integrating them with the organization’s strategy, people, and technology and business process. Therefore, one of the best ways of launching a CRM initiative is to start with what the organization is doing now and working out what should be done to improve its interface with its customers. Then and only then, should it link to an IT solution.

While this may sound quite straightforward, for large organizations it can be a mammoth task unless a gradual step-by-step process is adopted. It does not happen simply by buying the software and installing it. For CRM to be truly effective, it requires a well-thought-out initiative involving strategy, people, technology, and processes. Above all, it requires the realization that the CRM philosophy of doing business should be adopted incrementally with an iterative approach to learn at every stage of development.



* 1. **IMPLEMENTATION OF CRM IN INDIAN BANKS**

Although CRM as a concept is of recent origin its tenets have been around for sometime. Field officers in the banks have always promoted close relation-ship with customers, but the focus on customer orientation rather than product orientation as a commitment has been on the Indian banking scene for nearly a decade. But the fact remains that implementing customer relationship management is not easy.

There are really very few organizations that are actually optimizing customer experiences at all points of contacts. It is necessary to understand who customers are and what they value, select customer carefully, design products and services that deliver the desired value, design effective sales channels and customer touch points, recruit and equip employees to deliver and increase customer value, and constantly refine your value proposition to ensure customer loyalty and retention (Forsytyh 1997 and Goldenberg 1998).

With the advancement of banking technology and computerization and networking of bank branches, banking customers are becoming more and more dynamic and less loyal in their behaviour. The development of the Internet is further adding to this trend and the whole market becomes trans-parent and customers are in a position to move easily from one bank to another. In such a situation, customer satisfaction is the key to bank marketing, which aims at retention of the old customers and their bringing in new customers.

CRM deserves differential treatment to different class of customers at times. Service can be given to customers either personally through individuals such as customer service manager or the process can be automated by using computers. These different approaches are adopted depending on the value of relationship with the customer. Personal management of relationship is extended to business customers and high value personal customers and automated relationship management to lower margin mass- market segments.

CRM system can open up new channels of delivery, which are most cost effective. We can cite example of the Internet and call centers. According to an estimate, cost per transac-tion through these modes can be reduced by 90 per cent when compared to cost of transaction at branch. To offer better and extended services to custom-ers new technology platforms are being created through huge investment in Information Technology in banking sector. The recent development in this field is the introduction of CBS (Core Banking Solutions). A CBS helps in centralizing the transactions of branches and different banking channels and the customers start banking with the bank instead of at different branches. This is the only way to offer seamless transactions across different channels (branches, the Internet, the telephone and Automated Teller Machines or ATMs). As such nowadays a customer is called a customer of the bank rather than of a branch.

Another problem generally faced by a bank in implementing CRM is resistance to change. The banking industry is passing through a radical transformation, from a sellers market to a customers market, a regulated economy to a more liberalized and open economy, advancement in technology and a lot of other developments. These complex changes are forcing the banks to change the way they do business. A change denotes making things in a different manner. It should be planned properly, proactive and goal oriented. It requires two things:

Firstly, the ability of the organization to adapt changes in the business environment is to be increased. Secondly, the mindset of the employees has got to be changed in the development of right attitude, skills, expectations, perceptions and behaviour. Implementation of CRM in Indian banking is still in its initial stage and has to go a long way to develop and raise it to the global standards. But the Indian banks including the public sector banks are coming in a big way to address this issue to remain competitive with their counterparts—the foreign and private sector banks.



**3.4 Customers Relationship Management– A new mantra in Indian banking**

Nowadays banks have to work keeping in mind the position of the financial market and anticipate change in the market place and prepare themselves accordingly. They have to make new resolutions to build further on their own strengths to explore new avenues of Customers Relationship Management. This is the only strategic weapon to be pursued for excellence in the pursuit of performance and achievement. Both the retention of old business as well as to search for new business, CRM is the only choice. CRM, being the essence of modern banking, a sound understanding of the key principles, its theories and practices should be revisited and redefined to provide a road map to new ideas and techniques in the field. Over the years, banking institutions have been feeling the pressing need of putting up greater thrust on this initiative for improving their operations and appearances.

**The FOCUS ON CRM**



The profitability of a bank depends to a large extent on its ability to deploy its fund in high yielding loan portfolios of their customers. But with the increasing competition of lowering interest rates by different banks, interest spread is touching the low ebb every day. The demand for credit from the corporate sector is diminishing due to more efficient management of working capital, availability of cheaper funds from other routes etc.

