

## Measuring Performance towards Customer Relationship Management Practices in Indian Banking Sector: Study of Conceptual Theories and Focus on Developing CRM Model

Mr. Shaileshkumar Jausukhbhai Limbad<sup>1</sup>, Dr. Vinod Patel<sup>2</sup>

<sup>1</sup>Assistant Professor, Shree JDG Com College and SAS Collage of Mgmt, Varachha, Surat, Gujarat, India

<sup>2</sup>Professor, Department of Business and Industrial Management, VNSGU, Surat, Gujarat, India

### \*Corresponding author:

Dr. Vinod Patel

Received: 25.06.2019

Accepted: 10.07.2019

Published: 18.07.2019

**Abstract:** The intensive competition between retail banks in India and all the banks realized the needs for protecting existing customer base. Maintaining customer relation and build a loyalty has become a business strategy, and banks also realize that customer lifetime value identifies the value of a long-term relationship. This study mainly focused on types of CRM practices deployed in Indian banking sector and the changes needed with evaluation and cut throat competition. It helps to increase the ability to serves customer better and to improve the marketing productivity. It will also help to understand the effectiveness of CRM practices adopted by the various banks. With the theoretical and conceptual background of Customer Relation Management, the present study intends to focus on customers' perception towards performance on CRM practices by Indian commercial banks including Public, and Private Sector Banks. There are some research gaps exist in measuring the CRM effectiveness in past; and with special reference to its modern applications in banking organization in present. Many studies done on multiple aspects but dynamic aspects of CRM practices make it older. This research study aims to measure customer perception towards CRM practices apply by various Indian commercial banks, A broad comparison is also attempted between the CRM practices of India's top 3 Public Sector Banks and India's top 3 Private sector banks. So that here researcher tries to evaluate different models and relationship between different service parameters of CRM.

**Keywords:** Customer Relationship Management (CRM), Conceptual model, Indian banking sector.

### INTRODUCTION

Relationship marketing gets translated and implemented through the marketing strategies, promotional programs as well as through marketing communication programs. When implemented as a part of marketing strategy, the relationship is normally focused on leveraging the brands and products of the Company with the customer. Besides the marketing activities, the Companies implement internal and external corporate communications too keeping in view the Customers.

Marketing strategies are required to define the relationship marketing strategies for each of the product or service category taking into account the geographies, the customer profile as well as the overall RM objective of the Company. The RM strategy in case of a product

company would be different from that of a service company and the element of communication design strategy would need to be different for a product from that of a service. In case of a product, the Customer is likely to respond in terms of brand, tangible and quantifiable performance of the product and the satisfaction derived from post sales service. In case of service, however, there is no tangible product and the customer's expectations are different when it comes to service that is mainly concentrated around his perceptions and experience.

Therefore understanding the concept of Relationship marketing, the difference between RM and Customer Service as well as the ways and means of implementing or achieving RM objectives through effective marketing strategies is important for all the marketing managers and students who are going to be

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the drivers to defining, planning, detailing and implementing marketing strategies. An effective Marketing Manager should be able to effectively design marketing policies and strategies that are aligned with the Company's RM objective and help build the relationship between the Company and Customer, Partners as well as the intermediaries who are critical to one's business.

The banking sector occupies one of the most important positions in the modern economic world. It is necessary for trade and industry. It is therefore one of the major trading agencies. Although the bank in one form or another has existed for a very long time, the modern bank is of recent origin. This is one of the results of the industrial revolution and the child of economic necessity. Its presence is very useful to the economic activity and the industrial progress of a country.

The intensive competition between retail banks in India and all the banks realized the needs for protecting existing customer base. Maintaining customer relation and build a loyalty has become a business strategy, and banks also realize that customer lifetime value identifies the value of a long-term relationship.

The main objective of relationship banking strategy is to build a customer loyalty. Many marketer, researcher and corporate banker believe that customer loyalty may lead to increase profit and customer retention, others also believe that customers are only interested in the transactional value, price, or services they are going to receive.

## LITERATURE REVIEW

Krishnamoorthy And Dr. R. Srinivasan "Impact Of Customer Relationship Management On Loyalty In Indian Banking Sector - An Empirical Study" In "International Monthly Refereed Journal Of Research In Management & Technology".

