

# Chapter-1

## 1. Introduction of Customer Relationship Management (CRM)

### 1.1 Customer Relationship Management

Customer Relationship Management is one of the customer management strategies that direct the customer's needs at individual level rather than a group (Lambert, 2010). It helps companies to organize their activities around the customer. CRM is not just about companies of consumer goods and services but it is the secret to success for every kind of business. Nowadays, only those companies that want to win the trust of their customers are successful. To understand more in customer relationship management, we must first understand three components, that are - The clients, the relationships and Their Management (Peppers and Rogers, 2004). Generally, managers always make mistakes if they do not make a shift from customer satisfaction to the client's point of view (Peppers and Rogers, 2004). The banking sector is a customer-oriented service where the customer is the center. A perfect CRM strategy is to create a common value for all parties involved in the business process. It's about creating a sustainable competitive advantage by understanding, communicating and delivering the best. It emphasizes on building relationships with existing customers, creating and retaining new customers. It is a comprehensive approach in creating, maintaining, and developing customer relationships that coordinate customer service, marketing, information technology, and other customer-related functions. It integrates people, processes and technologies to maximize relationships with all customers. It is not intended to build closer relationships with all customers, but it is recommended that companies take the initiative to identify the most valuable customers by looking for their value in life. From the bank's point of view, CRM is the process or management approach for attracting, retaining, and developing customers (Israni, 2016). Customer relationships are important and valuable to the business. The effective relationship between customers and banks depends on

understanding the different needs of customers at different stages. The ability of banks is to meet the needs of customers and to make them feel more like a valuable person than being part of a large number of customers. CRM manages relationships between a company and its customers. It identifies the current and future markets, selects the markets to serve and identifies the progress of existing markets and new services. It can be developed as a mutually beneficial long-term relationship with strategically important clients (Buttle, 2002). It is the creation, development, maintenance and long-term optimization of mutually beneficial relationships between consumers and organizations. Customer relationship management helps to understand the needs and wants of customers to place them on the top by combining business strategy, customers and information technology (Das, 2012). In the present Era of business environment, Customer Relationship Management (CRM) also refers to the methodologies and tools that help businesses to manage in an organized manner (M. Mahalakshmi, 2016). According to Philip Kotler, CRM approach means managing detailed information about individual customer and consciously managing all the customer's needs with the aim of maximizing customer loyalty. The purpose of CRM is to convert the present customers into loyal customers so that customer retention can be increased. Hence, CRM helps to maintain and enhance relationships with customers and other stakeholders. Customer wants low cost products and services that fulfill their needs (T. Chary R., 2011-2012). The relationship is often short - term or long-term, continuous or discrete, and repeating or one-time. Even though customers have a positive attitude towards the organizations and its products, but their buying behavior is also dependent on some other factors (Adolf, 1997). The concept of CRM deals with customer self-service, personalized offerings by analyzing past customer behaviour and also to anticipate the customer's needs and fulfill them. In the present competitive marketplace where businesses struggle for clients, CRM can be seen as a key component of business strategy. Now most of the organizations are providing best products and services to the effective marketplace for retaining their existing customers and measure the customer's satisfaction level (Sampath, 2014). The term Customer Relationship Management was first used in the early eighties by academicians from different business schools. It constitutes the systems and facilities that required capturing, analyzing and sharing all facets of the customer's relationship with

the enterprise. CRM is a process to evaluate and distribute organizational resources to those activities which have the furthest return and force on profitable customer relationships (Mohammed, 2013). In CRM, marketing efficiency is achieved because cooperative and collaborative process helps in reducing transaction costs and overall development costs for the company. A CRM value chain identifies a sequence of primary and supportive stages like customer portfolio analysis, customer relationship, network development, value proposition development, and connection management. Marketing productivity is achieved through increasing marketing efficiency and by enhancing marketing effectiveness (Sheth and Sisodia, 1995).

Developing close, cooperative relationship with customers is more important in the current era of intense competition and demanding customers, than it has ever been before. Customer relationship management (CRM) has attracted the expanded attention of scholars and practitioners. Dwyer, Schurr, and Oh (1987) have characterized such cooperative relationships as interdependent and long-term orientated rather than being concerned with short-term discrete transactions. However, several factors have contributed to the rapid development and evolution of CRM. These include the growing de-intermediation process in many industries due to the advent of sophisticated computer and telecommunication technologies that allow producers of industries such as airlines, banks, insurance, computer program software, or household appliances and even consumables. The de-intermediation process is fast changing the nature of marketing and consequently making relationship marketing more popular. Databases and direct marketing tools give them the means to individualize their marketing efforts. As a result, producers do not need those functions formerly performed by the middlemen. Even consumers are willing to undertake some of the responsibilities of direct ordering, personal merchandising, and product use related services with little help from the producers. The recent success of on-line banking, Charles Schwab and Merrill Lynch's on-line investment programs, direct selling of books, automobiles, insurance, etc., on the internet attest to the growing consumer interest in maintaining direct relationship with marketers. The de-intermediation process and consequent prevalence of CRM is also due to the growth of the service economy. Since services are typically produced and delivered at the same institution, it minimizes the role of the middlemen. A greater emotional bond

directly interacts with end-customers. For example, many service providers and the service user also develops the need for maintaining and enhancing the relationship. It is therefore not difficult to see that CRM is important for scholars and practitioners of services marketing (Berry and Parsuraman 1991; Bitner 1995; Crosby and Stephens 1987; Crosby, et. al. 1990; Gronroos 1995).