According to the Centre for Monitoring Indian Economy (CMIE), during 2000-01, the working capital cycle of manufacturing companies fell to 21 days compared to 60 days a year ago. In the year 2001- 02, the cycle further reduced to 14 days and became negative during 2002-03. Taking as a percentage on sales, working capital ratio had dropped to three per cent from a level of 13 per cent over the last five years in case of 4,000 selected manufacturing industries. The demand for working capital will be in the declining stage in the years to come. Further, there is lack of investment demand in the market. These developments have led the banks to go in search of new business opportunities where they can put their resources and earn a reasonable margin to add to their bottom lines. After a lot of exercise and considerable thought, they identify the retail sector and commit for considerable retail lending as a means to serve their ends.

**Driving forces for retail lending**

There are several driving forces to support this move. Firstly, for years together, the Indian retail market was largely untapped. With retail lending at levels far below those prevailing in other Asian countries, the opportunities for exploring the possibility of lending in this segment continues to be immense and all banks, more or less tried to capture this huge market. Secondly, India, being a poor country, it is a matter of realization that the bottom 75 per cent of the consumer pyramid basically relates to the retail sector customers, and if one is looking at a growth opportunity, it must focus its attention with tailor made products and services to meet their needs. Banking is no exception to this reality.Thirdly, in an attempt to market tailor-made innovative products, consumers are being supplied with abundant information through paper advertisement, TV advertisement, cell phone calls, personal counseling to make them aware of the facilities and opportunities available in the market. This endeavor on the part of the banks is leading the customers in their process of information abundance and thereby acting as customer leader. Customer leadership is a concept to project the product or service of the firm the benchmark for the market (customers), which visualize all competitive stimuli in term of benchmark product or service. But there is another side to the coin.

With the entry of several players in the field, particularly foreign banks and private sector banks, the customers today has a wide array of choices which is increasing day by day with the rapid and exponential development of communication technology. With this increased knowledge base and better information they are demanding more and more satisfaction and choosing to optimize the value of their money for goods and services. This had added momentum to the competition. Then, of late, there has been a tremendous improvement in Non-Performing Assets (NPAs) due to introduction of certain new methodologies such as new foreclosure law, the CDR mechanism, the Debt Recovery Tribunals and the provision of one time settlement. The establishment of ARC (Assets Reconstruction Committee) and enactment of Securitization Act have helped in a big way to liquidate a huge amount of unmoved loan being carried forward for years together.

Now a clear message has been ventilated in the community that bank loans are not for charity, but are to be repaid and the bank management is there to recover it. Under the changed scenario of NPA management, Bank managers are not hesitating in disbursing new loans. Also, another major force behind this retail revolution is technology involved in today’s banking. Technology has developed to such an extent that the customers are in a position to take advantage of “AAA” banking. (Any time, Any where and Any how) banking through ATM, the Internet, CBS (Centralised Banking Solution) etc. In addition, there is enough scope in the case of mortgage loan. According to a study, Indian mortgage market grew from around 15,000 crore in 1997 to 60,000 crore at the end of 2002 or at a compound annual growth rate (CAGR) of 32 per cent. It will not be out of place to mention here that at the same time China’s mortgage grew by a CAGR of 113 per cent.Further more, retail loans are considered to be safe and according to the managers of some eminent banks there is less risk involved in managing a fat retail portfolio. Besides, in the case of small and medium enterprises (SME) and farmers in many cases such loans have been roped in big companies to back them in default



**3.5 CRM PRINCIPLES**

The main principles of CRM can be grouped into seven guiding factors:

1. **Customer focus**

The first and foremost important guiding principle in CRM is customer focus. Who is a customer? This question is very fundamental. A customer is a person or group of persons who receives the product or service—the final output of a process or group of processes. A customer is the final arbiter of quality, value and price of a product or service. A satisfied customer only assigns value to a service, on the contrary, to a dissatisfied customer a product or service has no value, even if the concerned service or product has been designed with lot of effort, energy and cost after a thorough planning.

A satisfied customer motivates his fellow members to go in for the service or product that he has already acquired. But a dissatisfied customer always counsels his friends, and fellow members not to go to banks where his experience proved to be wrong or other-wise. So customer’s delight or customer’s satisfaction is the essence of any CRM program. As a part of this focus on customers, banks should ensure that clients are identified; their requirements are determined, understood and met enhancing customers’ satisfaction.

