



## RESEARCH ARTICLE

## “CUSTOMER RELATIONSHIP MANAGEMENT JOURNEY REDEFINED – TECHNOLOGY DRIVEN BANKING

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### Abstract

Modern technology is fast replacing paper with computer files, bank tellers with automated teller machines (ATMs) and file cabinets with server racks, Banks have come a long way from the old days of manually recording transactions in registers and tallying them up at the end of the day till late nights. Bank branches, the edge between banks and customers, have also changed significantly from being operations-centric to servicing clients. Technology is not only making banking easy for the customers, it has also permitted banks to develop their businesses faster and bring down costs. Customer Relationship Management enlightens the banks to redefine their all round Customer Relation Strategies. They are now using it as a guide for overall improvement. CRM provides a competitive advantage with the help of technology. Even though CRM strategies are obsessed with connecting, delighting and understanding customers to serve them better. Through this research article the researcher has tried to find answers to a set of questions. The views and opinions of the experts are also incorporated to reach to the conclusion as an answer to specific questions, the researcher has tried to explain the answers keeping in view the facts and other relevant factors relating to banking industry of our country.

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## INTRODUCTION

The new sounds of money are tap, click and swipe. Modern technology is fast replacing paper with computer files, bank tellers with automated teller machines (ATMs) and file cabinets with server racks, Banks have come a long way from the old days of manually recording transactions in registers and tallying them up at the end of the day till late nights. Bank branches, the edge between banks and customers, have also changed significantly from being operations-centric to servicing clients. "The shift during this period has been from branch to alternative delivery channels such as ATM, Internet and mobile," says TM Bhasin, chairman and managing director, Indian Bank, and author of "E-commerce in Indian Banks"

Technology is not only making banking easy for the customers, it has also permitted banks to develop their businesses faster and bring down costs. The cost of servicing a customer is the highest at a branch followed by ATMs, online and mobile phones. Technology-based banking has also abridged the space required to set up bank branches. Previously the physical infrastructure needed for a branch was, on an average, around 5,000 to 6,000 square feet. Technology has brought this requirement to 1,000 to 1,500 square feet. Any CRM solution invested in must be implemented with the clear set of goals for improvement of the Customer satisfaction and loyalty; Customer insight; Speed-to-market for products and service; and Customer security. All this must be done in a fashion that generates quantifiable increases in revenue and it should reduce overall costs of service. This may seem to be very tedious, but one has to keep on looking for appropriate CRM solutions to have long-lasting and profitable relationships with customers.

Customer Relationship Management enlightens the banks to redefine their all round Customer Relation Strategies. They are now using it as a guide for overall improvement. Customers live in a digital world, where the expectations are very high and they have numerous options. They always want to get more than before. CRM provides a competitive advantage with the help of technology.

### METHODOLOGY ADOPTED

Even though CRM strategies are obsessed with connecting, delighting and understanding customers to serve them better, there are a set of six questions was framed taking into consideration all the aspects of customer relationship management with reference to banking industry. The answers to these questions gives a clear view of this successful

journey and also forms the analysis part of the research. Through this article the researcher has tried to find answers to these questions. With experts answers and opinion on the specific questions, researcher has tried to explain the answer keeping in view the facts and other relevant factors relating to banking industry of our country .

## QUESTIONS-ANSWERS AND ANALYSIS

**1. The first question is-*The acronym CRM has been around for over a decade now and has often been overused. How would it will be defined now (for banks)?***

Some eminent bankers around the world have given the new definition as –

“The CRM definition we use is the following, ‘having the right offer for the right client, at the right time via the right channel’. That is the reason why we tried to improve the processes and support it with systems - customer service and advice, customer analytics and campaign-management”. Michael Otto (Head of CRM at Erste Bank, Austria)

“We consider CRM to be a business strategy than anything else - not just technology, not just analytics, not just an impressive story of how customer focused you are”. Mr. Radi Badidi (Vice President Marketing Intelligence/CRM ABN AMRO Bank, Netherlands)

Based on these definitions and focussing on various other factors it can be figured out that almost all major banks have invested heavy amount in technology and infrastructure over the last 10-15 years, but when the results are compared there few who can claim to be have been successful in actually making it effective. The customers felt a real difference and it has also contributed to bank’s higher ROI. Thus, optimizing every customer contact by effectively creating value for both clients and banking business, using customer knowledge, is the main differentiator compared to non-CRM focused banks.