### Objective

To measure the impact of various dimensions of customer relationship management and its impact on loyalty.

## RESEARCH METHODOLOGY

The targeted population of the present study was bank customers of Theni city. In total, Theni city consists of 14 public sector and 9 private sector banks. From each bank 15 customers are purposively selected for the study. So the total sample size determined was 345 bank customers.

### Findings

- **Competence:** Knowledge about market trends, confidence with bank services, personalized service to meet customer needs, knowledge

about banking services, showing respect to customers, helping customers to plan their investment, Bank is flexible when its service are changed, openly discussing solution when problem arise, providing effective sales promotion can be grouped into first factor.

- **Relationship Communication:** Providing timely and trust worthy information, flexibility in serving customer needs, bank helping to avoid potential conflict, bank fulfills its promises, providing advice on how to invest can be grouped into second factor.
- **Caring:** Bank tries to solve conflict before create problems, providing accurate information, fulfill its obligation to customers, can be put under third factor
- **Trust:** Banks words and promises are reliable, consistent in providing services can be grouped into fourth factor
- **Shared Information:** Informing about new banking services and concerned with security of transactions be put under fifth factor.

1. KABIRAJ SAJAL: 2004 customer relationship management practices in retail banking: an indian experience in *International Journal of Effective Management*, Vol. 1, No. 1, June 2004 ISSN 1547-3708

### Objective

To develop and design strategic business models for CRM for retail banking in India, for gaining sustainable competitiveness in retaining, acquiring and servicing customers.

### Respondents Covered

- Top corporate and bank executives
- Retail bank customers
- CRM vendors

**Model Developed:** Value proposition of the model is defined in terms of "REWARD"

- Retain existing customers,
  - Entertain customers with efficient, secure & speedy transactional tools,
  - Widen and improve the gamut of services / product offerings,
  - Acquire new customers,
  - Regain customer confidence, trust and loyalty,
  - Diligent and intelligent use of technologies
2. CHANTAL ROOTMAN et al: 2004, "The influence of bank employees on bank customer relationship management in the journal "acta commercial 2007"

### Objective

- To investigates the influence of employees on the customer relationship management (CRM) of banks.

### Points Covered

Dependent factor: Customer loyalty.  
Independent factors: Employee knowledgeability, Attitude.

### Findings

- There is a significant positive relationships exist between both the knowledgeability, and attitude of bank employees and a bank's CRM.
- It is important for banks to increase their CRM by improving the attitude and knowledgeability of their employees.

3. YATISH JOSHI AND EHTESHAM AHMAD, "Customer Relationship Management In Banks" in VSRD International Journal of Business and Management Research, Vol. 3 No. 6 June 2013 e-ISSN : 2231-248X, p-ISSN : 2319-2194

### Objective

Defines basic concepts, strategies used in managing customer relationship by using the branch service, ATMs, electronic banking, call centers, Phone banking and other customer touch points.

### Findings

Given the principle of CADRT

- Creating a customer- based culture in the organization.
- Adopting customer based managers assess satisfactory.
- Developing an end to end process to serve customers.
- Recommend to solve the answers of question.
- Tracking all forms of selling the services to the customers.

4. PLAKOYIANNAKI AND TZOKAS, "Customer relationship management: A capabilities portfolio perspective" illustrated that capabilities and processes are closely entwined; using the CRM process as a starting point, the authors propose that the following set of capabilities will determine the success of a CRM system:

- Learning and market orientation capabilities: The learning process has been closely linked with market orientation.
- Integration capabilities: 'Weaving' business processes together into capabilities mandates integration.
- Analytical capabilities: Analytical capabilities are linked to technological artifacts and knowledge and hold an active role in enhancing relationships with customers.
- Operational capabilities: Operational capabilities utilize and enhance resources.
- Direction capabilities: CRM initiatives suffer from strategic focus.