The main thrust of CRM is to improve an organization’s efficiency, economy and effectiveness through reduction of sales cycle times and selling costs, identification of new markets and channels for expansion, improvement of customer value, satisfaction, retention and thereby increasing profitability and market share of the enterprise. Successful CRM 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. (Heygate, 1999). There must be total commitment for the enterprise towards this end.

1. **Leadership**

Persuasion, judgment and decision-making abilities are the main attributes of quality leadership. When there is a slight chance of getting a business but the client is hesitating or in a fix, or not in a position to decide properly, it should be followed up by the relationship manager by patient hearing, mild counseling and to stand by the side of the prospective client to help clear his doubts and to make him feel happy by realizing that he is going in the right direction and he is very right in choosing his requirements.

The following points may be found helpful in this regard:

(a) It is to be communicated to all employees that all customers should be given a proper hearing and it should be supported from all levels.

(b) Ways and means should be identified and practiced of getting and staying closer to customers.

(c) Proper respect should be extended to the customers. All relevant information should be collected from them with humble and polite approach. Proper value should be given to their feedback.

(d) There should be proper re-action to the information and feedback provided by the customers in designing, developing and providing desired products at afford-able cost.

**3. Process approach**

A process transforms an input into desired output by the use of resources, energies and time. In producing an output there may one single process or a group of inter-related processes. In case of inter-related processes, often the output from one process directly forms the input to the next. For effective functioning of an organization, it has to identify and manage numerous linked activities with the help of different processes for accomplishing its goal.

Proper attention should be given to the following points:

(a) All processes should be de-signed keeping in view the requirements and desires of the customers, within the policy, resource availability, strategy of the company.

(b) All processes should meet the legal and statutory requirements to perform the activity or deliver the product or service.

(c) Time involved in processing should be minimum with least waiting time to the customers. If required delegation of authority and assignment of account-ability at various executive levels should be addressed, revised and fine-tuned to meet the requirements.

(d) All the processes should be properly integrated to meet the goal congruence and should not function at cross-purpose.

(e) There should be in built control mechanism for ease of measuring, reviewing and taking corrective action.

**4. System approach**

Customer’s requirement is one level of commitment. That level implies a system that is reactive and provides to customers what they want but the target should be to achieve more and to exceed the customer’s expectation to accommodate future requirement and to build a cushion against the competitors’ attributes.

CRM denotes the management of the entire system and is not confined to only one or the other sub-systems or functional departments. CRM is based on a system approach to management. Its primary objective is to increase value to customers on a continuous basis by designing and improving organizational processes and systems on a ongoing basis. Meeting Each sub-system may have its own goal but the goal and objectives of all sub-systems are to be integrated to achieve the overall goal.

There may be one sub-system to acknowledge the customer’s order, a separate one to deliver the product within the delivery schedule, another sub-system to comply with the complaints of the customers etc, but all directed to accomplish the goal—value to the customers. The total system as a whole should decide what product to make or what service to offer, what should be the quality involved, what should be the price, what markets and customers to target upon and similar other issues.

**5. Involvement of people**

The fundamentals of CRM bear the genes of customer relationship through involvement of people, i.e., the work-force at the disposal of the organization. The whole gamut of CRM is for the people, of the people and by the people. People involvement at all levels is essential for the success of a CRM program. The bank managers and staff must be in a position to exploit the concept of customer relationship completely.

Customer relation may be defined as that dimension of relationship marketing that seeks and ensures customer loyalty by fulfilling promises and continuing to satisfy customer’s wants and needs so that defection is zero. It comprises of three levels of relationships; financial relationship, social relationship and structural relationship.

The main focus of financial relationship is frequency marketing programs based on financial incentives such as reduction of processing fees, lower rate of commitment charges, organization of loan mela on special occasions etc. A social relationship program revolves round a social bonding between company and its customers and establish brand loyalty. Bankers, nowadays, make house calls, offer different services outside their for-mal activities, share the feelings and emotions of clients and even send clients flowers on birthdays and anniversaries. A marketing relation with the middleman and interested groups is developed in an in-side-out manner mainly based on software, which would help in data warehousing, data mining and data analysis. The optimization of structural relationship lies in the replacement of physical resources by total service replacement.

Drawing of money through ATMs instead of physical presence in the branch for withdrawal of cash through cheques or withdrawal forms may be sited as example. To obtain the full benefits of people involvement, the human resource management should focus on employee empowerment, productivity linked reward, zero defeat service oriented train-ing and total quality management.