CRM is much more than a technological solution. It is a strategy integrated in the business model of the banks and clearly oriented to generate value. CRM is a key element of differentiation that let the bank develop its customer base and sales capacity. Today the environment is changing dramatically, and so too is banks’ approach toward’s their customers. A well thought out CRM strategy let them improve the sales experience of the customers; develop the potential value for customers, increase sales, productivity and efficiency; and create personalized one-to-one service.

CRM is all about enterprises collaborating across the customer value chain to develop and implement solutions that meet the developing preferences of individual customer groups. The C in CRM therefore has now evolved from ‘Customer’ to “Collaborative”. The core of CRM requires various entities in a bank to work collaboratively to define and realize a series of business principles which are indispensable to establish customer-centric organizations. Fundamentally this means collaboration across those entities that deal with Acquisition (sales & marketing/distribution), Transactions (fulfillment) and Servicing (customer service). This approach is certainly different from the past where CRM was modeled around an ad-hoc set of activities strung together to work across functions. Using the collaborative approach, leading banks are today trying to achieve a position where the customers become less concerned about marketing and selling, instead they have a feeling of a constant level of personalized, consistent, high quality of service.

**2. Another daunting question is –*Importance of CRM for banks and what benefits the banks expect to achieve through incorporating CRM solutions?***

Mr. Radi Badidi says, “It really depends on the positioning and focus of a bank. If operational excellence is your key-focus and not customer intimacy, the choices you make in terms of investments in CRM will be completely different. Knowing our client and acting on that information in every contact is essential in achieving this it means that we aim to be “personal in every channel” and we will use CRM to create more and more clients that consider us to be their primary bank.”

Thus, in this era CRM is very important. Banks should improve its knowledge about the clients, update active customer contact, and work on providing the satisfaction to the clients thus they will improve the return per client. There are two main points that depicts the significant leap regarding CRM, customer demand for superiority and multichannel approach as well as orientation. Therefore these four steps banks should take to benefit from CRM, 1. Change commercial so as to match product vision to a customer centric vision, 2. Effectively integrates various channels, 3. Ensure data quality and 4. Arrange complex marketing strategies.

CRM should fundamentally be designed to build customer-centric organization. With the increasing trend of fee-based income and increasing focus on advisory services, the role of CRM in banks is now getting more critical and crucial than ever before. The benefits that banks anticipate to achieve through employing CRM solutions will be to arrive at reasonable, quantifiable answers to questions such as ‘Is the customer profitable’, ‘the requirements of customers in regard to products/services ; when, where and through which channel’ and ‘are there any risks that the customer present to the bank.

3. Next question which needs to be answered is - **How has the understanding toward CRM in banking has changed today as compared yester years?**

Mr. Michael Otto address “CRM is not technology, it is business. CRM has to improve the "moment of truth" when the client is with the bank making the contact more efficient and more satisfactory for the customer. So banks have to improve not only the technology but also the relationship skills of the advisors.”

Few years ago, CRM was considered as a miraculous software, which was designed to manage the technology and systems departments. But today it is a significant part of the agenda banking business. Banks these days are pursuing high growth strategies, expanding their franchises into growth segments, and are they are awake for the winning concept of the multi-channel and multi-price approach, CRM becomes magic key and very critical in the success. Today customer centric banking refers to an innovative way of thinking. Banks are looking forward and focussing on relationship banking in contrast to old way of traditional transaction banking .They have realized the importance of SOW - share of wallet. In the world of margin pressure, being a product specialist is hard, so banks need to make advice rather than product price as the basis of the added value in banking. In such situation, CRM is key as the value of retail banking lies in distribution. Knowing the customer is the first requirement of a retailer banker. It protects the business share, helps penetrate growth markets and also prevents disintermediation by other players.