5. LOVE KUMAR PATWA AND KUSH KR. PATWA "An Analytical Study of CRM Practices

in Public and Private Sector Banks in the State of Uttar Pradesh" in Pacific Business Review International Volume 6, Issue 7, January 2014

### Objectives

- To understand and evaluate the effectiveness of CRM in banking sector.
- To compare the structure, objectives and working styles between various Public Banks and Privet Banks.
- To identify the level of computerization and level of automation by banks to provide better services to customers.
- To assess the customer satisfaction level.
- To study the various barriers of effective CRM.

### Findings

Efficient complaints resolution  
Superior quality service  
Positive Staff Attitude  
Integrity, Honesty and Reliability

And conclude that Private Banks have been able to implement the CRM practices more effectively. However, a micro analysis reveals that the Public Banks have highest scores in terms of reliability and assurance.

6. PANDA RAJEEV KUMAR ET AL: 2014, **Assessing Customers' Perceived Service Quality In Private Sector Banks In India, in Serbian Journal of Management**

### Objective

This paper aims at constructing a measure of service quality for Indian private sector banks. The SERVQUAL model was used. In total 28 variables were considered to find their relative importance from customers' point of view.

### Findings

Customers believe that bank's effort in instill confidence in customers, the bank's concern for customers' best interest and safety standards in transactions are vital factors for improving customer satisfaction. To deliver high quality services to their customers, banks should not ignore the specific needs of their employees such as motivation factors, factors leading to satisfaction (or dissatisfaction) among them, ways and means to enhance employees' commitment to their jobs, customers and the institutions they work for must be addressed properly.

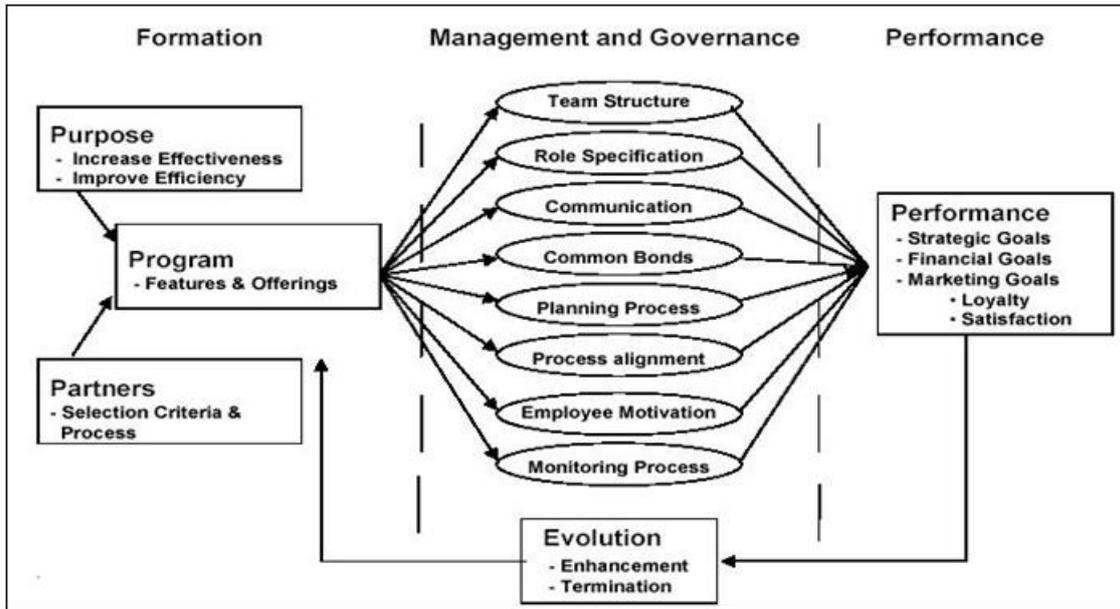
**DEVELOPED COCEPTUAL MODELS OF CRM Four-stage CRM process framework-** developed by **Parvatiyar and Sheth** Comprised of the following four sub-processes:

- A customer relationship formation process

- A relationship management and governance process
- A relational performance evaluation process and
- A CRM evolution or enhancement process.

The components of their process framework are presented in the Figure below.

Researcher suggested the formation process of CRM refers to the decisions regarding initiation of relational activities for an organization with respect to a specific group of customers or to an individual customer with whom the organization wishes to engage in a cooperative or collaborative relationship.