**6. Mutually beneficial customer relationship**

The relationship with the customer should be based on a mutually beneficial relation-ship. A bank should not concentrate its attention towards earning of profits only, but focus should be directed to the customers’ wealth creation or value enhancement with the motto of earning through service.

As an example we can talk of a savings account that’s ‘fixed up’ to give you more interest. It ensures that any balance in your savings account above a certain amount, say, Rs 3,000 automatically gets transferred to a fixed deposit to give you higher returns, which will be swept back into your savings account, when you need it.

Sometimes, other benefits are also extended, such as, free personal accident insurance coverage along with fixed deposit scheme above a certain amount and above a certain term. Banks are no more restricting their activities to deposit and advances; rather they work with the mot-to of offering ‘Integrated Total Package Solutions to all needs of a customer. Banks have gone to the extent of booking cinema tickets, paying utility bills, school fees etc. for the ease of their clients who are very busy and do not find time for such work. Many of such activities are not profitable in terms of time and efforts spend by the bank. But banks are carrying out such services for mutual benefits, which pays in the long run.

Wealthy individuals are in the habit of placing all sorts of demands on their private bankers and a bank has to respond to such requests not merely for income generation but as a gesture of goodwill and at times such activities add a consider-able percentage to a bank’s fee based income. According to an estimate, a bank can earn Rs 35,000 to Rs 100,000 per an-num for a good customer. But generally it is found that earnings start after the first two- three years of dealing with the customer. In a mature relation-ship, such fee-based income is a regular feature and is very much crucial in today’s banking where interest spread is getting reduced due to competition and fee based income can increase the bottom line. But in many instances, the expenses in terms of time, effort, recognizing individual needs and offering a customized investment solution are high.

Retention of customers and building a long lasting relationship is the main criteria under this concept.

**7. Continual improvement**

Another objective of CRM is the efforts towards continuous improvement in the customer relationship through the provision of value added ser-vices at favorable cost. Business processes in the areas of finance, system integration, human resource management etc. are to be automated and optimized with an aim to increase the efficiency and effectiveness of operations.

The most effective way of improvement lies in innovation and change management. Today’s successful organizations must stimulate and foster innovation and master the art of change. Organizations that maintain their flexibility, spontaneity and unpredictability, continually improve their quality and, beat their competitors to the market place with a constant stream of innovative products and services, will be the winners.

The major areas to be targeted are:

1. Improving the effectiveness of marketing.
2. Implementing multichannel trigger driven marketing.
3. Implementing a strategic analysis capability to support strategic decision making.
4. The ability to deliver the increasing levels service demanded by customers.
5. Building a transparent communication system and employee participation to better define the needs of the customers and deliver the right services and products

**CHAPTER – 4**

**WORKING OF CRM**

4.1 CRM Implementation

4.2 CRM Optimization

4.3 Rules and Regulations

**4.1 CRM IMPLEMENTATION - The Right Way!**

CRM implementation differs from organization to organization but there are a few common steps one needs to follow to ensure a successful implementation. There are many factors that could influence the success of CRM implementation. Some of them are;

**● Organization Objectives**

Clear cut objectives are essential and they need to be communicated effectively to the entire organization. Business goals are absolutely essential and need to be clearly defined. Similarly goals of the CRM implementation and how it supports organization goals should also be intimated to employees. Let employees know how important CRM success is to the organization.

##### **● Solution to Suit Business Objectives**

A business needs to look for a CRM solution that fits its needs, not the other way around. This step is vitally important and spells success. When choosing a CRM solution every business organization has to ensure that it chooses a CRM solution that fits into the organizations requirements. It is wrong to try and adjust organization requirements to the chosen CRM solution. If this is done organization goals will not be achieved and the CRM process will have disastrous results.

##### **● Focus on All Business Aspects**

In most cases the technology will have less to do with the CRM success. Therefore it is important to focus as much importance on communication training and other aspects as much as the technology involved.

It is important to involve management at several levels, focus on communication need and indulge in adequate training of the concerned employees throughout the organization. If these items receive a level of focus comparable to the technical system, CRM implementation stands a better chance of succeeding.

##### **● Define the Business Problem**

A business needs to clearly define the business problem see what benefits it wants to achieve and adopt the required measures. It is imminently important to clearly identify the business problem that the company needs to resolve.