## **1.2 Benefits of CRM**

It is also a business model which coordinates the product and sales strategies with customer needs and preferences. Effective CRM starts by specializing in the event of business strategies and by aligning a corporation to serve customers. After that, these business strategies are then implemented by using CRM tools solutions. The most successful business strategies are developed only after a corporation learns about customers' behavioral patterns and attitudes. Because this will be helpful to know about which types of products or services have been purchased in the past and what products or services are currently being bought. This study shows what are customers thinking and feeling about their future buying decisions. Banks have always considered them highly customer-focused and offer their wealthy clients highly personalized services. However, changes in customer behavior and asset accumulation mean that High Net Worth customers' needs are becoming more diverse and complex with respect to the types of products they desire, the channels they want to access, and the product types they want. The richer the customers, the more demanding they are - and the customers expect more and more from their banks (Gupta, 2019). The Indian banking sector is today one of the largest in the world. CRM is having great importance in the field of the banking sector. CRM practices in banking sector helps in maintaining durable relationships with their customers and increase their profits. This is the establishment, development, maintaining and optimizing long-term and mutually beneficial relationships between the consumers and the organizations. Customer relationship management is the heart of the business; it can understand the requirements and needs of consumers and integrating them into strategy, people, technology and business processes (Rashmi, 2015). One of the most interesting aspects of CRM development is the multitude of customer interfaces that a company has to manage in today's context. Until recently, a company's direct interface

with customers, if any, was primarily through sales people or service agents. In today's business environment most companies interface with their customers through a variety of channels including sales people, service personnel, call centers, Internet websites, marketing departments, fulfillment houses, market and business development agents, etc. For large customers, it also includes cross-functional teams that may include personnel from various functional departments. While each of these units could operate independently, they still need to share information about individual customers and their interactions with the company on a real-time basis. For example, a customer who just placed an order on the Internet and subsequently calls the call center for order verification, expects the call center staff to know that details of his or her order history. Similarly, a customer approached by a sales person unaware that she has recently complained about dissatisfactory customer service, is not likely to be treated kindly by the customer. On the other hand if the salesperson were aware of the problem encountered by the customer, her/his complaint and the action already initiated to resolve the complaint would place the salesperson in a relatively superior position to handle the situation. Therefore, effective CRM implementation requires a front-line information system that shares relevant customer information across all interface units. Relational databases, data warehousing and data mining tools are thus very valuable for CRM systems and solutions (Atul Parvatiyar 2000). By the 1990s relationship marketing was a topic of great interest for marketing scholars and practitioners. The increased interest in 'one to one' marketing (Peppers and Rogers 1993) highlighted the potential for shifting from a mass marketing to individualized or 'one-to-one' marketing where the customer and supplier engage in a mutually beneficial co-production process (Bendapudi and Leone 2003). Relationship-oriented approaches have been increasingly advocated over the last fifteen years (e.g. Gronroos 1994; Gummesson 2002b; Webster 2002; Vargo and Lusch 2004). However, relationship marketing has not developed as a streamlined and integrated body of research and Coote (1994) has described how alternative approaches to relationship marketing have evolved a number of authors who have proposed CRM strategy frameworks. However, most of these do not adopt an explicit cross-functional process-based approach. Buttle (2001) provides a 'CRM value chain' that identifies a series of 'primary stages': customer portfolio analysis; customer intimacy; network

development; value proposition development; and manage the relationship. It also identifies a series of 'supporting conditions' including: culture and leadership; procurement processes; human resource management processes; IT/data management processes; and organization design (World Best Bank Awards 2009 & 2010). This establishes that this bank is very customer centric Bank. Hence there is no surprise that the mission of the bank is to become a “World Class Indian Bank”. Through the focus on product quality and service excellence in conjunction with benchmarking its services against the international standards, the bank is becoming nearer to its aim. The bank has adopted best practices in offering products, technology, services, risk management, audit and compliance. Its main objective is to become the preferred banking service provider by building strong customer base amongst different categories of businesses. For this the bank always ensure that the highest levels of ethical standards, professional integrity are followed and full compliance of corporate governance regulatory norms is ensured. The strategy followed by the bank emphasizes on three aspects i.e. a) market share expansion by following a path of disciplined growth strategy which focuses on balancing quality of services and growth of volume by delivering the high quality customer service. The real value to a company lies in the value they create for their customers and in the value the customers deliver back to the company. So, it is important to mark that the value does not lie in more information and in more advanced technology. The value lies in the customer knowledge and in how the company uses that knowledge to manage their customer relationship. Knowledge is the sole of CRM. Unfortunately, few companies are transforming the information to customer knowledge and therefore, they miss the opportunity to provide value to their customers. However, applied in the right way, CRM is the tool that contributes to profit. Companies are transforming the customer data into knowledge and then use that knowledge to build relationship and loyalty, followed by profits. Successful CRM implementation is reasonable based on the following benefits.

**a) Lower Cost of Recruiting Customers:**

Customer recruitment cost will be decreased thereby increasing savings in marketing, mailing, contacting, follow-up, fulfillment, services, and so on.

**b) Steady Volume of Business:**

Increase in long-term customers' relationship will ultimately results in constant volume of business which leads to steady output.

**c) Reduced Cost of Sales:**

Long-term customers are more responsive than the newer ones that will decrease the selling cost. Marketing campaign cost will decrease due to familiarity with the distribution channels.

**d) Higher Customer Profitability:**

Customer profitability will increase by higher customer wallet-share, up-selling, cross-selling and follow-up sales. Moreover, satisfied customer refers more customers.

**e) Increased Customer Retention and Loyalty:**

The retained or long-staying customer buys big quantities frequently.

**1.3 Evaluation of Customer Profitability:**

Every organization evaluates and identifies profitable customer, it should also identify the customer either going to be profitable in future or never profitable in future. The key to success in business is to discover economically beneficial customers, acquire them and never let them go and collect data regarding this (T. Vijaya kumar).

**1.4 CRM Strategy Implementation Model**

An examination of the extant literature on CRM highlights the effective management of customer relationships which involves many different and interlinked aspects. Further, most of the literature on CRM does not emphasize its cross-functional nature. This is a neglected and critical Customer Relationship Management from Strategy to Implementation of 143 component of CRM that should form the basis of any CRM implementation model. Our model was developed using an 'interaction research' approach and combined field-based interactions, involving the executives group above, with

insights from the literature to identify key implementation areas. These components were then incorporated into a first preliminary model.

