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CRM in Urban Co-operative Banks

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Customer relationship management (CRM) has been projected as the panacea for all the business problems. Many companies have invested millions of dollars in implementing CRM solutions to achieve its goals and many new developments in the field like Analytical CRM, have the potential to dramatically increase the returns from a CRM strategy. The dynamics of the current market place have been changing rapidly. Even though many of the fundamental principles of market functioning remain the same, the dynamics of approaching and wooing customers have changed. Events in the external market place of an organization are forcing companies to rethink what is needed to be done within the organization to sustain themselves and to be successful players in the market.

The use of CRM in banking has gained importance with the aggressive strategies for customer acquisition and retention being employed by the banks in today's competitive era. The customers of the bank expects anytime, anywhere banking, personalized offers and lower payouts. Aggressive marketing and promotion on the part of the banks have seen most customers happily switching loyalties to enjoy better privileges, thereby making the task of retaining them more difficult for the banks. Customer satisfaction, customer delight and customer retention can be achieved through effective use of CRM solutions.

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Significance of the study: in a rapidly growing competitive environment because of the opening of the banking sector in India, the focus is on the customer. Higher revenue earnings, higher profit and higher market share of the business will flow only from the new customer.

CRM has its higher and most successful implementation in financial service industry. Customer intimacy or relationship with customer is observed as one of the competitive differentiators in this industry. With the increased income levels customers are now looking for better banking investment facilities. The importance of adapting itself to the changing needs of the customers is compelling the bank to adopt more customer friendly and operational systems. Urban co-operative banks should today acknowledge that appropriate understanding and implementation of CRM strategy is the key to success.

The customer has been strengthened as he now has the power to choose his banker from a large number of public sector, private sector, foreign and co-operative sector. The customer will decide the individual bank's fate. Only those banks that can continuously monitor, understand and meet customer needs, streamlining their procedure making them less rigid and more and more customer oriented will survive the competition. Enlarging the customer base will have to be done in a more

methodical way by maintaining a database of customers, predicting demand for bank's products/services and by having personalized services for retaining existing customers. The benefit of improvement in the quality of service should reach down to the level of the average customer and should not be restricted to niche clientele only.

It is a ground reality that many banks in the world over have realized that customers need to be given more care sensibly than ever before. The perception of a bank is based on the customers varied experience with people within the organization. It is a proven fact that it cost ten times as much to bring in a new customer than it is to retain the existing customer. Furthermore, the choices open to the customers today are so much. Here, the information about the customer is the key to success. The only entity seen by the bank is its customer. This requires a better understanding of the customers and what they expect from the organization. This information is like oxygen for business to survive.

But today banks stop at the first step usually i.e., collection of data. The same data can also be used to make the business of the bank healthier. This data can also be used for analyzing the customer information to gain a deeper insight into various areas like customer spending patterns, segmentation and internet browsing habits. The key lies in identifying the customer, who contributes more towards bank's profit and focusing valuable efforts into taking special care of those customers. Many researchers have defined CRM in many ways with a

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focus on profitability, customer, changing market dynamics etc, but the bottom line philosophy behind it is to attract and retain customers for the long term profitability of the bank.

Objective

The objective of the study is to find out the importance of customer relationship management in banks and CRM strategy practiced in urban co-operative banks in the present competitive market.

CRM Process

CRM process is defined as any group of action that is instrumental in the achievement of the output an operation system, in accordance with a specified measure of effectiveness. The final objective of CRM process is to originate a powerful new tool for customer retention. The CRM implementation and success rate purely depend upon the process, which includes the future, revenue, customer value, customer retention, customer acquisition and profitability. CRM, the current market strategy, has many advantages it understood and put into practice properly. CRM, as defined by Philip Kotler, is process of managing detailed information about individual customers and carefully managing all the customer touch points with the aim of maximizing customer loyalty.

Benefits of CRM

* Ability to retain loyal and profitable customers and channels for rapid growth of the business project. Acquiring the right customers, based on known characteristics, which drives growth and increased profit margins. * Increasing individual customer margins, while offering the right products at the right time.