An organization needs to absolutely identify the desired benefits and make sure that the expected returns are generated at every stage. It is important to break down the entire process into smaller pieces that can be individually handled effectively.

##### **● Establishing Proper Metrics**

Since companies normally wait for a five year period to see a return on investment. Every organization has to compulsorily define performance metrics to ensure that it measures the return on investment adequately.

##### **● Business Processes not Technology**

In order to succeed at CRM all companies need to understand that it is not about technology alone but about business processes as well. While CRM changes a company's business processes technology supports the processes. Most businesses make the mistake of actually assuming that the CRM is only about technology alone. This hampers business process development.

##### **● Implement Change**

Most employees tend to stick with their old ways and are reluctant to adapt to changes, It needs to be understood that the implementation of CRM involves immense changes and employees need to adapt themselves to it.

From the very beginning of the implementation employees will have to adopt new attitudes to help deliver the customer experience properly to customers. Organizations need to make sure that their employees are provided with sufficient training to ensure that they handle this aspect of the customer experience adequately and efficiently.

##### **● Choose the Right Methodology**

Decide whether to use the classical or modern methodology bearing in mind that ease of usage, cost effectiveness and efficiency need to be gained. This is an important step in the CRM implementation as it has a bearing on the entire process.

##### **● Using Skilled Managers**

Organizations need to make sure that they use the most highly skilled and experienced group of professionals possible. CRM aspects are complex and what is needed most is a team that has CRM expertise and business knowledge. The team should be adequately trained and sufficiently equipped both intellectually and technologically to carry out the CRM implementation successfully.

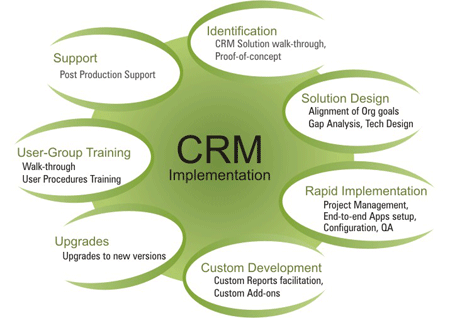
**● Choose the Right Vendors**

Companies need to know the vendors through looking at them from this perspective alone. This involves the process of scrutinizing the vendor and seeing whether or not the vendor can fulfill the requirements of the business. Only if this is possible can the vendor be selected. You may not find a vendor that basically fulfills every single objective but at least an organization will be aware of it.

##### **● Ease of Usage**

The entire objectives of the CRM process are hampered if the CRM choice is difficult to use. It is highly essential to ensure that the system speaks of ease of usage and the ability to be easily customizable. Employees implementing CRM and forming a part of the CRM process range from the mediocre level right to management and to the employee at the very forefront. It is imperative that the business ensure that the CRM software chosen is easy to use and implement not only by a few employees but by everyone using the system. This is a step that needs to be taken at the time of choosing the CRM technology.

**CRM IMPLEMENTATION**

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**4.2 CRM OPTIMIZATION**

****Simply implementing a solution intended to achieve organizational goals is not enough to achieve CRM success. The process should ensure that these goals are achieved. More importantly

CRM optimization should be encouraged through the right practices, optimization of resources and the ability to adapt to change.

**TO ACHIEVE CRM OPTIMIZATION**

* **Identifying CRM goals**

Objectives need to be identified and CRM goals need to be fixed before embarking on a CRM project. Business processes need to be integrated with the CRM solution before actual implementation. The chosen solution should fit organizational objectives to the hilt.

* **Phased Implementation**

Start a pilot project and set goals for the organization. Then go ahead with CRM implementation in phases to ensure CRM success. Phased implementation is always easier to implement and the rewards are higher.

* **Objective Focus**

The net result or the ultimate objective of the business process needs to be taken into consideration while implementing .The ability of the CRM solution to contribute to this has to be considered. If the objective is increasing overall profit or simply contributing to customer retention than this should be achieved by the CRM choice.

* **Customer Focus**

The CRM process sometimes gains department coordination and success but fails to focus on the customer. Hence although companies may succeed internally they fail to achieve customer retention on account of unsatisfied customers.

* **Data Consolidation**

What happens here is that information needs to be corrected before putting it into the CRM system so that bulk data is assessed, corrected and placed together so as to be easily assessable.

* **Change Incorporation**

Since change is unavoidable and CRM is a continuous process, information becomes outdated very quickly. Changes required need to be implemented periodically.

