E-CRM in Indian Banks: Differentiating Tool in Competitive Market

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ABSTRACT

Customer is the king in kingdom of Marketing and Banking domain has no exception to it. In the digital economy of the 21st century, the focus of production efficiency and product differentiation is shifted to value creation and relationship management. Customer relationship management (CRM) is a critical business strategy in gaining competitive advantages.

Technology, People and Customer are the three pillars of the success of banking in the fast changing economic environment. The ultimate performance of a bank depends upon the satisfaction of its customers. In the competitive banking era, banks have to strive hard for retaining and enlarging their customer base.

Information technology has embraced banking services like any other industry. New generation services include use of ATMs, Internet Banking, Mobile Banking, customer Call center and other internet driven services like E-banking etc. The concept of CRM when seen in the context of e-business, it translates into e-CRM, which essentially deals with managing customer interactions over the web. Through information technology uses we find that there is an attempt to exceed customer expectation on service quality dimension. The most of the Indian banks have entered in the technology age and providing various types of electronic products and services.

The present paper endeavors to explore the concept of e-CRM in Indian banks from its various dimensions covering specifically its concept, benefits, techniques used in e-CRM. It also extends to the need, process, present status and future prospects of e-CRM in Indian Banks.

Keywords: e-CRM, E-Banking, Indian banks.

Introduction

Today's Customers are sophisticated, price sensitive and demanding. They live time-compressed lives. They want their need met fast with greater convenience. Today's companies are digital companies with flatten hierarchy. Companies are trying to become location independent, decentralize, flexible, low on transaction and coordinating cost. They are using strong IT infrastructure to achieve above mentioned strengths.

As per the current market researches

1. It costs 6 times more to sell to a new customer than to sell to an existing.
2. One dissatisfied customer will tell 8-10 others on his experience.
3. By increasing the customer retention rate by 5%, profits could increase by 85%.
4. There is 50% chance of making a sale to an existing customer while only a 15% chance of selling to a new customer.
5. 70% of customers will do business with the company again if their complaint is successfully resolved.
6. 90% of companies didn't have the necessary sales and service integration to support e-commerce.

"I know who you are, I remember you. I get you to talk to me. And then, because I know something about you, my competitors don't know, I can do something for you my competitors can't do - not for any price"

NEWELL, 2000

Over a century ago, in a small-town of India, before the advent of the super-market, the shopping mall, and the automobile, weekly haat or general, people went to their neighborhood weekly haat or general store to purchase goods. The proprietor/owner and the small staff recognized the customers by name and knew the customer's preferences, needs, likings and wants. The customer, in turn, remained loyal to the store and made repeated purchases. This pleasant customer relationship disappeared as the nation grew, the population moved from the farming community to large urban areas, the consumer became mobile, and supermarkets and departmental stores were established to achieve economies of scale through mass marketing. Although prices were lower for goods& services and there is more uniformity in quality, the relationship between the customer and the merchant became nameless and faceless.

This is an era of company loyalty towards the customer in order to obtain customer loyalty towards the company. The customer is more knowledgeable; companies have to be faster, more agile, and more creative than they were, a few years ago (Paul Gray and Jongbok Byun, 2001).

Customer relationship management (CRM)

According to Peter Keen, the well-known author of Shaping the Future (1991) and The Process Edge (1997) defines CRM as: "Customer relationship management is the commitment of the company to place the customer experience at the center of its priorities and to ensure that incentive systems, processes and information resources leverage the relationship by enhancing the experience".

Ronald S. Swift ("Accelerating Customer Relationships", Prentice Hall – 2001) defines CRM as : "Customer Relationship Management is an enterprise approach to understanding and influencing customer behavior through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty and customer profitability".

CRM Stages

Figure-1: Stages of CRM

Customer Acquisition: Promotion of products – build a relationship – first date

1) Customer Extension: An established relationship – cross-selling & up-selling
2) Customer Retention: Adapt to customer requirements – requires a complex understanding of customer needs.

It is very difficult for organizations to pursue all 3 objectives.

