

Customer Relationship Management: Challenges and Opportunities in Banking

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Abstract

One of the unique challenges of business banking in digital world is meeting customer expectation. Great competition between bank institutions makes these organizations think of how to improve relationships with their potential and prospective clients to become market leaders. Customer Relationship Management has become inexorable for growth and profitability of Banks in present scenario due to rising competition, technological advancement and empowered customers. Customer relationship management helps bank to improve communication and interaction with the customers. A good CRM can help banks to make new customers, close the deal and along with that provide excellent customer service. The paper investigates the challenges and opportunities faced by banks in managing customer relationship in era of cut-throat competition.



Keywords: Customer Relationship, Empowered Customer, Business Banking.

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Introduction:

CRM originated in early 1970s when the business units had a manifestation that it would be advisable to become 'customer emphatic' rather than 'product emphatic' CRM is a business model that aligns product and sales strategies with customer requirements and preferences. The concept of customer relationship management started in the early 1970s, when customer satisfaction was evaluated using annual surveys or by front-line asking. Because of customer demands and increasing competition, banks need to adopt a modern, customer-focused approach to service, making the importance of a CRM in the banking industry more valuable than ever before. Customer Relationship Management (CRM) came into the power when banking institutions were getting more and more competitive. The focus of CRM helped banks to understand the customer's current needs, what they have done in the past, and what they plan to do in the future to meet their own goals. Customer Relationship Management (CRM) has a massive influence in the service sector, to win and hold customers for long-term efficiency. The lack of understanding of Customer Relationship Management (CRM) is always a concern among the service providers especially banks. Banks have their own way of managing their relationships with the customers. However, the perception of customers on CRM practices among banks should also be taken into consideration. CRM activity attends the needs of customers without delay in time, the banks can create more awareness to customers and can create a customer database very significantly. Hence the concept of CRM may be emphasized so that the customers are treated royally in relation to banking services. Thus the banks need to improve the customer satisfaction in the utilization of various modern banking services and should provide more customer friendly services to make the modern banking activity a delight for the customer to use.

Research methodology

The study is analytical in nature and it uses secondary data which is collected from a number of sources including research papers, books, articles, newspaper, magazines, publishes unpublished bulletins of reserve bank of India

Objective of study

To understand customer relationship management in banking sector

To understand challenges and opportunities of customer relationship management in banking

Challenges of CRM in the Banking Industry

Originally customer relationship management was based on three major principles; shielding the current customers, fostering new customers and enhancing asset value of all the customers. With the advent of CRM system eventually emerged as consisting of company-full of information which is depicted sophisticatedly to increase business profit and meliorate customer satisfaction and loyalty, on the same hand reduces business cost and investment.

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The banking industry is very sensitive to data security and aims to deliver an extra level of control over access to their records. Besides their clients' personal information and account records, the entire banking system should be well protected against cyber-attacks and malicious software

Manage on boarding customers with existing ones alike is a tedious task for businesses, especially in the banking sector. CRM in banking helps the banking industry to elevate business functions as systematized for attracting more customers.

Another problem generally faced by a bank in implementing CRM is resistance to change. The banking industry is facing major transformation in:

- Market : changing from sellers' market to a customers' market,
- Economy: regulated economy to a more liberalized and open economy,
- Technology: high advancements in technology.

Thus it is forcing the banks to change the way they do business. A change denotes making things in a different manner. Now the things should be properly planned, proactive and dedicated to a defined. This in turn requires two things:

1. Increase in the ability to adapt changes in the business environment.
2. Training and motivating the employees so that it develops skills, right attitude, expectations, perceptions and behavior.

Implementation of CRM in Indian banking is still in its nascent stage and has to travel long and tough path in order to raise it to the global standards. But the Indian private banks in association with their public counterparts are considering the issue on a large scale in order to remain competitive to foreign and other private sector banks.

Challenges for CRM Implementation

The most persistent challenges faced by banks in effectively using knowledge about their customers include:

- Difficulty in obtaining a complete insight about their customers
- Need to move away from disorganized, individual, and unreliable channels to provide an organized, multichannel offering
- Problem of separate legacy systems and different databases that store client financial data
- Cost and difficulty in meeting rigorous government regulations, client security and privacy requirements
- Pressure on margins and growth prospects from increased competition

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- Costs related to retaining the bank's customers and increasing customer loyalty