This initial model, and the development of further versions of it, was informed and further refined by interactions with executive groups discussed above. The model went through several iterations and a number of further minor revisions. The model has two main components:

1. Key CRM implementation elements
2. Core cross-functional CRM processes.

As a result of this research, four critical elements for successful CRM implementation were identified. A longer list was initially developed from interviews, extensive discussions and group work at workshops and from the literature. They were interactively and progressively refined into the following categories

1. CRM readiness assessment
2. CRM change management
3. CRM project management
4. Employee engagement.

We then integrated these four critical elements for CRM implementation with five core CRM processes (Payne and Frow 2005) in a conceptual model for CRM strategy and implementation. The development of the model benefited from discussions and criticisms during presentations at two academic conferences. We highlight the importance of the four implementing elements as CRM research especially needs further work; in particular, little attention has been given to the role of people in implementing CRM activities (Boulding et al. 2005). The term CRM was first coined in early eighties by academicians at various business schools. One of the first on the scene was Dr. Jagdish Sheth who was at the Goizeta Business School at Emory University in Atlanta. CRM: Customer relationship management as coined by the Gartner Group compasses sales, marketing, customer service, and support applications. While the CRM term is quite recent, it grew from a combination of terms like Help Desk, Customer Support, ERP, and Data mining. It evolved because none of the previous terms could cover the topic well enough and because some of the terms (ERP) have grown to be met with a great deal of distaste in the mouths of the business world.

CRM Define: Customer Relationship Management (CRM) is the strategic application of people, processes, and technology in an organization - wide focus on improving the profitability of customer relationships - DM Martin and AM Peel, The Pace Setter Group, 2001. The infrastructure enables the delineation of an increase in customer value, and the correct means to motivate valuable customers to remain loyal and to buy back again (Maher Fadhil Mohammed, 2013). CRM, Sales and Marketing phrase, "know your customer, help your business," certainly applies to marketing and CRM. Without a doubt, a key component of CRM database analysis and implementation is marketing. To be effective, one would hope to have marketing that reaches the right customer with the right message at the right time using the right medium. But without having the data available regarding one's public and buying patterns, marketing often becomes a black hole for wasted money. So an effective CRM application, one that enables an organization to easily gather critical sales and marketing information, not only pays for itself very quickly but it becomes a valuable resource for improving both the top (revenue) and the bottom (profit) lines. The top line is improved by increasing sales through better data management, and improving marketing effectiveness by collecting, analyzing, and using valuable customer information. The bottom line is improved by reducing service time and cost, and by improving the general productivity of the staff as a direct result of the CRM solutions of task management and contact management and even in some cases, the interface to other software programs such as accounting applications. Today's economy is demanding: as margins get squeezed, quality can deteriorate. Customers don't want to spend hours on hold. Prospects often want a quote or invoice on the spot. Without accurate record storage and quick access to information, sale repeats get far behind on their call lists and once "hot prospects" turn ice cold. Speed of particle flow and speed of delivery are vital factors for survival, so access to the same data, from a variety of positions is a must. Sales, shipping, service, accounting and even the executive branch must all have the same data, and often at the same time. CRM dictates that anyone who touches a customer shares the same information and that information should be easy to access by technology integration effort to enable the customers to access information the way they want. With little difference in levels of technology among major banks, relationship building has assumed significance. However,

Relationship Banking is not a new thing in banking, especially in India. Most successful managers in Public Sector Banks have thrived on the close liaison they had with their clients. A Trusted Bank Manager was almost a family member. However, the days of customer dependence on one organization for all his needs have undergone a sea change. Most Customers would prefer to choose and pick the best available alternative. The days of a committed customer are declining. Moreover the customers are now well educated and aware of the alternatives in the market. The job of banking staff becomes more challenging in today's competitive scenario. A relationship based on mutual trust and respect will ensure that both the customer and more particularly, the bankers are benefited. In order to reap the benefits of having retained customers and gaining competitive advantage online, banks need to develop a thorough understanding of the antecedents of retaining customers on the World Wide Web, such as technology factors or personal banking characteristics. In order to investigate the importance of e-retention, the identification of variables influencing repeat purchasing behavior and word-of-mouth recommendation is a crucial area of research. This holds especially true for financial sector especially banks which already depend heavily on their reputations and long-lasting relationships in the offline world. The widespread adoption of online banking services calls for research investigating those factors which are responsible for retaining customers and keeping them satisfied. This will help banks in the areas in which they can improve. Hindrances, such as waiting for information, losing a page, having to fill out forms more than once, or needing to enter the same information in multiple places, can prompt people to switch banks and demand attention to provide an insight into gaining satisfaction and retention of customers. Customers expect e-banking applications to make their financial dealings easier, comfortable and secure. More and more banks are now offering e-banking facilities, to target prospective customers, i.e. to convert offline (Navneet Kaur and Ravi Kiran 2014). Indian banking industry has witnessed rapid development in recent past with the initiation of financial sector reforms. The thrust of financial sector reforms was to improve efficiency, competitiveness and productivity of the financial system. Entry of new generation private sector banks which provided technology aided services like Internet Banking, Mobile Banking and Inter Branch Network has electrified the banking environment in India and has added new dimensions

to automation in Indian banking. CRM is a vital factor to improve the performance of the banks (Sugnadhi, 2003). Banks also need to identify customers and products that would be most profitable and target customers with products that are most appropriate to their needs and serve the customers with greater cost efficiency. Banks also need to find out the avenues for increased customer satisfaction, which leads to increased customer loyalty (Gayathry S 2017). Later developments were characterized by carrying out reforms in these banks and the creation and expansion of the banking activity from new private banks. Reforms in the banking system, which was aimed at increasing efficiency in the banking market, along with the realization, restructuring initially, relied on their privatization. Nowadays, banking institutions are more and more competitive with each other in various ways, such as offering products, type products, services etc. The main part of the competition among banks is also new entrant's pressure provider to lower costs and intensifying competition. This sector has developed as a result of foreign investment, mergers, stock transactions, etc. Traditionally, a good quality service has meant to confirm output specifications that are defined in the service design process. But people are becoming more educated (Jasmina Lumanaj, 2015). Banking industries are very competitive in nature. Banking industries in the context of India are facing difficulties to provide unique services as required by customers. To overcome this challenge, banks can benefit from relationship marketing, where the focal point of the customer includes service aspects of the bank and the level of interaction when evaluating the service industries and their firms. Hence, the relationship between firms and customers are important as they influence the satisfaction, support and retention of banking customers. The previous studies have shown that there is a significant positive relationship between the client and level of service quality of banks (Rootman et., al. 2007).