CRM in Banks

The use of CRM in banking has been essentially done for the following purposes:

1. **Identifying customers:** It is necessary for banks to identify potential customers for approaching them with suitable offers. The transactional data that is generated through customer interaction and also taking into account the profile of the customers such as the life cycle stage, economic background, family commitments, etc. needs to be collated into one database to ensure proper analysis. For example, a customer interacts with a bank for savings accounts, ATM cards, home loans vehicle loans, demat accounts etc. The data generated through all these services needs to be integrated to enable effective targeting. After the integration is done, a profitability analysis of the customer needs to be undertaken to get an understanding of the profit-worthiness of the customer before targeting him with new offers.

2. **Customer segmentation:** Banks can use the data on customers to effectively segment the customers before targeting them. Typically, mountains of customer data are available from the data warehouse. By applying data mining tools, clusters of similar records can be made. From this, one can arrive at a list of customers who are more likely to respond to new loan schemes, new deposit schemes, etc. This will help in finding a highly targeted market.

3. **Prediction:** Data mining tools can build a classification system based on past data taking a number of parameters into consideration. Depending on this system, a new customer's behaviour can be predicted with reasonable accuracy. The same principle can be applied at the time of launching a new product. Before the product is launched, its sales can be predicted. This can help in deciding the advertisement and pricing strategy.

4. **Customer loyalty analysis:** To develop effective customer retention programs, it is vital to analyze the reasons for customer attrition. Data mining tools can help in understanding customer one can drill down to even individual transactions, which might have resulted in the customer switching over to competitors.

5. **Cross selling:** Based on the previous service taken from the bank, data mining tools can provide a wealth of knowledge about the association between two services. This can be used in building a strategy for promotion or sell more services to the customers at the time of contact.

6. **Customer life time value (CLTV):** Customers who are not very profitable today may have the potential of being profitable in future. Hence, it is absolutely essential to identify customers with high lifetime value. The tools are designed to provide methods to calculate CLTV in different business environments.

7. **Product Pricing:** Using data warehouse and data mining tools, sophisticated price models can be developed, which can establish price sales relationship for different services and the relationship between changes in price and sales.

8. **Assisting sales force for effective campaign:** A consolidated information database on all products, pricing, competitor information, sales presentation, proposal templates and marketing collateral should be accessible to all people concerned. These prove very helpful in sales force automation wherein the sales person gets instantaneous access to all relevant material as when it is required especially when sales person is in a meeting with a client.

9. **Proper interface with customers:** the communication from

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various departments like sales, finance, customer support, etc. should be consistent and not contradictory. Therefore, all departments should be sharing a unified view of the customer to enable a consistent approach. Removal of inconsistencies is necessary to ensure that customers are not harassed and frustrated owing to poor internal coordination. This bound to enhance customer satisfaction. The contact centers that are used to interface with customers should ensure that they use consistency irrespective of the medium used for the interactions such as telephone, internet, e-mail, etc. Banks can use the data on customers to effectively segment the customers before targeting them.

CRM Initiatives of The Urban Co-operative Banks

Easy pay scheme: Urban co-operative banks have introduced 'Easy Pay' Scheme for all the customers recurring utility bill payments such as Telephone bills, Electricity bills, Cellular phone bills, insurance premium and many others. For this the customer has to register themselves with any branch under this scheme and all future bills will be paid automatically through bank account.

ATM Service: Many urban co-operative banks value customer 'Time' for money as the 'Time' itself is money. These banks issue ATM card to all customers who open account with our bank. Customers can enjoy the privilege and convenience of withdrawing cash at their convenience at time during day and night on all 365 days in a year. For instance, customers can draw cash from ATMs of Sankarank bank as well as over 2461 ATMs of 20 members' bank in 'SANCOS' network. For drawing cash from the ATMs of consortium banks, no charges are levied.