Customer relationship management (CRM) has its roots in relationship marketing which supports the proposition thata firm can boost its profitability by establishing long term relationships with the customers. According to Shan and Lee Electronic Customer Relationship

expands the traditional customer Relationship Management techniques by integrating technologies of new electronic channels such as web wireless and voice technologies and combines them with E-business application into the overall enterprise customer Relationship Management strategy. They further say "the ability to capture, integrate and distribute data gained at the organization's web site throughout the enterprise". The purpose of e-CRM is to serve the customers in better way, retain valuable customers and enhance analytical capabilities in an organization.

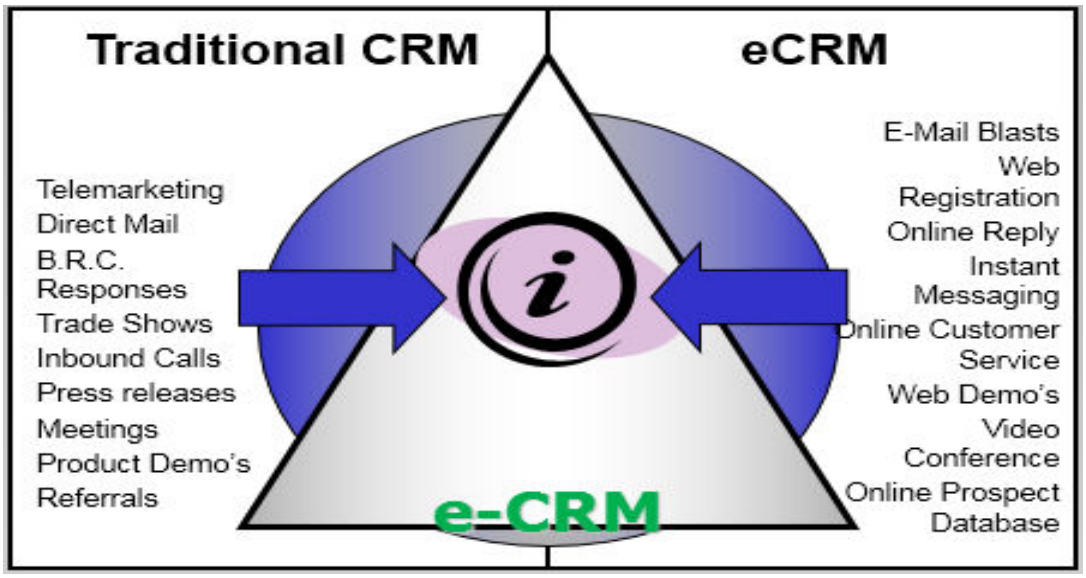

Figure-2: Electronic customer relationship management (e-CRM)

e-CRM (electronic customer relationship management) is considered as strategic technology centric relationship marketing business framework. According to Forester Research e-CRM is the consolidation of traditional CRM with e-business market place applications. The purpose of electronic customer Relationship is to serve the customer in better way retain valuable customer and enhance analytical capabilities in an organization.

The objectives of e-CRM are:

1. To provide good customer service.
2. To discover new customers.
3. To enhance customer loyalty/retention.
4. To help sales staff close deals faster.
5. To simplify marketing and sales processes.
6. To reduce the costs (like administrative).

7. To increase the goodwill profitability etc. by increasing the customer satisfaction level.

Internet and e-business are accountable for e in the e-CRM. It is essentially about conveying increased value to customers and to do business through digital channels. Dramatically all business are becoming a part of whole business.

Dyche, (2001) described that e-CRM is combination or software, hardware, application and management commitment. e-CRM can be different types like Operational, Analytical. Operational e-CRM is given importance to customer touchup points, which can have contacts with customers through telephones or letters or e-mails. Thus customer touch up points is something web bases e-mails, telephone, direct sales, fax etc. Analytical CRM is a collection of data and is viewed as a continuous process. It requires technology to process customer's data. The main intention here would be to identity and understand customers demographics pattern of purchasing etc in order to create new business opportunities giving importance to customers.

e-CRM techniques used by banks

Banks modern technology can develop innovative customer solutions to attain growth and profitability within the framework of sound risk-management practices. Techno-savvy banks are tapping into online services to initiate a new era in relationship management to create one to one relationships as well as one too many relationships to enhance their competitive advantage.

