
Customer Relationship Management Practices of State Bank of India : A Customer Perspective

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Introduction

Deregulation in banking industry has reduced structural barriers to competition in domestic markets by abolishing interest rates ceilings on deposits and lending by financial intermediaries. Markets are now open to foreign competitors. Improved information technology has led to low cost, instantaneous communication and electronic fund transfer (Zenoff 1989). This has further led to integration of international market. Moreover, due to increase in awareness and literacy ratio, the customer of today has become more learned about the risks, costs and returns associated with various financial services.

To combat with the volatility and risk associated with banking industry, a specialized marketing function needs to be developed in banking industry (Watkins, Wright 1989). Today's banking is not merely a function of accepting deposits, lending and money transmission. The banks have now diversified into insurance, brokering, advisory services, merchant banking, factoring and almost every legitimate financial activity. In order to survive in the present world of competition, banks' marketing strategy needs to be formulated in such a way as to woo the customers. Hence, positive customer perception has become a major thrust area for banks to increase market share.

Customer Perception

In the literature on service marketing, perception is defined as the consumer's belief concerning the service received or experienced. Many authors and researchers have explained different aspects of customer's perception in different ways. Customer perception has been regarded as an indicator of the marketing effectiveness of the firm. The success of any marketing strategy lies in the post purchase experience as delivered through the product / service and as perceived by the customers.

Many companies now consider customer perception as crucial. To achieve favourable customer perception about bank services and offers, identification of customer's expectation and actual delivery of services are essential elements of marketing strategy. So companies must create positive attitude towards the identification of needs and wants of the target customers. It is a fact that achieving and maintaining of positive customer perception even at higher cost would not be costlier than cost of negative

customer perception. The five dimensions forming the basic "skeleton" of CRM practices of banks are:

1. Tangibles: Physical Facilities, Internal Décor.
2. Offers: Products, Safety and Customization.
3. Service Delivery: Technology, Promptness, and Operating Time.
4. Grievance Handling: Approach, Employee interest, Timeliness.
5. Employee Behaviour: Courtesy, Attention, Discrimination.

Research Methodology

For Customer perception test with the services of State Bank of India, 1000 customers were interviewed to find out their perception from bank's offerings using a drill down approach. The customers were surveyed through non-disguised, structured questionnaire, which was personally administered by the author. The

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respondents chosen were selected from both creditor and borrower category of the banks. The customer selection was from both at the branch as well as from bank ATMs. 5 out of total 30 branches and 2 out of 5

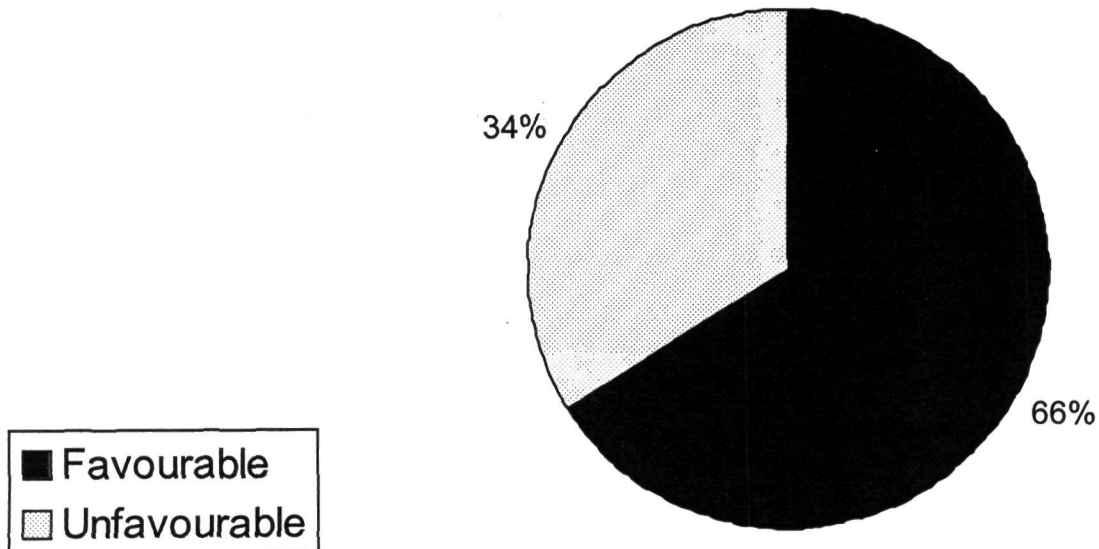
ATMs of SBI from Varanasi district were chosen. The customer sample was fixed on the basis of the convenience of the author taking into account the time and resource constraint.