* **Customer Flexibility**

CRM processes need to be suited to the customer needs. Adopting stringent rules that affect the customer due to its inflexibility will hamper the ability of the organization to find appropriate solutions for its customers.

* **Date Assessing**

Assessing data quality issues is essential. Companies need to measure data quality before embarking on a CRM implementation.

* **Holistic Approach**

It is important to create a single holistic view about a customer with the collation of all the information available about him. This information should be available to every one in the organization. An integrated view of the customer with entire company access is absolutely essential.

* **CRM Consultants**

Outside resources need to be brought in if required. The need for outside resources has to be carefully studied and adopted if essential.

* **IT's Involvement**

Dynamic changes are possible only when sufficient technology is in place. IT enables this as it facilitates change within the organization and enables it to adapt. Hence the IT department needs to be incorporated in all respects

* **Data Cleansing**

Since all information needs to be cleansed before it enters the system a data quality solution must be used from initial analysis to identification, cleansing, and consolidation.

* **Cost Restraints**

It is imperative to understand the existing problems customers are facing and not endeavor to find solutions that suit the companies budget alone.

* **Identifying CRM goals**

Objectives need to be identified and CRM goals need to be fixed before embarking on a CRM project. Business processes need to be integrated with the CRM solution before actual implementation .The chosen solution should fit organizational objectives to the hilt.

* **Integration**

It is essential to actually collaborate the IT departments and the other departments. Their combined efforts are essential for CRM success.

* **Employee involvement**

It is important to get the customer facing employees personally involved in the activities of the business you can get many [online jobs](http://www.ecnsolution.com/solutions.php) from CRM consultants. It is they who should initiate this and be involved in all aspects of its implementation. CRM success is a sure result if this is implemented.

**CHAPTER -6**

**CHALLENGES FOR CRM IMPLMENTATION**

6.1 Challenges faced by banks in successful

Implementation of CRM

6.2 Methods of effective CRM implementation

**6.2 METHOD OF EFFECTIVE CRM IMPLEMENTATION**

Banks can take several steps to strengthen their customer relationship management in an effective manner.

1. **Acknowledge email enquiries**

At the very minimum, banks should send out an automated email response that acknowledges receipt of a customer's email and lets the sender know when to expect a more complete response.

It is then vital to get back to the customer within the promised time frame. Banks can earn more customer goodwill if they respond faster than the imposed deadline. To handle significant volumes of email, banks need adequate routing technology. Many banks regard a voice call centre as a cost of doing business, but they don't look at it the same way with email.

1. **Develop the right contact strategy**

By knowing which offers and incentives to offer to which customers and when, banks will not annoy customers with unwanted marketing offers, building customer loyalty along the way. Such goals can be at least as important as realizing cross-sell opportunities.

1. **Providing online `chatting'**

An alternative to telephone support, online chatting is providing a service via emails or any other form of immediate response. This service also offers some of the immediacy of the phone but primarily allows customers to remain online. With online chatting, service agents can usually handle between one and three customer inquiries at once.

Given that the average call lasts about four minutes, a customer-service representative can handle 10 to 12 customers per hour using "chat", compared with six to eight per hour over the telephone. One of chat's important advantages is that it keeps customers in an online store environment where they remain exposed to merchandise and promotions.

1. **Reduce costs by improving website design and self-service**

Email, telephone support, and chat all involve considerable staffing costs. But to reduce these expenses a site should anticipate customer needs. Sites that is difficult to navigate and don't provide needed information chase away some customers and force those who stay to resort to more expensive channels to satisfy their service needs.

1. **Analyses the project's scope**

Before recommending or embracing CRM, bank executives must analyses the business issues, the customer relationship model and the exact nature of customer interactions and how they tie together. Banks should not embrace top-line growth as an objective until they can understand precisely how CRM technology will provide those new revenues.

1. **Know thy limitations**

Many CRM implementations are severely limited because they fail to provide a complete and meaningful view of the customer. CRM is primarily a business program, and it requires a genuine partnership between various departments to ensure that both business and technology issues are managed effectively.

Furthermore, CRM not only takes existing business processes and makes them more efficient, but it also requires these processes to be modified. For a CRM implementation to be successful, decision makers within the bank need to make sure that all the stakeholders understand and support the required process changes.