## **2. Customer Retention**

According to Matanga (2008), "Customer Retention is a measure of customer loyalty based on an organization's success in retaining the business of its existing customers". Hoffman and Bateson (2006) state that customer retention is one of the benefits of relationship marketing, and customer retention refers to concentrating the organization's

marketing efforts toward the existing customer base. Customer retention focuses only on developing marketing strategies that cause repeat-purchasing behavior. Hoffman and Bateson (2006) further state that in contrast to seeking new customers, organizations engage in efforts directed towards customer retention in order to satisfy existing customers. The needs of the customers are increasing and the competitiveness among the different institutions within this sector has been similarly increasing. Winning in the highly competitive commercial banking market means convincing customers to come through the door and also convincing them to stay. Improved efficiency and simplification of the on-boarding process makes it easier for a customer to join a bank (PwC, 2013). Developing long-term relationships with customers should be the ultimate goal of organizations, if they want to grow their business. Customer retention is an important component of banking strategy in today's increasingly competitive environment (Cohen, Gan, Ay Yong & Chong, 2007). Commercial banks around the world are struggling to sustain their competitiveness, which is hindering their traditional income streams. The two foremost challenges that banks face are cost containment and customer retention. Aguinis, Gottfredson and Joo (2012) states that there are varieties of management tools to improve organizational performance. One such tool is customer relationship management (CRM). CRM refers to building one-to-one relationships with customers that can drive value for the firm. Traditionally, people have thought and dealt with CRM from a marketing perspective. For the purpose of this article, CRM is dealt with a management perspective. The largest South African (SA) industry contributors to the gross domestic product (GDP) in the third quarter of 2013 were the finance, real estate and business services, contributing 21.4% as reported by Statistics South Africa, (2013). According to The Banking Association of South Africa (2012), the financial services sector contributed about 10.5% to the GDP, and has continued to grow by 2.9% annually. They add that the 2012 South African banking sector overview shows that the financial services of industry was the third largest employer in the country, employing over 150000 people, representing about 13.1% of total employment. The SA banking industry is made up of 17 registered banks, two mutual banks, 12 local branches of foreign banks, and 41 foreign banks. Griffin and Lowenstein (2001) state that the longer a company retains a customer; the more profit the customer generates. Bank management

must identify and improve upon factors that can limit customer defection. These include employee performance and professionalism, willingness to solve problems, friendliness, and level of knowledge, communication skills, and selling skills, amongst others. The banking industry is highly competitive, with banks not only competing amongst each other; but also with non-banks and other financial institutions (Boulding, Kalra, Staelin & Zeithaml, and 2009:18). In order to gain the advantage in the highly competitive commercial banking market means those banks must understand the value of customer retention. The literature is clear on the point – the longer a company retains a customer; the more profit the company generates. Therefore, a positive relationship between the bank and the customer is significant since this is capable of influencing retention as the customer will experience feelings of trust and satisfaction towards the bank. Companies are facing their toughest competition ever. To win customers and encourage them to stay loyal or repurchase the service, most companies have resorted to meeting and satisfying customer needs by not being only reactive but proactive. They are also interested in finding new ways and means to satisfy the customer. Most companies are aiming for good customer relationship which means better service to the customer thereby preventing the customer from being promiscuous. A lot of companies are not just attracting customers, but are working at building long term relationships with customers (both local and foreign customers), suppliers, employees, distributors and the general public. These companies are striving to satisfy the maximized expectations of each stakeholder group. As the liberalization has taken place, the banking industry has been facing competition from the services of the foreign and private sector banks. This led to the surging of the banks into new initiatives and strategies. One such initiative for stopping the decrease in market share of Indian banks and making more profit is CRM (Customer Relationship Management). Not only banks but all other kinds of industries has identified the importance of CRM as strategy for retaining the existing customer segments which are profitable and focusing on the long term value of the customer. As all the products and services offered by the banks being same, the key differentiator in the banking services helps developing customer base and sales capacity (Amoako, Arthur, Bando and Katah2011).

### **3. CRM and Banking Sector**

Nowadays, banking institutions are more and more competitive with one another in various ways, like offering new and innovative products or services, etc. This sector has developed as a result of foreign investments, mergers, stock transactions, etc (Lumanaj, 2015). Banks also got to identify customers and products which may be most profitable and target customers with products that are most appropriate to their needs and serve the purchasers with greater cost efficiency. Banks also determine to seek out the avenues for increased customer satisfaction which ends up in increased customer loyalty (Gayathry, 2017). The tendency of loyal customers to inaugurate new customers at no charge to the company is particularly beneficial as an organization grows, especially if it operates during a mature industry. Customers recommendation leads to increase in firms overall profit because it reduces the expenditure of attracting and retaining customers (Gaurav, 2013). Banks have moved towards marketing orientation and thus the adoption of relationship banking principles. The key indicators for the implementation of marketing principles were the cutthroat pressure that arises from the de-regulation of the financial services market particularly in India (Dasari, 2018). In the present scenario, banks are watching customer relationship management (CRM) as an instrument to assist leverage for the complete potential of their channels as a backbone for building the 360° customer views and improving operational efficiency (Sopna and Saravanan, 2015). Modern banking systems adhere to the wants of automated workflow, personalized and consistent client experience through various methods. A few service industries have felt the impact of technology quite similar to the banking branch of the financial services industry. Until several years ago, most banking transactions were paper-based and happened face-to-face inside a branch bank. Currently, technology is transforming in banks, with transactions and services using ATMs, debit cards, credit cards, 24-hour telephone access and online banking over the Internet. This poses the main challenge for banks to make sure effective and efficient technological systems. In addition, banks are challenged to make sure client satisfaction and loyalty, despite the decreasing personal interaction with clients. Therefore banks have moved towards marketing orientation and they have adopted customer banking relationship principles (Dasari, 2018). Banking industry is very fierce in nature. The Indian banking industry has

faced difficulties to provide unique services as required by customers. To meet this challenge, banks can enjoy relationship marketing, where the focus of the customer includes services of the bank and therefore the level of interaction while evaluating the service industries and their firms. Hence, the connection between firms and customers is important as they influence the satisfaction, support and retention of banking customers. The previous studies have shown that there's a big positive relationship between the client and level of service quality of banks (Rootman et al., 2007). Banking relationship management is not a new approach in Indian Banking Industry. The majority of customers would decide to opt and accept the best accessible substitute. The committed customers are declining. Moreover, the customers are now well educated and aware of the alternatives in the market. In today's competitive scenario, the job of banking staff has become more challenging. A relationship based on mutual trust and respect will ensure that both the customer and more particularly, the bankers are benefited. For achieving the benefits of having retained customers and gaining competitive advantage online, banks need to develop a detailed understanding of the previous circumstances of retaining customers on the World Wide Web, such as technology factors or personal banking characteristics. Modern banking systems adhere to the wants of automated workflow and personalized and consistent client experience through various methods. A few service industries have felt the impact of technology quite the banking branch of the financial services industry. In addition, banks are challenged to make sure client satisfaction and loyalty, despite the decreasing personal interaction with clients. Therefore, banks adopted the Customer Relationship Policies.