ATTRIBUTES	% Favourable Perception	Mean
Tangibles		66
1. Your bank's physical facilities provide comfort.	64	
2. Your bank has guidance signs indicating as to which counters are offering which services.	68	
Offers		70
3. You are satisfied with the offers of your bank.	60	
4. Your bank offers any personalized service.	54	
5. You feel safe in transactions with your bank.	96	
Service Delivery		69
6. Your bank has operating hours convenient to all customers.	65	
7. You are satisfied with the technological services of the bank as ATMs, Online Banking, Phone Banking etc.	52	
8. Your bank performs the service right for the first time.	68	
9. When your bank promises to do something by a certain time, it does so.	70	
10. Employees of your bank give you prompt service.	64	
11. Material associated with the services (such as pamphlets and statements) is informative at your bank.	84	
12. Employees of your bank have the knowledge to answer your questions.	86	
13. Employees of your bank tell you exactly when the services will be performed.	64	

Grievance Handling		23
14. Your bank ever tries to find your problems/grievances/dissatisfaction	15	
15. Your bank shows sincere interest in solving it.	45	
16. The bank fixes a time frame for resolving your query.	10	
Employee Behaviour		65
17. Employees of your bank are consistently courteous with you.	60	
18. You experience any discriminating behaviour by the bank.	63	
19. Your bank has employees who give you personal attention.	57	
20. Employees of your bank understand your specific needs.	78	

1. Perception with Tangibles of SBI:

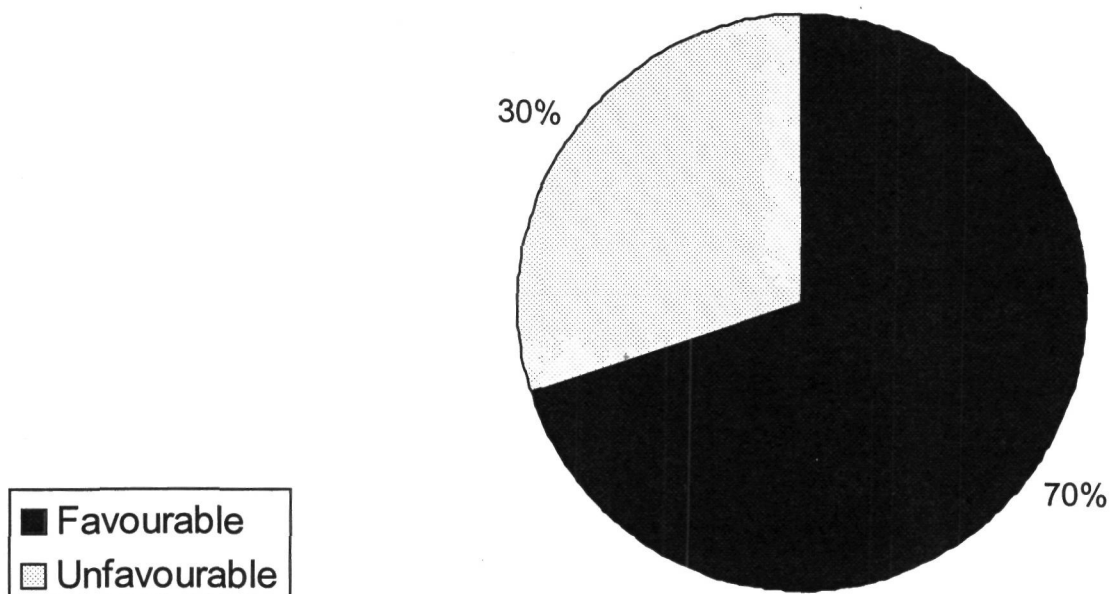
Perception with bank tangibles



Analysis:

Customers do not have very positive perception about bank tangibles. Bank has not been able to create a positive environment among its customers. Most of the branches do not have proper arrangements of customer requisites as proper cooling arrangements for summer and warming arrangements for winters.

There are also complaints of unavailability of water dispensers and insufficient seating arrangements. In this age where customer importance has been growing hugely and banks are in the endeavor of converting their typical bank branch into a shopping mall for banking products, SBI tangibles are way behind the market and even the customer expectation.

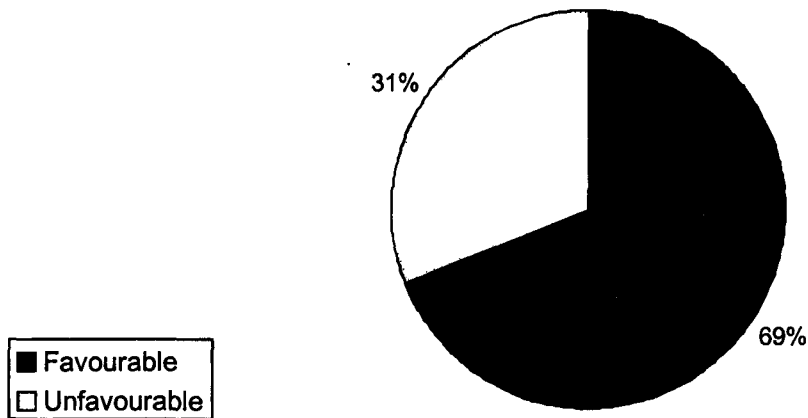
2. Perception with Offers of SBI:**Perception with offers****Analysis:**

Perception about bank's offers again is average with a score of 70% positive perception. But it is mainly on account of safety of transaction, which recorded huge positive responses from the respondents. SBI being a nationalize bank, does impart huge confidence among customers with respect to safety of their deposits. But customers feel that bank lacks greatly in product

customisation that can suit to specific customer requirements of distinct customer group. Besides, in this technology driven banking era, SBI is not having much of tech-based products. Though the bank has started taking several initiatives to launch customised and tech based products but in absence of any good marketing initiative, bank has not been able to impress its customers.

3. Perception with Service Delivery of SBI:

Perception with service delivery



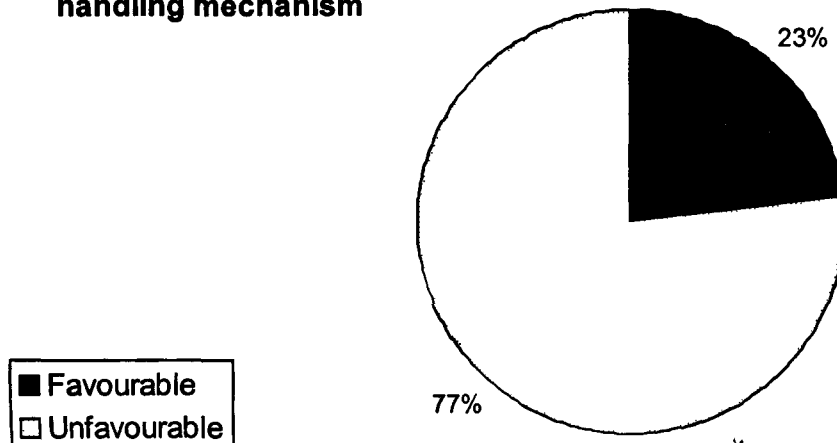
Analysis:

Bank's service delivery is considered as average with 69% favourable responses as far as positive perception with banks' offers are concerned. But there is huge dissatisfaction with regard to SBI's technological services. The biggest problem is that many a time SBI's ATMs are found to be out of order. Even if these work, these suffer due to poor cash management. Many a time, these do wrong transactions, which

ultimately increases customer's problems. There is discomfort with bank's operating hours especially among business class customers. Even though customers consider bank's intellectual resources to be good enough but they lack in promptness. Most of the SBI customers want increased number of ATMs and their proper management, back in terms of cash management as well as proper networking to effect correct transactions.

4. Perception with Grievance Handling Mechanism of SBI:

Perception with grievance handling mechanism



Analysis:

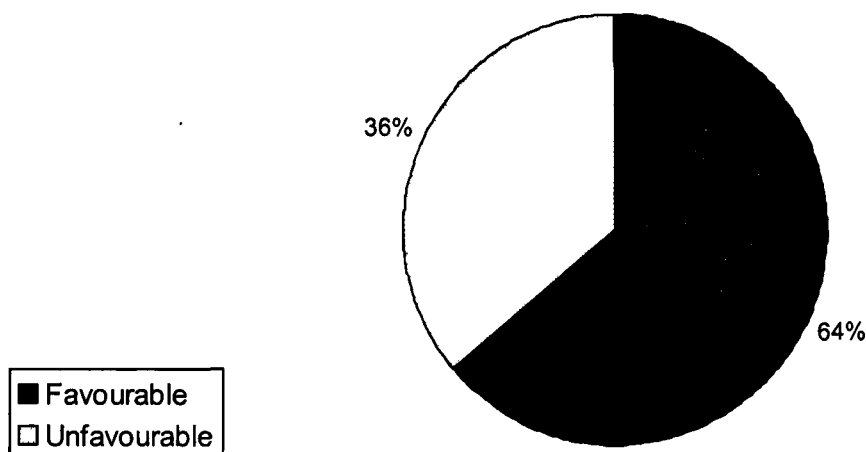
In the buyers market, customer perception of grievance handling by SBI has been perceived as very poor by its customers. Only 23% customers perceive bank's grievance handling mechanism to be satisfactory. Majority of the customers are of the view that bank never tries to find problems of its customers on its own. Even when a particular grievance is lodged, the

bank has the approach of lingering on it and hence never fixes a time frame for resolving the matter. Many a time, interest shown in the matter is restricted to individual employee's own attitude towards business.

Bank as a policy guideline does not have any strong follow up mechanism to customer's grievance or complaints. Hence the employees do not see any pressure for early and effective redressal of such matters.

5. Perception with Employee Behaviour of SBI:

Perception with Employee behaviour



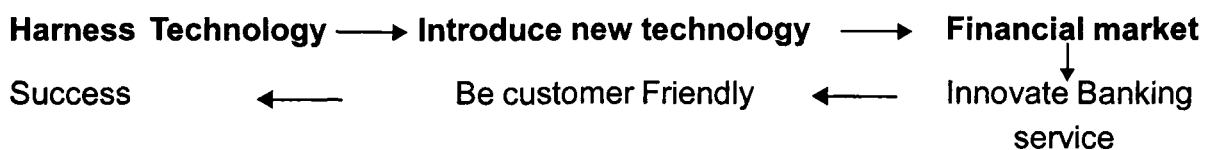
Analysis:

Customer perception about employee behaviour of SBI also is not very favourable and scores an average 64%. Though, customers feel that employees understand their specific requirements but they still lack in converting these understanding into action. Though they do not show any discrimination and they value average customers, provided one takes initiatives in establishing a relationship with them. This deprives banks with valuable customer as they are offered special care and attention by new private banks. They also lack hugely in giving personal attention to the customers, which ultimately creates hindrance in establishment of personal relationship with the customers. All this adds to poor customer relationship by the bank. Even though, staff higher ups do know

the importance of customer relationship but many a time they are over burdened with routine operations of the bank and hence do not get much time for that.