**Fig-1: The CRM Process Framework**

Once a CRM program is developed and rolled out, the program as well as the individual relationships must be managed and governed. For mass market customers, the degree to which there is symmetry or asymmetry in the primary responsibility for whether the customer or the program sponsoring organization will be managing the relationship varies with the size of the market.

From this point onward, periodic assessment of results in CRM is needed to evaluate whether programs are meeting expectations and if they are sustainable in the long run. These performance evaluations also help in taking corrective action in terms of relationship governance or in modifying relationship marketing objectives and program features.

**Three Component Model**

During 1994, Rust and oliver modified and extended the Nordic model into three component model. Its focus was the relationships that exist between service quality, service value and customer satisfaction. The measurement of SQ is conceptualized as the customers’ perception about an organization’s service product, service deliver and service environment. The criticism leveled against Rust and Oliver’s model is that it has omitted several important elements of SQ and gives only a generalized picture of SQ.

Three distinct components - service product, service delivery and service environment - were proposed as essential elements of service quality. The service product element consists of what consumers get as a result of service (i.e., outcome) and also of the consumer’s perception of the service. The service delivery element stands for the consumption process with any relevant events that occur during the service act. The service environment element represents the internal and external atmosphere in which a service takes place.

**YATISH JOSHI AND EHTESHAM AHMAD, Three types of CRM practices**

- *Operational CRM*- Management of marketing campaigns and call centre, frontline processes in sales, marketing and customer service, automating communications and interactions with the customers.
- *Analytical CRM*– Analyzing customer information, address marketing and customer service objectives, right message to the right customer at the right time through the right channel.
- *Collaborative CRM*- Facilitating customers to perform services on their own through a variety of communication and interactive channels.

To implement CRM in an effective way, one needs to consider the principle of “CADRT”

- Creating a customer- based culture in the organization.
- Adopting customer based managers assess satisfactory.
- Developing an end to end process to serve customers.
- Recommend to solve the answers of question.
- Tracking all forms of selling the services to the customers.

**PROPOSED CONCEPTUAL MODEL-1**

<b>KEY CUSTOMER CENTRIC ASPECT</b>	
1	Bank provides customized services and products.
2	Bank tries to build emotional bonds with customers by wishing them on important occasions and festivals.
3	Bank tries to deliver a consistent experience.
4	Banks have customer-centric performance standards.
5	Bank tries to provide more than customer expectations.
6	Bank clearly defined and assigned responsibilities of frontline employees.
<b>KNOWLEDGEABILITY ASPECT</b>	
7	Bank employees are knowledgeable enough to inform clients about products and/or services.
8	Bank employees try to consulting clients till they are satisfied.
9	Bank employees are knowledgeable regarding the banking products and services.
10	Bank employees know the procedures of delivering services.
11	Bank has the sales and marketing expertise and resources.
<b>TECHNOLOGICAL ASPECT</b>	
12	Bank gives me SMS/Call alerts for new offers or any due.
13	Bank gives SMS/Call alert to me for any due
14	Bank has convenient ATM and CDM centers.
15	The bank sends account statements online.
16	Bank answering me on call.
17	Online services are very good.
18	Bank provides me debit card facility.
19	Bank has convenient online and toll-free telephonic customer care services.
20	Bank mobile application is very easy to operate.
21	Internet banking facilities are very good.
<b>INFORMATIVE ASPECT</b>	
22	Educates customers about the complex procedures or services.
23	Frequently exchanges information about banking products.
24	Bank immediately informed when banking policies, procedures are change like change in interest rates.
25	Bank maintains, updates and monitors account information.
26	Bank operates and informs me about banking policies and procedures.
27	Bank issues and provides monthly statements of accounts.
28	Bank always notify me for change in interest rates on deposits and loans.
29	Bank also likes to get feedback to design or improve products or services.
<b>ATTITUDINAL ASPECT</b>	
30	Senior management is positive to know customer problems.
31	Bank treats customer differently or provides customized services.
32	Bank takes customer feedback seriously and replies to them.
33	Bank systems are flexible enough to adapt to customers’ changing needs and wants.
34	Bank takes opinions and feedback in product design.
35	Bank employees have positive attitudes, appear really happy and without stress.
<b>CULTURAL ASPECT</b>	
36	Bank’s has the values of honesty, transparency and fairness.
37	Bank provides value for money.
38	Bank maintains high ethical standards and operates within the boundaries of the law.
39	Bank has good reputation and brand image.
40	Bank never gives me any unrealistic promises.
<b>OPERATING &amp; PROCEDURAL ASPECT</b>	
41	Bank customizes service offerings.
42	Bank gives me a call in case of deficit in my account before clearing the cheques.
43	Bank sometime change policies and procedures for me.
44	Bank also provides me services at home.
45	Bank interacts in smooth and efficient manner.
46	Banking procedures are very simple.
47	I can withdraw funds, transfer funds at anytime, from anywhere.
48	24*7 hours services are available.