CRM consists of three components:

- Customer
- Relationship
- Management

**3.1 Customer:** The customer is the only source of the company's present profit and future growth. However, an honest customer, who provides more profit with less

resource, is usually scarce because customers are knowledgeable and therefore the competition is fierce. Sometimes it's difficult to differentiate who is the real customer because the buying decision is usually a collaborative activity among participants of the decision-making process. Information technologies can provide the skills to differentiate and manage customers. CRM is often thought of as a marketing approach supported by customer information.

**3.2 Relationship:** The connection between a corporation and its customers involves continuous bi-directional communication and interaction. The relationship is often short-term or long-term, continuous or discrete, and repeating or one-time. Relationship can be attitudinal or behavioral. Even though customers have a positive attitude towards the corporate and its products, their buying behavior is very situational (Adolf, 1997). For example, the buying pattern for airline tickets depends on whether an individual buys the ticket for his or her family vacation or a business trip. The concept of CRM deals with customer self-service, personalized offerings by analyzing past customer behavior and also to anticipate the customer's wants and wishes. Banks are watching customer relationship management (CRM) as a tool to assist leverage the complete potential of their channels as a backbone for building the 360° customer views, improving operational and the efficiency (Ms. P. Sopna and Dr. R. Saravanan, 2015).

### **3.3 Customer Services:**

With services, a corporation could increase the customer's delight. It provides enhanced customer care services and customer information management across the organization to enhance customer satisfaction, customer delight and loyalty. With an end to end customer care and repair solution, organizations are able to do full 360 degree views of their customer. This translates into better response to customer's needs, a capability to increase pro-active customer management programs as well as having the knowledge at their disposal to know the customer better. The built-in self-learning knowledge base enables companies to leverage employee knowledge and achieve skill transfer, increasing employee retention and reducing customers to churn. Additionally, service applications enable the organization's customers to communicate with the corporate through many

venues, websites, and call centers and directly with field representatives offering customers flexibility in interaction with the corporate. This integrated customer contact capability ensures that the purchasers receive consistent service and knowledge, thereby reducing their competitors for brand spanking new product or services.

### **3.4 Customer Delight**

Customer delight means exceeding the customer's expectations. Customer delight is doing what they haven't even imagined, what is going on and to make them mention "wow". The job is to surprise them. Every interaction with the customer has an opportunity to create delight. Customer expectations are typically not very high. The challenge is for Mrs. R. Mathangil, Dr. O. T.V Latasri and, Dr. L. J Chaarlas 2017. The term CRM was first coined within the early eighties by academics at various business schools. One of the primaries on the scene was Dr. Jagdish Sheth who was at the Goizeta graduate school at Emory University in Atlanta. While the CRM term is fairly recent, it grew from a mixture of terms like Helping Desk, Customer Support, ERP, data processing. It evolved because none of the previous terms could cover the subject tolerably and since a number of the terms (ERP) have grown to be met with an excellent deal of distaste in the mouths of the business world.

A strategy (technology-enabled) is in response to and in anticipation of actual customer behavior. According to the technology viewpoint, CRM analyses the systems and communications required capturing, analyzing and sharing all facets of the customer's relationship with the enterprise. From a customer care perspective, it represents a process to live measure and allocate organizational resources to those activities that have the best return and impact on profitable customer relationships. Over the last few decades, technical evolution has highly affected the banking industry. For more than 200 years, banks were using branch based operations. Since the 1980s, things have been really changing with the advent of multiple technologies and applications. Different organizations got affected from this revolution; the banking industry is one of it. In this technology revolution, technology based remote access delivery channels and payment systems surfaced. ATM displaced cashier tellers, telephone represented by call centers replaced the bank branch, internet replaced the mail, credit cards and electronic cash

replaced traditional cash transactions, and interactive television will replace face-to-face transactions.

In recent years, banks have moved towards marketing orientation and the adoption of relationship banking principles. The key motivators for embracing marketing principles were the competitive pressure that arose from the deregulation of the financial services market particularly in India. This essentially exposed clearing banks and the banking market to increase competition and led to a blurring of boundaries in many traditional product markets (Durkin, 2004). The bank would need a complete view of its customers across the various systems that contain their data. If the bank could track customer behavior, executives can have a better understanding, a predictive future behavior and customer preferences. The data and applications can help the bank to manage its customer relationship to continue growing and evolving (Dyche, 2001). According to Stone et al. (2002) most sectors of the financial services industry are trying to use customer relationship marketing techniques to achieve a variety of outcomes. In the area of strategy, they are trying to:

- Create consumer-centric culture and organization;
- Secure customer relationships;
- Maximize customer profitability;
- Integrate communications and supplier – customer interactions across channels

#### **4. Role of Banks**

The banking sector has shown remarkable responsiveness to the needs of the planned economy. It has brought about a considerable progress in its efforts to deposit mobilization and has taken a number of measures in the past to accelerate the rate of growth of deposits. To achieve this end, commercial banks opened a number of branches in urban and rural areas. In this changing scenario, the role of banks is very important for the growth and development of customers as well as economy. Banking sector is offering traditional and other services. The services offered are regular Saving and Current Account, regular FD, ATM, Credit Cards and Demat Account, Student Banking and Kid e-Bank, special NRI services, Home Loan, Vehicle Loan and Home-appliances Loan,

Tele-Banking, Internet Banking, Power Pay Roll Account, Online Trading, Business Multiplier Account, Loans against Shares, Insurance, Portfolio Investment Scheme, Relief Bonds and Mutual Funds, Senior Citizen – Special Deposit Scheme and Munshi Scheme, etc.