The following techniques are used by Indian banks:-

Table-1: Techniques used by Indian banks

• Automated Teller Machines (ATMs)	• Communication Technology (SWIFT)
• Phone Banking / Tele Banking	• INFINET and VAST Network
• Internet Banking – e-Banking	• Wireless Banking Services
• Mobile Banking	• Electronic Clearing Services
• Total Branch Mechanization (TBM)	• Point of Sale Terminal
• Electronic Funds Transfer (EFT)	• Data Warehousing and Data Mining

With the introduction, implementation and adoption of above techniques/instruments by the bank have totally revolutionized the functions, operations, administration, decision making and management information system. All these techniques/instruments helped the banks in retaining the existing customers, attracting new customers, and provide lot of services with the help of these instruments to give them satisfaction.

Automated Teller Machines (ATMs):

An ATM is a machine that can deliver cash to the customers on demand after authentication. This service is made available 24 hours a day. 7 days in a week and 365 days of the year through ATMs.

Table-2: ATMs of Scheduled Commercial Banks

(As at end-March 2012)				
Sr. No	Bank group	On-site ATMs	Off-site ATMs	Total number of ATMs
1	2	3	4	5
1.	Public sector banks	34,012	24,181	58,193
1.1	Nationalized banks*	18,277	12,773	31,050
1.2	SBI group	15,735	11,408	27,143
2.	Private sector banks	13,249	22,830	36,079
2.1	Old private sector banks	3,342	2,429	5,771
2.2	New private sector banks	9,907	20,401	30,308
3.	Foreign banks	284	1,130	1,414
	All SCBs (1+2+3)	47,545	48,141	95,686
Note: *: Excluding IDBI Bank Ltd.				

Source: RBI Report (2012)

Internet Banking – e-Banking, Phone Banking / Tele Banking

Net banking means carrying out banking transactions through the Internet. It comprises a variety of projects that aim to improve not only the bank's efficiency, but customer service levels as well. E-Banking program allows customers to use the Internet for basic functions in corporate and retail banking and credit cards. Thus the technology has completed eliminated the need for branch.

Table-3: Credit and Debit Cards Issued by Scheduled Commercial Banks

(As at end-March 2012)

(in million)					
Sr. No	Bank group	Outstanding Number of Credit Cards		Outstanding Number of Debit Cards	
		2011	2012	2011	2012
1	2	3	4	5	6
1.	Public sector banks	3.08	3.06	170	215
1.1	Nationalized banks	0.78	0.84	80	103
1.2	SBI group	2.30	2.22	90	112
2.	Private sector banks	9.32	9.67	53	60
2.1	Old private sector banks	0.04	0.04	12	14
2.2	New private sector banks	9.28	9.63	41	46
3.	Foreign banks	5.64	4.92	3.9	3.8
All SCBs (1+2+3)		18.04	17.65	228	278
Note: Components may not add up to total due to rounding off numbers to million					

Source: RBI Report (2012)

Electronic Funds Transfer (EFT):

The RBI has introduced Electronic fund transfer technique for public sector banks to help them offer their customer money transfer service from any bank's branch to any other bank's branch. EFT system presently covers more than 4800 branches of PSB's at four metro cities. Both volume and value of transactions through major electronic payment systems registered an increase

Table-4: Volume and Value of Electronic Transactions by SCBs (As at end-March 2012)

(Volume in million, Value in ` billion)								
Year	Volume		Percentage Variation		Value		Percentage Variation	
	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12
1	2	3	4	5	6	7	8	9
ECS Credit	117	122	19.5	3.6	1,817	1,838	54.5	1.2
ECS Debit	157	165	5.0	5.1	736	834	5.9	13.3
Credit cards	265	320	13.2	20.7	755	966	22.2	27.9
Debit cards	237	328	39.3	38.2	387	534	46.6	38.0
NEFT	132	226	99.5	70.9	9,321	17,903	127.6	92.1
RTGS	49	55.0	48.5	11.6	4,84,872	5,39,307	22.9	11.2
Note: Percentage variation could be slightly different as absolute numbers have been rounded off to million/` billion.								