4. Another question is -**What is the impact of improved technology on today’s banks?**

“Technology was the nucleus of CRM strategies few years ago. The technology was new, sophisticated and very difficult to manage. Now it is evolving to a commodity piece within CRM strategies” says Mr. Jose Olalla (Director of Commercial Development, Retail Banking Spain and Portugal, Banco Bilbao)

The integration of various systems such as customer data and product data has improved noticeably It is now possible to have the 360 degree view on the customer. Banks have an improved usage of all the systems .They have also designed and concentrate on standardisation.

Having active multi-channel customers is not a dream anymore; it is a fact of today. Investing in multi-channel capabilities is not a choice but a necessity of the time. "Realtime" has been a buzzword, but is very meagerly implemented. The benefits of realtime are always there, but the costs are high to attain these benefits. Huge amounts of data are to be banks, and an intelligent deployment of this in customer related processes is where a lot of banks are under pressure. The technological solutions available with the banks will definitely continue to improve with a conspicuous shift towards integrated, broad technology solutions which are basically designed to ease enterprise integration requirements.

5. One very important question is -**The key aspects which banks need to consider while employing CRM solutions to attain a positive ROI?**

Answer given by Michael Otto “Business requirements and targets have to be defined, technology has to make the solution, not the other way round. CRM does not solve all the problems a bank has, so first analyze the problems, and the possible impact of CRM, and then prioritize. Secondly, banks need to understand that they need to make a beginning. Start small, but start. Later they can learn and improve. Finally, it is very important to communicate, train and measure all activities.”

CRM only adds to expences or it helps to generates revenues is not a technological but a commercial issue. It requires intense training, a real coordination between marketing, technology departments and each and every channels, it requires commitment towards customer needs whenever, wherever possible and a practical approach towards using customer intelligence on a continuous basis. Studies and various researches advocate that the Banks which have achieved positive ROI have focused on 4 fundamental doctrines. 1. They have focused on the creation of an customer-centric business strategy, streamlined their operations, superior research resulting in better analysis and integrated collaborative channels. 2. These banks have adopted a transformational approach to ensure that all sources of value are identified and appropriately measured. 3. They have developed a value-based CRM ROI model that is associated with the bank’s strategic objectives. And finally, they have the appetite and readiness for change, these banks evaluated plentiful implementation options before making a final decision. They ensured that each option consisted of time-phased decompositions of an overall approach where benefits of earlier activities funded the later ones.

6. Lastly, **How CRM will develop in the banking sector in coming years?**

Michael Otto suggests “First, as our customers use different channels to go to their bank such as the branch, self service machines, the service center or the internet, CRM goes multi-channel. Second, in addition to cross selling, the processes of client retention and improvements in client loyalty are getting more important”.

Various examples ,Researchs,Studies points that In the coming years there will be more focus on the demand side of customers, they will have numerous channels at their disposal and will have more choice .as a result of a growing variety of banks and forte players. As the customers will be more in control, banks will want to be "actively ready" in all channels trying to know and anticipate this client requirement.It will definitely require different marketing

skills and new ways of managing sales. Another trend will probably be that CRM will contribute more to branding. Not just ROI on every contact will be leading, but the way banks want to be perceived as a brand will become more important. Now, a lot of effort is put on being there at customers' moments-of-truth. In the future, all customer contacts will be moments-of-truth as all these contacts tell the customers about the banks.

### **CONCLUDING REMARK**

Although the potential benefits of CRM strategy focused on banking were always high, Banks have been rather slow to adopt due to the greater complexity of the relationships and number of touch-points. With the dawn of more powerful technologies and greater experience in customer relationship management solutions, banks will be concentrating on relationships with customers in the coming days. The other area where banks expect development is channel integration. The whole area of integrated channel management which is tightly coupled with CRM will surely and rapidly evolve to higher levels of sophistication.