Enhancement of Efficiency and Effectiveness in Banking through CRM Systems: A Case of Indian Banking Industry

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ABSTRACT

Financial Services Industry in India is experiencing robust growth and intensity of competition unlimited by geographical operations and multiple methods of service delivery, witnessed by the ever dynamic and increasing role of Information Technology (IT). Relationship Marketing has replaced traditional Transactional Marketing and in this direction, the concept and tools of customer relationship management (CRM) have become significantly important. This research paper examines the multi-fold impact of CRM systems on the growth and efficiency of plethora of banking operations. This empirical study is based on descriptive research design using questionnaire as the key research instrument. Descriptive statistics, Pearson correlation and Stepwise regression and chi-square were used to test the research hypotheses. Cross selling helps to retaining the customer and give more than one platform to engage with the client. It also gives employees an opportunity to learn various non-related products for their skill development for career progression. Banks can improve their efficiency by structured and scientific approach towards cross selling through implementation of CRM tools. Desired results can be obtained by training staff on various products and close tracking on sales process.

Keywords: Business per Employee, Customer Loyalty, Customer Profitability, Customer Relationship Management, Customer Satisfaction, IT Enabled Banking Solutions, Profit per Employee, Relationship Marketing

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INTRODUCTION

The rapid strides made in the Information Technology (IT) arena have tremendously impacted the way banking is done worldwide. Service delivery systems have undergone a change, whereby the traditional brick and mortar system of servicing customer’s requests have been replaced with a mix of brick and click model. The holistic service delivery mix comprises of service delivery methods like In-Store Banking, Door-step Banking and Online Banking intermediated by the complex interplay of human driven and Information Technology (IT) driven methods. Such is the quintessential influence of IT on banking that all major operations/decisions with regard to deposits, withdrawals, and investments can be made at the click of a mouse on a computer or at an Automatic Teller Machine (ATM) fostering customer confidence and convenience. Important fallout of this IT-driven e-evolution in banking is advances made in customer relationship management (CRM). Banks can differentiate their service offering and reap incremental profits by proper servitization of their product offering. Hence the focus is shifted on profitability along with business volumes for enhancing the efficiency and effectiveness of the banks. In this context profitability has been broadly categorized as Business per employee and profit per employee.

THE CONTEXT

Companies operating in Banking Services Industry experience much more complex market situations and interactions. Customers are becoming all the more sophisticated, knowledgeable and aware. Additionally, the competition is ever increasing. The bank organizations are continuously striving hard to bring the state-of-the-art IT innovations to make banking a convenient and pleasurable experience, thereby increasing the banks’ profits. In order to survive, companies must necessarily understand the concept, constituents and the phenomena of ‘Relationship Marketing’ and CRM systems in the context of banking industry and optimization of resources.

Relationship Marketing

The concept of ‘Relationship Marketing’ has emerged within the field of Services Marketing and Industrial Marketing in the last years of the twentieth century. One of the most important contributions was Hunt’s (1993) proposal, which established that the fundamental element in marketing is the management of interactions, although a decade earlier Berry (1983) had already proposed a formal definition of Relationship Marketing as a strategy to attract, maintain and enhance customer relationships (Beatty et al., 1996). Gronroos (1994) defines Relationship Marketing (RM) as “Marketing is to establish, maintain and enhance and, when necessary, terminate relationships with customers and other stakeholders, at a profit so that the objectives of all parties involved are met; and this is done by mutual exchange and fulfilment of promises”, (Egan, 2004), within the network of relationship (Gummeson, 2002) and acknowledging a stable customer base (Rowley, 2004). Nevertheless, there are few empirical works which have explored the motivations and benefits consumers get from keeping a long-term relationship with a specific bank (Sheth & Parvatiyar, 1995; Bendapudi & Berry, 1997; Gwinner et al., 1998; Reynolds & Beatty, 1999; Henning-Thurau et al., 2002), even though it is obvious that, in practice, such benefits are interpreted as advantages by consumers in terms of their satisfaction and their analysis may render more efficient competitive strategies (Gwinner et al., 1998).

Relationship Marketing Outcome

Consumer satisfaction is a central element in the marketing exchange process, because it undoubtedly contributes to service providers’ success (Darian et al., 2001), the higher the probability that consumers will repeat purchase
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