Source: RBI Report (2012)

Wireless Banking Services:

Wireless banking services is an imaging trend in banking. Wireless banking service enables one to manage their accounts with GSM/GPPS WAP (Wireless application protocol) technology to allow access to accounts more convenient, secure and flexible. With wireless banking service the following operations can be performed:

Electronic Clearing Services:

Electronic clearing service is a simple, reliable and cost effective solution for bulk and repetitive payment transactions like salary, pension, interest, commission, dividend etc. by public or private companies and government departments through banks.

Data Warehousing and Data Mining:

This technique is used to develop and use customerdata to check their profile, retention and loyalty patterns. They provide valuable inputs for retaining customers and developing products and services for the future.

Thus from the above we found that the technology in banking has been used in four major ways:

1. To handle a greatly expanded customer base
2. To reduce substantially the real cost of handling payment
3. To liberate the banks from the traditional constraints on time and place
4. To introduce new products and services

Thus with the introduction of electronic banking banks are moving their focus of payment from the physical presence of money to the use of electronic money. Customer can perform banking transactions without having to step into the office of the branch. The bank which provides value added services and satisfaction to customers is bound to become winners in the market. By way of launching new products the banks are trying to make the "near" customer to "dear" ones.

Future trends in e-CRM

To take advantage of growing Indian market, global giants like PeopleSoft, SAP, Baan, Nortel, Talisma Corporation, Oracle Corp., Pivotal, and Siebel Systems are planning to invest in India so as to provide e-CRM software and services to Indian companies including banks. This will facilitate the e-CRM in Indian banks. On account of factors such as rise in the depositor base of banks and an increasing tendency among the new generation banks to diversify into web-enabled services, the number of net bank registrations has sky-rocketed. World-wide trend shows that net banking is perceived as a convenient and fast way of doing banking business and is fast gaining grounds.

Challenges for adopting e-CRM

In spite of all these advantages, IT-enabled banking is subject to severe constraints and limitations. Firstly, the use of web banking by customers has been by and large limited to balance enquiries and making utility bill payments. Secondly, for online banking to reach a critical mark; we need requisite infrastructure in terms of availability of personal computers, adequate bandwidth and uninterrupted power supply, which presently is lacking in India. Thirdly, the awareness about the online banking even among the upper echelons of society is very poor.

Lastly people are insecure about the security offered by online banking. Hackers have managed to crack into even the Pentagon and NASA web servers, besides a host of other high security sites. Once these issues relating to infrastructure and security are resolved IT-related services will get a big boost in Indian Banks. Indian government, being aware of the problems relating to e-transaction has already passed a bill on IT. The bill involves legal provisions relating to piracy, defamation, advertising, taxation, digital signatures, copyrights and trade secrets in the cyber-world. The bill intends to facilitate e-business by removing legal uncertainties created by new technologies.

Recommendations

e-CRM strategy must cover all the market segments such as retail customer, corporate sector, trade and agriculture for their banking requirements. Banks must build their brand image in assuring customers about the safety of their money and security of transaction through net.

Moreover, e-CRM based on internet will seem to be a wrong strategy for banks in India. Customer cannot rely upon internet banking for social interaction. People preferred to visit their traditional branches. Banks in India are on the learning curve of e-CRM and trying to meet the latent need of customer. The bank must adopt e-CRM customer centric approach. As online or internet banking become more widely accepted by customers, but click and brick seems to be right model for the success of India commercial banks. The success of e-CRM depends upon the development of robust and flexible infrastructure.

Conclusion

e-CRM in banks has enabled banks to get a global presence. They become customer focused organizations by using the various electronic channels. These channels help the banks in understanding their needs and wants and providing them various services. All this make the customers loyal and happy. In this way with the utilization of various electronic, automated channels banks are making long term relationship with their customers and get various benefits. Thus e-CRM benefited banks through:

1. Increased sales revenues.
2. Increased convenience.
3. Improved customer service rating.
4. Decreased administrative costs.
5. Ability to introduce new schemes at a faster rate.

6. Facility to the customer in his mobile business life.
7. Improved speed of dissemination of information.
8. Reduced subjectivity in operations.

However there are some drawbacks which are common to all e-CRM dependent businesses. There is no personal interaction between the customer and the supplier. Businesses have become impersonalized with vary powerful means of communication like body language and judgment skills becoming non-existent. Banks are not able to gauge their customers at all since the complete process has become over the computer screen.

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