49	Bank issues/updates cheque/pass books whenever requested.
50	Bank has well-developed privacy policy to ensure confidentiality of data collected from customers.
51	Bank issues new cheque book whenever requested.
<b>PRICING ASPECT</b>	
52	Charges are very reasonable.
53	Banks charges are transparent and impartial.
54	Bank does not applying any hidden charges.
55	Bank not charges any penalty for non-operation/activation of in-operative 'basic savings bank deposit account'.
<b>PRODUCT AND DISTRIBUTION ASPECT</b>	
56	Bank has enough resources to deliver services.
57	Bank has intensive distribution channels.
58	Bank has variety of services and offerings.
59	Bank has specific and proper queue management system.
<b>SATISFACTION ASPECTS</b>	
60	Overall I am very much satisfied with the bank services.
<b>LOYALTY ASPECT</b>	
61	I am completely committed to this bank.
62	I have never seriously considered changing this bank.
63	I will continue using the services offered by this bank.
64	I will also use other products/ services offered by this bank in the future.
65	I like to recommend this bank to others.
66	I will switch to a competitor bank that offers more attractive benefits/ interest rates/ service charges.
67	I will switch to a competitor bank when there are problems with the current bank's service.

**PROPOSED CONCEPTUAL MODEL-2 (SERVQUAL-CRM)**

Statements	
<b>Tangibility</b>	
1.	Employees are professionally dressed.
2.	Bank has modern equipments to provide customer services.
3.	Bank has visually appealing layout and physical facilities.
4.	Bank has clean, peaceful and appropriate sitting space.
5.	Bank has regular reception counter and enquiry counters.
6.	Bank displaying indicator boards at all the counters in English, Hindi or in regional language.
7.	Bank sends me calendar, diary and other tangible gifts.
8.	Bank provides booklets, brochures and other printed materials consisting of all details of service and facilities.
9.	Bank provides safety deposit lockers at reasonable charges.
<b>Reliability</b>	
10.	Bank performs error free services right the first time.
11.	Bank provides prompt and consistent services.
12.	Banks delivers as they promise.
13.	Banks shows a sincere interest in solving customer problems.
14.	Banks will insist on error free records.
<b>Responsiveness</b>	
15.	Bank has less waiting line to delivering services.
16.	Bank is quick in locating and eliminating requests/errors.
17.	<b>Bank gives me priority in delivering services.</b>
18.	Bank employees always willing to help customers.
<b>Assurance</b>	
19.	Bank assured me feeling of safety and security of transactions.
20.	Bank keeps information confidential in exchange.
21.	Bank has policy to ensure the security of account.
22.	Bank employees are kind, polite and disciplined.
23.	Bank gives me guarantee against Service failures.
24.	Bank assured service execution time.
<b>Empathy</b>	
25.	Bank makes an effort to understand needs.
26.	Bank is conveniently located.
27.	Bank has convenient operating hours.
28.	Bank has their customers' best interest at heart.
<b>Overall satisfaction</b>	
I am satisfied with the overall service quality of my bank.	

## **FUTURE SCOPE OF THE STUDY**

This paper helps to construct a questionnaire for conducting research study on CRM practices in banking industries. The study will be restricted only to banking industry. The statements including in this paper can be increased and also use to measure employees' perception for and attitude towards performing CRM activities. For further this topic can be extended to other sectors like insurance, hotel and hospitality sectors.

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