#### **4.1 Problems and Prospectus of Indian Banks**

Indian banking sector is facing few problems and challenges due to Liberalization, Privatization and Globalization. These are low profitability, lack of integrity, increase of administrative expenses, survival of branches in loss, inflation, lack of professional behaviour, lack of personal and friendly approach with customers, non-performing assets, customer oriented market, problem of customer satisfaction, depression period running over the country, managing workforce and management of technological advancement. However, the banks have some prospects in current environment. By converting threats into opportunities, the banks can have better advantages offering innovative services, door to door service approach, better customer services by managing relationship with more focuses (C. H. Lovelock 2011), professional approach, managerial excellence, marketing and technological orientation, mass-class customized and cyber services, branch expansion or rationalization of branches and deposit mobilization.

#### **4.2 Competition**

With the entry of private and foreign banks, there is fierce competition in the banking industry. This competition has laid foundation for remarkable advancements in terms of services, technology and products. Every player in the banking sector is adopting innovative strategies from time to time for holding their customer base. CRM becomes the competence area for the banks to have an edge over their competitors.

#### **4.3 CRM Initiatives taken by the Bank**

Banking is such an important sector that it touches the life of every human being in some way or the other. Tremendous changes have taken place in Indian banking sector in such

aspects as the way banks operate, in technology, operational speed and especially in their approach towards dealing with customers, in the last 10 decade or so. At a time, when the Indian banking sector was monopolized by few public sector banks, the level of attention given to the customer was very low. But in today's changed scenario i.e. after the entry of a number of private and foreign banks in the Indian banking sector, there has been a shift in the focus of Indian banks from 'transaction focus' to 'relationship focus'. The cut - throat competition that exists among the various public, private & foreign banks has necessitated them to adopt a strategic approach in dealing with their customers. Today banks are the major followers of customer relationship management practices. Customer relationship management is the process of attracting, maintaining, and enhancing customer relationships. Customer relationship management or retention marketing represents a paradigm shift away from an acquisition and transaction focus towards a relationship. Building long - term and profitable relationships with chosen customers and getting closer to these customers at every point of contact with them are the two major goals of CRM. There is still a long way to go in implementing customer relationship management by banks, as the trend started only in the recent past. Still in some rural areas the level of attention and promptness in service given by few public sector banks to their customer is very low. A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption in our work. We are not doing him a favor by serving him. He is doing us a favor by giving us an opportunity to serve him. If a banking firm can follow the above valuable words given by Gandhi, it will definitely become the best bank in the world for customer service. Banks are highly focusing on CRM for the past few years that are expected to continue most of the financial services industries are trying to use CRM techniques to achieve varieties of outcomes. A customer is an asset if he/she is loyal to the organization, HDFC bank has got majority of these assets in its customer base as 76% of its existing customers are found to be loyal. This is attained due to holistic CRM approach adopted by the bank. As the bank's director himself mentions in his annual report that, "The bank's data warehouse, customer relationship management and analytics solutions have helped it target its existing and potential customers in a cost effective manner and offer them products appropriate to their profile and needs. The bank's cost effective manner offer

them products appropriate to their profile and needs”. The Bank realizes the value of CRM and IT initiatives offered to the customers for becoming more loyal to the bank. The frauds and credit losses are also lowered by imbibing this approach of CRM. Some of the major initiatives taken by the bank for strengthening its customer’s experience are:

1) The bank provides Highly IT enabled services in the form of Internet banking. It has been discovered that 60% of the registered bank’s customers transact through online banking.

2) Mobile banking and ATM are also providing multi-channel service delivery system to the customers which are discovered to be 80% initiated by the customers and are serviced through non-branch channels.

3) Service quality projects are carried out by the bank using lean Sigma Tool-kit, 5S and other business excellence initiatives are undertaken by the bank just to deliver “customer delight”. The service quality objectives and the business objectives are merged so that the customer delight and improved profitability can be obtained.

4) Customer service committee which monitors quality of services, formulates comprehensive deposit policy (in terms of issues arising due to death of a depositor for his account operations), gets approval for the products, and surveys customer satisfaction annually and triennially.

5) The bank also offers the customer helpdesk in case of any query, grievance, or direct contact to the bank, through call centers, in branch counters, email address, and through bank’s website.

## **5. History of Indian Banking Sector**

Banks in India are flourished even in ancient Vedic times. Money was accepted on deposit and given in the form of advances. As far back as the second or third century A. D. Manu, the great Hindu Jurist, devoted a section of his work to deposits and advances and laid down rules relating to rates of interest to be paid or charged.

## 5.1 Banking System in India

In the old days, bankers were transacting business with their customers by sitting on benches in the market place. The bankers knew their individual customers by name, their financial situation and needs so they could treat each customer differently because “each customer has different needs and brings different value to the relationship”. In earlier days banker knew their customer connection to the country’s economy and indirect connection with their own investments, so they could give a special credit or some extra services to their most valuable customers. But at present, even if one person is a loyal customer with two or three different accounts and may be on credit for the car or mortgage on the house in the same bank, he would be treated the same as any other ‘new’ customer, even if he wishes to open another account for his child or to get new credit he will need to fill multiple papers even about his personal details.

## 5.2 Types of Banks

### 5.2.1 Public Sector Banks

### 5.2.2 Private Sector Banks

**Public Sector Banks:** These are the Banks established by govt. and wholly managed by govt. officials. Reserve Bank of India laid down the policies and regulations for the public banks. Here we will discuss about State Bank of India and Punjab National Bank.

