

# Customer Service Strategies and Critical Success Factors in Managing Customer Relationships in Banking Sector

Parvez Khan & Rajesh Chouksey

<sup>1,2</sup> *Department of Management Studies Nagpur Institute of Technology (NIT)*

## I. INTRODUCTION

The Banking industry like any other financial services industries is facing a rapidly changing market, new technologies, economic uncertainties, fierce competition, and more demanding customers. The changing climate has presented an unprecedented set of challenges and issues. In the current scenario, a very serious question arises whether the customers are satisfied or not and what are the elements of Indian banking which lead to the satisfaction or dissatisfaction of customers. This research postulates on the present levels of satisfaction, and also tries to explore the factors that lead to customer satisfaction in banking sector in India.

Customer satisfaction is an evaluation by the customer after he / she buys goods and services. Customer satisfaction is one of the most significant factors for the profitability of banking in India. It calls for the retention of customers for the long term, which is more economical than attracting new customers (Reichheld and Kenny, 1990). The Banking industry like other financial services industries is facing a rapidly changing market, new technologies, economic uncertainties, fierce competition, and more demanding customers. The changing climate has presented an unprecedented set of challenges and issues. (Lovelock, 2001). Banking, being a customer oriented services industry, the customer is the centre of attention and customer service has to be the distinguishing factor. The challenge for banks is to lower costs, increase efficiency, while improving the quality of their service, and increase customer satisfaction. Attention has now turned to improving the quality of service encounter, when customers enter the bank and come into face-to-face contact with bank staff (Chakravarty, 1996). Customer Relationship Management is a broad concept used for creation, retention and expansion of customer relationships in the Banking sector. It is an overall

business strategy that enables organisation to effectively manage relationship with their customers and aims to understand, anticipate, manage and personalize the needs of customers.

With the advent of liberalization policy and the Central Bank i.e. RBI's easy norms, several private and foreign banks have entered in Indian banking sector which has given birth to cut throat competition amongst banks for acquiring large customer base and market share. Banks have to deal with many customers and render various types of services to its customers and if the customers are not satisfied with the services provided by the banks, then they will defect which will impact economy as a whole since banking system plays an important role in the economy of a country, Also, it is very costly and difficult to recover a dissatisfied customer. Since the competition has grown manifold in the recent times it has become a herculean task for organizations to build loyalty, the reason being that the customer of today is spoilt for choice. It has become imperative for both public and private sector banks to perform to the best of their abilities to retain their customers by catering to their explicit as well as implicit needs. Many a times, it happens that the banks fail to satisfy their customer who can cause huge losses for banks and there the need of this study arises.

Banks need to attract and establish a customer market and would need to retain it through satisfaction. That is the key to its business performance. In order to attain this goal, banks should have a high satisfaction rate from its clients. Researches suggest that increased levels of customer satisfaction and loyalty are frequently attributed or linked to positive outcomes for banks. Measurement of the rate of customer satisfaction is also a measurement of how products and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator. This is due to the fact that one of the factors needed in order to attain high competency and also high competitiveness is a high

market share through an increased, established and well sustained customer or client population. Banks have begun to understand the concept that their customers, the ones who purchase their products and use their services, are the primary drivers of their position on the profitability ladder.

Innovative Banking in Customer Service is a welcome and long-awaited development. Satisfied customers are the best guarantee of stability and sustainable growth. Bank customers also deserve the same type of service as in any other service sector.

Historically, it has been seen that banks have rarely treated their Bank customers as 'people', the way they are treated in any other service sector as Hospitality or any other retail sector. They were merely treated for 'Customer Processing'. Customer Service was a rare phenomenon. Banks that move with innovative practices are able to grab satisfied customers, sustained growth and development. In recent years, banks have pursued revenue growth strategies based on their ability to acquire new customers and cross-sell more products and services to existing customers. In many mature markets, however, organic growth through mass marketing strategies is nearing a point of saturation.

Besides natural economic and population growth, banks are very aggressive for market share and often resort to mergers and acquisitions to enhance their portfolio. Mergers and Acquisitions effectively reduce operational expenses and create additional opportunities for revenue earning. But the main thrust for the Banking industry is to sustain revenue growth. Thus Banks have finally realized that in this increasing discerning society, customers will keep buying financial products and services only to the extent which can bring them actual 'Value'.

Peeping ahead for new frontiers in growth in their revenue, bank's focus is on continuously discovering interesting opportunities in satisfying their customers. "We don't want satisfied customers...we want delighted customers." It is the new marketing mantra today which is now applicable to Banking sector as well. As in most service-oriented sectors, overall responsiveness and behavioural attributes account for better customer satisfaction. Banks need to continuously focus on providing personal touch when it comes to speed of service and the attitude of people towards their customers. Also, advanced technologies provide Banks and their staff to deliver prompt banking services and integration of customer information. Technology plays a very crucial role along with other drivers of Customer satisfaction which include Quality of service and product innovation. It is imperative that Banks should invest in fundamental improvements in their People,

Process and Technology capabilities in order to be more effective in luring customers.

## **II. CUSTOMER RELATIONSHIP MANAGEMENT (CRM)**

A broad concept used for creation, retention and expansion of customer relationships in the Banking sector. It is an overall business strategy that enables organisation to effectively manage relationship with their customers and aims to understand, anticipate, manage and personalize the needs of customers. It helps them to acquire new customers, retain existing ones and maximize their lifetime value. Change in the Marketing environment is the prime reason for the emergence of CRM. With the advancement of media, the market became clearer for the customer to understand the volatility of the market conditions. As a result, more competition started prevailing among different banks and the customers started demanding more. Therefore, it is the need of the hour to have a bonded and long-term customer relationship in the Banking sector.