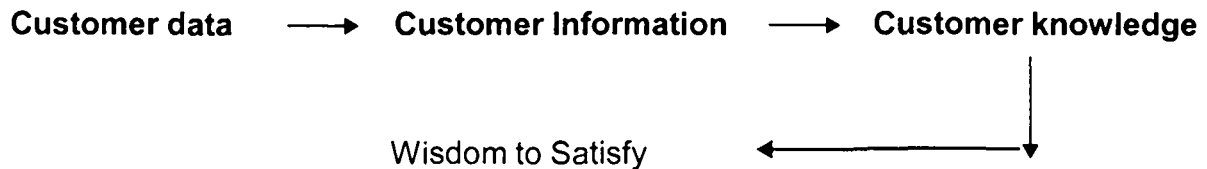
SUGGESTIONS AND RECOMMENDATIONS

Based on the study it can be concluded that State Bank of India has not been very successful in designing its CRM practices as per requirements and expectations of its customers. Instead of designing their CRM practices from competitive perspective, it should be from customer and bank's profitability perspective. That would ultimately create a win-win situation for both the customer as well as for the bank. Technology may play a very crucial role in designing effective CRM at lesser cost hence they could be resorted to while designing CRM.



To achieve success through CRM, a CRM value chain needs to be designed. Data received from customer could be converted into meaningful information. This

information may help companies acquire knowledge about the customer and can help it design its relationship programs to create customer delight.



Suggestions for State Bank of India

State Bank of India at corporate level does understand the importance of a delighted customer in this hyper competitive banking era and hence has given due importance to customer relationship management practices in its overall marketing strategy. The bank while formulating its marketing strategy has tried to take cognizance of CRM and hence has taken several initiatives in this regard. Even though the programs sound to be very good, but they do not meet the objectives because of poor implementation of these programs. SBI urgently needs to take following actions for effective Customer Relationship:

1. SBI, which is a prominent player of mass banking, should not try to please all customers with the same service facilities. Bank does need to make clear customer segmentation and then should design its customer service program schemes accordingly. This would make possible better customer service to profitable customers who can create value to the bank. The parameter for customer selection could be based on size of total deposit with the bank, size of loan he/she has with the bank, number of products he/she has purchased from the bank etc. Different slabs of select customers can hence be prepared and different schemes could be designed for different slabs. These profitable customers may be served at a new branch, as Personal Banking Branches or a new counter could be set up for these customers in existing branches.

2. The bank has been a laggard in implementation of technology. Over recent past, technology took center stage in customer service. Realising the role of technology in customer service, the bank has also started ATMs and started net banking and phone

banking. Being the biggest in size, the bank has set up maximum number of ATMs. But bank failed miserably in administering those ATMs. The ATM, which has become a new incarnation of bank branch initially suffered from being non networked and subsequently became victim of poor cash management. The state of art technology was also not up to the mark. Net and phone banking has been introduced at very small scale and hence was not able to deliver the benefits to majority of its customers. Bank needs to look into these areas, otherwise the technology, which is supposed to support customer service, may lead to a greater cause of customer dissatisfaction.

3. Employees should be involved in customer relationship programs right from the stage of its conception to its implementation and even in its follow up. This would help them feel part of the entire program and hence they would cooperate with it and see to its proper implementation as against present perception of being thrown upon them.

4. SBI has introduced the concept of Relationship managers in its Personal Banking Branches. This has been a good initiative taken by the bank but it is not working very effectively as there is insufficient number of staff and they are mostly engaged with regular banking jobs. Bank should make arrangement of exclusive staff for relationship purpose, at least for high value customers.