**5.2.1A. State Bank of India (SBI)** is an Indian multinational public sector bank and headquarter established in Mumbai, Maharashtra. It is the 43rd largest bank in the world and ranked 221st in the Fortune Global 500 list of the world's biggest corporations of 2020, being the only Indian bank on the list. It is also the largest bank in India with 23% market share by assets and 25% share of the total loan and deposits market. It is also the fifth largest employer bank in India with nearly 2,50,000 employees, out of which 23% were female employees and 3,179 (1.5%) were employees with disabilities. On the same date, SBI had 37,875 Scheduled Castes (18%), 17,069 Scheduled Tribes (8.1%) and 39,709 Other Backward Class (18.9%) employees. The percentage of Officers, Associates and Subordinates was 38.6%, 44.3% and 16.9% respectively on the same date. Around 13,000 employees joined the Bank in FY 2016–17. Each employee contributed a

net profit of 511,000 (US\$7,200) during FY 2016–17. Its total net income was 22,405 crore (US\$3.1 billion) and revenue generated was 385,338 crore (US\$11 billion) in 2021.

The bank came down from the Bank of Calcutta, founded in 1806 via the Imperial Bank of India, creating it the oldest commercial bank in India. To form the Imperial Bank of India, The Bank of Madras amalgamated into the other two government banks i.e., the Bank of Calcutta and the Bank of Bombay, which in turn became the State Bank of India in 1955. SBI has obtained local banks in rescue. The first SBI acquired the Bank of Bihar (est. 1911), in 1969, along with its 28 branches. In 1970 SBI acquired National Bank of Lahore (est. 1942), together with 24 branches. After Five years, in 1975, SBI acquired Krishnaram Baldeo Bank, which established in 1916 in Gwalior State. In 1985, SBI also acquired the Bank of Cochin in Kerala, with 120 branches. On 19 June 2009, the SBI board approved the amalgamation of State Bank of Indore, in which SBI held 98.3%. (Individuals who held the shares prior to its takeover by the government held the balance of 1.7%).

#### **5.2.1A.i Subsidiaries**

SBI provides a variety of banking products through its network of branches in India and overseas, including products aimed at non-resident Indians (NRIs). SBI has 16 regional hubs and 57 zonal offices that are located at important cities throughout India.

SBI acquired the control of seven banks in 1960. They were the seven regional banks of former Indian princely states. They were renamed, prefixing them with 'State Bank of'. These seven banks were State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Indore (SBN), State Bank of Mysore (SBM), State Bank of Patiala (SBP), State Bank of Saurashtra (SBS) and State Bank of Travancore (SBT). All these banks were given the same logo as the parent bank, SBI. State Bank of India and all its associate banks used the same blue *Keyhole* logo said to have been inspired by Ahmadabad's Kankaria Lake. The State Bank of India word mark usually had one standard typeface, but also utilized other typefaces. The word mark now has the keyhole logo followed by "SBI".

#### **5.2.1A.ii Other SBI service point**

As of 31 March 2017, the SBI group had 59,291 ATMs. Since November 2017, SBI also offers an integrated digital banking platform named YONO.

### **5.2.1B Background of the Punjab National Bank**

It is abbreviated as PNB and is an Indian government owned bank. It is under the ownership of Ministry of Finance , Government of India headquartered in New Delhi, India. The bank was founded in 1894 and is the second largest government owned bank in India, both in terms of business and its network. The bank has over 180 million customers, 12,248 branches and 13,000+ ATMs post merger with United Bank of India and Oriental Bank of Commerce, effective from 1 April 2020.

#### **5.2.1B.i Establishment of Bank**

Punjab National Bank is a PSU working under Central Government of India regulated by Reserve Bank of India Act, 1934 and Banking Regulation Act, 1949. Punjab National Bank was registered on 19 May 1894 under the Indian Companies Act, with its office in Anarkali Bazaar, Lahore, in present-day Pakistan. The founding board was drawn from different parts of India professing different faiths and of varying back-ground with, the common objective of creating a truly national bank that would be further the economic interest of the country.<sup>[1]</sup> PNB's founders included several leaders of the Swadeshi movement such as Dyal Singh Majithia and Lala Harkishen Lal, Lala Lalchand, Kali Prosanna Roy, E. C. Jessawala, Prabhu Dayal, Bakshi Jaishi Ram, and Lala Dholan Dass. Lala Lajpat Rai was actively associated with the management of the Bank in its early years. The board first met on 23 May 1894. The bank opened for business on 12 April 1895 in Lahore. PNB is the first Indian bank to have been started solely with Indian capital that survives to the present earlier Oudh Commercial Bank which was established in 1881, but failed in 1958.

#### **5.2.1B.ii Subsidiaries**

PNB has a banking subsidiary in the UK (PNB International Bank, with seven branches in the UK), as well as branches in Hong Kong, Kowloon, Dubai, and Kabul. In Bhutan it owns 51% of Druk PNB Bank, which has five branches. In Nepal, PNB owns 20% of Everest Bank Limited, which has 50 branches. Lastly, PNB owns 41.64% of JSC (SB)

PNB Bank in Kazakhstan, which has four branches. In 1900, PNB established its first branch outside Lahore in India. Branches in Karachi and Peshawar followed. The next major event occurred in 1940 when PNB absorbed Bhagwan (or Bhugwan) Dass Bank, which had its head office in Dehra.

### **5.2.1B.iii Amalgamation**

On 30 August 2019, Finance Minister Nirmala Sitharaman announced that the Oriental Bank of Commerce and United Bank of India would be merged with Punjab National Bank. The proposed merger would make Punjab National Bank the second largest public sector bank in the country with assets of 17.95 lakh crore (US\$250 billion) and 11,437 branches. The Union Cabinet approved the merger on 4 March 2020. PNB announced that its board had approved the merger ratios the next day. Shareholders of Oriental Bank of Commerce and United Bank will receive 1,150 shares and 121 shares of PNB, respectively, and 1,000 shares they hold. On 1 April 2020, the merger came into effect post merging; all customers of other two merging banks are now treated as the customers of PNB.

PNB's equity shares are listed on Bombay Stock Exchange and the National Stock Exchange of India. It is a constituent of the CNX Nifty at the NSE.

As on 31 March 2019, the bank had 70,810 employees. As of 31 March 2019, it also had 1722 employees with disabilities on the same date (2.43%).\*[2]\* The average age of bank employees on the same date was 39 years.\*[3]\* The bank reported the business of INR 11.65 crores per employee and net profit of INR 8.06 lakhs per employee during the FY 2012–13. The company incurred INR 5,751 crores towards employee benefit expenses during the same financial year.