**7. Change accounts into customer**

Traditionally banks have closely associated customers with accounts, to the point of calling the account the customer and vice versa. Customers will tend to feel alienated when they are treated like a number instead of a person. A conventional account structure usually contains very little information about customers and their needs, or their relationship with competitors or other divisions within the bank.

The way ahead Banks have excellent reasons to adopt comprehensive CRM strategies to cultivate a lifetime customer relationship. As banks move from transaction-centric to a relationship-centric business approach, effective leveraging of customer relationship becomes all the more critical.

Today, customers are expecting even more individual attention, responsiveness and product customization, yet are unwilling to pay a premium for these services. They are willing, however, to build a long-term relationship with banks that offers differentiated and more personalized services.

This is where electronic banking can offer a competitive advantage. Successful CRM implementation in electronic banking needs to integrate data from all customer touch points, employee feedback and even shareholders' perceptions. If used effectively and in an innovative way, this approach will enable banks to develop a strategy to deliver to the customer the most appropriate products and services.

**RECOMMENDATION**

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Customer Relationship Management (CRM), the most exciting strategies that emerged from networking technology revolution of the nineties, is today fast emerging s one of the most important cooperates strategies. A well-executed Customer Relationship Strategies can result in number of quantitative benefits, including greater ability to sell and cross sell, improved retention besides cost of services.

Customer Relationship Management is do-able. However the following must take into consideration before embarking upon its implementation. All aspects of customer relationship management, including technology solution, must be fully explored effectively deliver the competencies required to realize the business benefits.

1. Tackling any one competence alone will lead to a dysfunctional business. One competence does not customer relationship management make.
2. Take pragmatic steps with a clear view on delivery of all the components in the medium term, rather than piecemeal in the short term.
3. Successful mass customization is crucial to reducing customer acquisition cost and improving the cross selling capacity.
4. Channels are a delivery mechanism. The effectiveness of the mechanism is achieved when it is faultless!
5. 75% of all Customer Relationship Management projects have failed due to lapses in implementation. Technology is not enough, implementation is the key and this is where the people aspect comes into the forefront.
6. Customer Relationship Management implementation is effective when companies are able to identify the internal and external customer and integrate them with its core business process.

“No-one can guarantee success. You cannot foresee the future. However, you can develop the possibilities and capabilities **today**, which will put you in a position **tomorrow** to deal with future risks and opportunities to your advantage. And that is a whole lot better than waiting to see what "fate" has in store.”

**Conclusion**

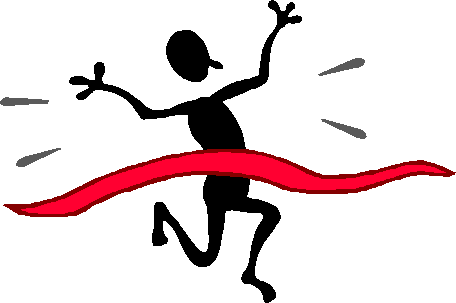
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Banking can be mysterious for consumers and how they interact with their finances can be a complex matter. The challenges faced by banks and their customers are many but the trick lies in de-mystifying complex financial relationships.

Technical solutions deployed by banks today are flexible, user-friendly and meant to facilitate specific workflow and requirements in implementation processes. In order to simplify lives, banks have begun to implement end-to-end technologies through all departments with the intention of removing human error from processes. Previously existing manual environments could not have been adequate for future visions, growth plans and strategies.

In this day and age, customers enjoy complete luxury in terms of customized technical solutions and banks use the same to cement long-term, mutually-beneficial relationships. For a bank to succeed in adopting a CRM philosophy of doing business, bank management must first understand CRM as a holistic concept that involves multiple, interlocking disciplines, including market knowledge, strategic planning, business process improvement, product design and pricing analysis, technology implementation, human resources management, customer retention, and sales management and training.

**Turning the business strategy into actionable items is a difficult undertaking. For which Customer Relationship Management works a magic wand.**



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ANNEXURE

**QUESTIONNAIRE**

1. What are the various CRM initiatives undertaken by your bank?
2. How do you develop these program?
3. How do you measure the effectiveness of these program?
4. How successful are these program in retaining your customers and acquiring new customers?
5. Is there any development after implementing CRM program?
6. How do you decide the technology that is to be implemented for CRM?
7. Do you have a separate department to take care of customer’s complaints?
8. What technique is followed to solve customer’s complaints?
9. What numbers of employees are involved in solving customer’s complaints?
10. What strategy do you follow to acquire more knowledge about the customers?