5. Bank at corporate level has designed a program of testing customer satisfaction at every branch and the report is considered during customer audit. But there have been lacunae found in its responses as many a times branch managers get these questionnaires filled by his own trusted customers and the very purpose of

identifying customer satisfaction gets defeated. This customer audit, which incorporates customer satisfaction, should be conducted at all the branches and by an independent agency and bank managers should in no way be involved in the process. Feedback thus obtained should be shared with the employees so they themselves can correct the flaws.

6. SBI has designed several programs for customer relationship; a customer service committee, customer relationship program, customer day etc. But in absence of proper implementation of these programs, bank has not been able to project itself as a customer friendly bank. Bank thus needs to focus more on proper implementation of these programs. Bank should also take care that all these programs should be implemented on a consistent basis and should not become a one time phenomenon.

7. SBI has been introducing new and more customised products at regular interval. But the bank has not been able to communicate these to its customers about these products. Banks needs to be more aggressive at market place and resort to several modern techniques of communicating as setting up stalls of new offers, participating more aggressively at various trade fairs and road shows. This will not just help in customer acquisition but also help in enhancing customer satisfaction level.

8. Bank employee's behaviour has not been very satisfactory. It is because of two reasons; one, they lack knowledge; second, they do not take personal interest in customers affairs. The bank can have two pronged strategy in this matter:

i) Bank employees need to be trained in latest happenings of the banking industry. They should be better trained in modern techniques of customer service and should be made aware of importance of better customer service for their organisation and for themselves.

ii) SBI's front line staff has not been courteous enough with the customers. It is this behaviour that deters perception about the banks services Customer satisfaction of the individual branch and customer service done by individual employee should be made a parameter for annual staff appraisal.

9. Though the bank also has a standard grievance handling mechanism, but it is too complicated and rarely resolves the matter in a fixed time frame. This could be corrected by introducing software, which can automatically record a complaint/ grievance/ query and bring it to the notice of the official concerned. If not resolved in a set time, it should automatically reach higher officials. Accountability with respect to every complaint entered should be fixed. There can be several other ways introduced to register the complaints like toll free number, email etc. Complainant should be made aware of the status of their complaint.

10. SBI does not have any policy for customer retention. Bank is even unable to monitor movements in accounts, as the total number of accounts is very huge. An exclusive software can be very handy in customer retention as it may immediately inform the authority of any abrupt movements taking place in a particular account. This may help bank to identify the problem and check customer migration.

11. Bank does not have any Software, which can help its officials see movement in accounts. This can help greatly in customer retention, in cross-selling and contact management. Any abrupt movement in selected accounts could immediately be identified and required action could be taken

12. Bank also desperately needs a call center, which is a remedy of many of modern days problems. Bank can provide this unique facility to its selected customers for ordering of chequebooks, issuance of ATM and credit and debit cards, stop payment request, renewal of fixed deposit, enquiry about other value added products and many others, over telephone 24 hours free of cost. Call center may even help customers in lodging complaints.

13. Huge stress is being given on tangibles in modern banking. In modern banking, there is huge focus on all these so that customer should feel a bank branch as a one stop shop for all banking and financial products. This aims at providing comfortable ambience and meeting basic requirements of the customers as having a water dispenser, neat and clean toilet, sufficient seating arrangements and proper cooling and warming arrangements as per requirements of different seasons. SBI lacks hugely in all such facilities. It has its offices at various posh locations of the country

but the interiors are absolutely uncomfortable. Many of these requirements can be met with little expenses.

14. SBI employees need to change their approach of being in "Sarkari Naukari", government job. Most of the bank officials did not even know of CRM and often asked "What CRM?" They need to realize that they work in an industry, which is changing very fast, and it is because of customers that their organisation and jobs will survive. They need to inculcate the feeling that they all are for servicing the customers and it is not the customer, which is dependent on the bank.

Limitations of the study:

Being a descriptive study, it is difficult to base the study on a specific research design. The present study is constrained to limit its scope to the currently available information. The study, in no way, intends to draw generalizations about customer perception with its offerings, due to limited geographical coverage and small sample size.

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