**5.2.2 Private Sector Banks:** These are the Banks established by Private institutions and fully managed by Private officials. Reserve Bank of India laid down the policies and regulations for the private banks. Here, we will discuss about HDFC Bank and ICICI Bank.

### **5.2.2A History of HDFC Bank**

The HDFC Bank was incorporated on August 1994 by the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995. The Housing Development Finance Corporation (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994. HDFC Bank is headquartered in Mumbai. The Bank at present has an enviable network of over 1416 branches spread over 550 cities across India. All branches are linked on an online real-time basis. Customers in 500 locations are also serviced through Telephone Banking. The Bank also has a network of about 3382 networked ATMs across these cities.

The promoter of the company HDFC was incepted in 1977 as India's premier housing finance company and enjoys an impeccable track record in India as well as in international markets. HDFC has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit facilities. With its experience in the financial markets, a strong market reputation, large shareholder base and unique consumer franchise, HDFC was ideally positioned to promote a bank in the Indian environment.

#### **5.2.2A.i Share listing of Bank**

The shares are listed on the Bombay Stock Exchange Limited and The National Stock Exchange of India Limited. The Bank's American Depository Shares ( ADS ) are listed on the New York Stock Exchange (NYSE) under the symbol 'HDB' and the Bank's Global Depository Receipts (GDRs) are listed on Luxembourg Stock Exchange.

#### **5.2.2A.ii Merger and Amalgamation**

On 23<sup>rd</sup> May 2008, the amalgamation of Centurion Bank of Punjab with HDFC Bank was formally approved by Reserve Bank of India to complete the statutory and regulatory approval process. As per the scheme of amalgamation, shareholders of CBoP received 1 share of **HDFC** Bank for every 29 shares of **CBoP**. In a milestone transaction in the Indian banking industry, Times Bank Limited (another new private sector bank promoted

by Bennett, Coleman & Co. / Times Group) was merged with HDFC Bank Ltd., effectively on February 26, 2000. This was the first merger of two private banks in the New Generation Private Sector Banks. As per the scheme of amalgamation approved by the shareholders of both banks and the Reserve Bank of India, shareholders of Times Bank received 1 share of HDFC Bank for every 5.75 shares of Times Bank.

#### **5.2.2A.iii Services provided by bank**

HDFC Bank offers a wide range of commercial and transactional banking services and treasury products to wholesale and retail customers. The bank has three key business segments:

- **Wholesale Banking Services** – The Bank's target market ranges from large, blue-chip manufacturing companies in the Indian corporate to small & mid-sized corporate and agro-based businesses.
- **Retail Banking Services** – The objective of the Retail Bank is to provide its target market customers a full range of financial products and banking services, giving the customer a one-stop window for all his/her banking requirements.
- **Treasury** – Within this business, the bank has three main product areas – Foreign Exchange and Derivatives, Local Currency Money Market & Debt Securities, and Equities. The Treasury business is responsible for managing the returns and market risk on this investment portfolio.

HDFC Securities (HSL) and HDB Financial Services (HDBFSL) are its subsidiaries.

#### **5.2.2B Brief History of ICICI Bank**

ICICI Bank is a leading private sector bank in India. The Bank's consolidated total assets stood at Rs. 14.76 trillion on September 30, 2020. ICICI Bank currently has a network of 5,288 branches and 15,158 ATMs across India. ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry. The

principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. Until the late 1980s, ICICI primarily focused its activities on project finance, providing long-term funds to a variety of industrial projects. With the liberalization of the financial sector in India in the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services provider that, along with its subsidiaries and other group companies, offered a wide variety of products and services. As India's economy became more market-oriented and integrated with the world economy, ICICI capitalized on the new opportunities to provide a wider range of financial products and services to a broader spectrum of clients. ICICI Bank was incorporated in 1994 as a part of the ICICI group. In 1999, ICICI became the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on the New York Stock Exchange.

The issue of Universal Banking, which in the Indian context meant conversion of long-term lending institutions such as ICICI into commercial banks, had been discussed at length in the late 1990s. Conversion into a bank offered ICICI the ability to accept low-cost demand deposits and offer a wider range of products and services, and greater opportunities for earning non-fund based income in the form of banking fees and commissions. After consideration of various corporate structuring alternatives in the context of the emerging competitive scenario in the Indian banking industry, and the move towards universal banking, the managements of ICICI and ICICI Bank formed the view that the merger of ICICI with ICICI Bank would be the optimal strategic alternative for both entities, and would create the optimal legal structure for ICICI group's universal banking strategy. The merger would enhance the value for ICICI shareholders through the merged entity's access to low-cost deposits, greater opportunities for earning fee-based income and the ability to participate in the payments system and provide transaction-banking services. The merger would enhance value for ICICI Bank shareholders through a large capital base and scale of operations, seamless access to ICICI's strong corporate relationships built up over five decades, entry into new business segments, higher market share in various business segments, particularly fee-based services, and access to the vast talent pool of ICICI and its subsidiaries.

### **5.2.2B.1 Merger and Acquisition**

In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank. The merger was approved by shareholders of ICICI and ICICI Bank in January 2002, by the High Court of Gujarat at Ahmedabad in March 2002, and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002. Consequent to the merger, the ICICI group's financing and banking operations, both wholesale and retail, were integrated in a single entity. As part of the contribution to state governments and other authorities, ICICI Group including ICICI Foundation, the CSR arm of ICICI Group, is working actively to assist them in their tireless efforts to safeguard the citizens of the country.

### **5.2.2B.2 Contribution of Bank in Pandemic Situation**

The ICICI Group has provided over 2.13 lakh surgical masks, over 40,000 N95 masks, 20,000 liters of sanitizers, 16,000 gloves, 5,300 personal protection equipment (PPE) suits, 2,600 protective eye gear and equipment like 50 thermal scanners and 3 non-invasive category ventilators to various state departments and hospitals. The Group will continue to serve the people who are at the forefront of the fight against COVID -19 pandemic.

ICICI Bank is also assisting the central government, state governments and municipal corporations in their efforts to collect donations digitally. The Bank has received mandate of collections for the 'PM CARES Fund'. Further, several state governments and local bodies have provided similar mandates to the Bank to receive donations/ contributions.