Debit card: RBI has allowed some urban co-operative banks to offer Debit card to their customers. To add greater currency to the debit card, bank has made a tie up arrangement with VISA, the international agency. The Debit Card with Visa accreditation has been launched to limited customers in March 2008. After successful testing, it is now being made available to all the customers and are entitled to draw cash from any of the VISA accredited ATMs not only in India but also across the world, to use the debit card for making payment at any point of sale and use it for internet transaction of all types.

Mobile banking: Now urban co-operative banks also have introduced Mobile banking for the benefit of customers for availing much information about their account. Mobile banking has provided messages of both types: Push and Pull. In push messages, bank has been sending SMS alerts of cash transactions above Rs.5000 and also for Demat transactions. In Pull messages, customers can check balances in the account and find out details of last five transactions by sending SMS on a given number.

Mutual fund: The rising disposable income created a huge potential for investment in insurance and mutual fund. Considering the changes in Indian demographic (more than 70 percent of the population below the age of 35), changes in investment pattern, increased competition and thinning of interest margins, the Indian banking industry had to redesign their bouquet of products and introduce marketing of third party products like insurance and mutual fund to increase fee based income. For example, Saraswat bank has entered

into the Mutual Fund distribution business in 2009 and has successfully set up with 21 Fund House with total fund invested at around Rs.100 crores. The mutual fund industry has currently has 35 fund house with 1800 schemes spread across 30 different categories. The bank has tie up with major fund houses like Birla Sunlife Mutual Fund, Franklin Templeton Mutual Fund, HDFC Mutual Fund, ICICI Prudential Mutual Fund, Kotak Mahindra Mutual Fund, Principal PMS Mutual Fund, Reliance Mutual Fund, Tata Mutual Fund, UTI Mutual fund etc.

Insurance: Many urban co-operative banks have tied up with insurance companies like LIC, HDFC standard life insurance company limited, etc. for various life insurance schemes such as Endowment plan, Children's Double benefit plan, Term assurance plan, Regular personal pension plan etc. For non-life insurance plan, these banks have tie up with companies like M/s. Bajaj Allianz General Insurance Company Ltd, etc. to sell general insurance products.

Demat Account: The urban co-operative banks offer the facility of opening the demat account to their customers. This helps the customers to transfer securities from one account to another account and trading and settlement of shares and securities are carried out easily and expeditiously.

Any Where Banking: Almost all urban co-operative banks offer the customers the facility of anywhere banking with the clearing and quick collection of substitution cheques. Customers can withdraw cash upto any limit from the account from any

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of the bank's branches with the support of core banking solutions. The business associates of customers can remit money to the account of partners through any of the branches instantly. The facility is extended to saving, current and overdraft account. Customers can also transfer funds from one account to another and check the balance and details of the transaction and get passbook printed from any of bank's branches.

Internet Banking: Most of the urban co-operative banks offer internet banking facility to its customers by which you can bank in the easy confines of your home/office and enjoy the following facilities like information of the linked account, statement of accounts, balance enquiry, status cheques, loan account, profile information, mini statements etc.

Foreign exchange: Now most of the urban co-operative banks have the license from RBI to deal in foreign exchange. This division plays an active role in the foreign exchange operations through category branches. These banks offer export credit finance by way of pre-shipment and post-shipment credit at market competitive market rate. The bank is providing import finance to its valuable customers by providing letter of credit facility for its customers to purchase raw material, which is generally given for 90 to 180 days.

Conclusion

In today's growing competition, dynamic market situation, changing global marketing strategies and increasing use of online channel of communication and transactions, it has become extremely difficult for the

urban co-operative banks to stay ahead of their competitors. Many banks which have understood the importance of retaining customers and corresponding life time value of customers are turning towards implementing CRM in their organizations. CRM has its higher and most successful implementation in financial service industry. Customer intimacy or relationship with customer is observed as one of the competitive differentiators in this industry. With the increased income levels customers are now looking for better banking investment facilities. The importance of adapting itself to the changing needs of the customers is compelling the bank to adopt more customer friendly and operational systems. Urban co-operative banks should today acknowledge that appropriate understanding and implementation of CRM strategy is the key to success.

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