Steps to Customer Relationship Management

- **It is essential for the sales representatives to understand the needs, interest as well as budget of the customers.** Don't suggest anything which would burn a hole in their pockets.
- **Never tell lies to the customers.** Convey them only what your product offers. Don't cook fake stories or ever try to fool them.
- **It is a sin to make customers waiting.** Sales professionals should reach meetings on or before time. Make sure you are there at the venue before the customer reaches.
- **A sales professional should think from the customer's perspective.** Don't only think about your own targets and incentives. Suggest only what is right for the customer. Don't sell an expensive mobile to a customer who earns rupees five thousand per month. He would never come back to you and your organization would lose one of its esteemed customers.
- **Don't oversell.** Being pushy does not work in sales. If a customer needs something; he would definitely purchase the same. Never irritate the customer or make his life hell. Don't call him more than twice in a single day.
- **An individual needs time to develop trust in you and your product.** Give him time to think and decide.
- **Never be rude to customers.** Handle the customers with patience and care. One should never ever get hyper with the customers.
- **Attend sales meeting with a cool mind.** Greet the customers with a smile and try to solve their queries at the earliest
- **Keep in touch with the customers even after the deal.** Devise customer loyalty programs for them to return to your organization. Give them bonus points or gifts on every second purchase.
- **The sales manager must provide necessary training to the sales team to teach them how to interact with the customers.** Remember customers are the assets of every business and it is important to keep them happy and satisfied for successful functioning of organization.

The Business Benefits of Using a Banking CRM

According to a global study of financial service customers, Accenture found that 67 percent are willing to provide more information to banks if it means they will receive new benefits and 71 percent said they would use entirely computer-generated support for their banking processes.

1. Leverage a 360-Degree View of Every Customer

A banking CRM is a consolidated system that can integrate with your other banking software programs to provide a single view of every customer account. From making a deposit at an ATM to requesting information about a certain type of loan, every pre-determined action a customer takes

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can be recorded in your CRM. This makes it quick and easy to gain deeper insights into their habits and personal preferences, which can help you, align certain products to their financial goals.

2. Improve Customer Retention

With customers opting for online banking solutions as opposed to in-person experiences, strategizing a way to foster long-term relationships can be difficult for many organizations. With a banking CRM, there is a great deal of data available right at your fingertips, which can be used to proactively deliver personalized services. Since your CRM enables you to record customer notes and personal information, you can enhance every experience. For example, if a bank teller adds a note to a customer profile that says they were asking questions about a certain type of loan, the loan department can follow up by emailing them helpful resources that explain their options. Showing your customers that you're listening to them and making efforts to improve their experience at your bank is a strategic way to promote loyalty.

3. Enable Quicker Processes

With a single, unified system, any bank employee can access a customer profile to quickly get up to speed on an account. For example, if a customer contacts a call center, the employee they speak with can make real-time updates to their profile in the CRM. When the customer visits their local bank branch, the bank tellers will be able to see notes from their interaction with the call center. This can eliminate any duplicate conversations and provide the bank teller with a holistic understanding of the customer's situation.

4. Use Insights to Improve Sales and Marketing Efforts

The data in your CRM can be compiled into reports so you can gain a much deeper understanding of your customers. From there, you can identify trends, successful campaigns, and areas for improvement that will help you anticipate customer needs and tailor your future marketing efforts. You can also use the data in your customer profiles to pinpoint areas for cross-selling and upselling. For example, if a customer makes a deposit inside the bank, the teller can have a full view of their profile and notify the customer of new products they may be interested in or qualify for, such as a platinum credit card.

5. Make bank Staff More Productive

With all customer information available under one CRM system, there's no need for employees to search through emails or check multiple platforms for the answer to a quick question. Repetitive administrative tasks are eliminated so employees spend less time scrounging through data and more time fostering client relationships. According to [Nucleus Research](#), sales representatives saw a productivity increase of 26.4 percent when social networking and mobile capabilities were utilized in their CRM. Users can also access a CRM from any device, such as a laptop, desktop, or smartphone, meaning there's no limitation to where and when data can be viewed.

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Conclusion

A bank's ability to identify customer needs, segment customers and build accurate customer profiles, all depend on how effectively it collects, manages and uses customer data. Banks need to realize which type of information they need, harvest it carefully, store it safely, keep it updated and use it proactively to cross-sell, improve customer experience and deepen relationships. Today data access is no longer a challenge, rather banks have access to loads of customer information, but the challenge still lies in converting this into business advantage. This implies that CRM needs to address the gap of converting data into customer insights which proliferates profitable customer relationships across multiple touch points. The strategic framework suggested for effective implementation of CRM emphasizes the importance of understanding CRM as an organization wide strategy and need for alignment of bank's culture and processes to bring customer centricity at the core of operations.

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