In the modern era, the ability to maximize customer reliability, consistency and durable relationships is critical in banking sector. As banks strive to create and manage customer relationships, several emerging trends affect to approach and tools that banks employ to achieve sustainable growth. These trends reflect a fundamental change in the way that banks interact with the customers what they have and those they want to require.

### **Objectives of the Study**

The study is primarily to understand the contribution of CRM in Banking sector and how the customers are satisfied with the banking services.

- To assess the awareness of CRM in the banking sector
- To evaluate the service quality offered by the bank
- To analyze on decision making activity by banking sector
- To motivate long-term reliability in terms of customer relationship
- To evaluate the effectiveness of complaint request management of bank
- To increase lifetime value of individual customer through CRM
- To enable instant action to keep hold of the most valuable customers

### III. RESEARCH METHODOLOGY

This Research is based on both primary and secondary data. The scope of the present study is restricted to analyze the view of 600 respondents from Nagpur region (Urban as well as some rural areas).

Within the sample size, 500 responses have been gathered from the customer and 100 responses have been gathered from the banking officers. Within the category of customer, 250 respondents have been collected from both Public sector banks and private sector banks each. Similarly, in the category of banking officer, 50 respondents have been collected from the Public Sector Banks and Private Sector Banks each.

Stratified Sample Random Sampling with adequate input of convenience sampling has been followed. The Secondary data has been collected from Internet and Books and Periodicals.

#### Critical Success Factors (Customer Analysis)

Critical Success Factors are those factors that are very important for success of CRM in banking sector. The Public and Private Banking customers have different views on Critical Success Factors of CRM in banking sector. This may be due to traditional and technical variations of the customer.

TABLE 1: CRITICAL SUCCESS FACTORS (CUSTOMER ANALYSIS)

Critical Success Factors (Customer Analysis)					
S No.	Critical Success Factors Customer Analysis	Public Banking Customer (n=250)		Private Banking Customer (n=250)	
		No.	Rank	No.	Rank
1	Continuous Innovation	78	V	122	II
2	Behaviour with Customer	65	VII	100	IV
3	Attention towards Customer	74	VI	88	VI
4	Guidance about Facilities	116	I	112	III
5	Reliable Assurance	100	III	99	V
6	A good business Plan	110	II	130	I
7	Ability to sense & quickly respond	96	IV	100	IV

Please note that Total is more than Sample size due to Multiple Choices.

With regards to Critical Success Factor Analysis of Customer; Guidance about Facilities, A good business Plan and Reliable Assurance have emerged as the first

three factors as per the views of Public Banking Customers. Good businesses Plan, Continuous Innovation and Guidance about Facilities have emerged as the first three factors as per the views of Private Banking Customers. In response to the Critical Success Factors, Guidance about Facilities and A good business Plan act as stronger Critical Success Factors of both the Public and Private Banking Customers.

#### Critical Success Factors (Banking Officer Analysis)

The Public and Private Banking Officers have different views on Critical Success Factors of CRM in banking sector and they are ready to provide customer services any time for better response.

Please note that Total is more than Sample size due to Multiple Choices.

TABLE 2: CRITICAL SUCCESS FACTORS (BANKING OFFICER ANALYSIS)

Critical Success Factors (Banking Officer Analysis)					
S No.	Critical Success Factors Banking Officer Analysis	Public Banking Customer (n=250)		Private Banking Customer (n=250)	
		No.	Rank	No.	Rank
1	Continuous Innovation	36	VI	35	VII
2	Behaviour with Customer	38	IV	40	IV
3	Attention towards Customer	37	V	44	II
4	Guidance about Facilities	40	II	45	I
5	Reliable Assurance	36	III	38	V
6	A good business Plan	41	VI	43	III
7	Ability to sense & respond quickly	39	I	37	VI

With regards to Critical Success Factor Analysis of Banking Officers; Guidance about Facilities, A good business Plan and Ability to sense & respond quickly have emerged as the first three factors as per the views of Public Banking Officers. Attention towards Customer, A good business Plan and Guidance about Facilities have emerged as the first three factors as per the views of Private Banking Officers. In response to the Critical Success Factors, Guidance about Facilities and A good business Plan again act as stronger Critical Success Factors of both the Public and Private Banking Officers.

#### Critical Success Factors (Comparative Analysis)

Banking is an organization which accepts deposits and lends money to the needy persons but banking is the process with effective services. It also includes issuance of cheques and cards, monthly statements, timely announcement of new services, helping the customers to

avail online and mobile banking, etc. the functions are many. Huge growth of CRM is down in the banking sector in the last few years.

**Critical Success Factors  
(Customer & Banking Officer Analysis)**

TABLE 3: CRITICAL SUCCESS FACTORS (CUSTOMER AND BANKING OFFICER ANALYSIS)

Critical Success Factors (Customer & Banking Officer Analysis)							
S No.	Critical Success Factors Customer & Banking Officer Analysis	Customer (n=500)		Banking Officer (n=100)		Total (n=600)	
		No.	Rank	No.	Rank	No.	Rank
1	Continuous Innovation	200	III	71	VII	271	V
2	Behaviour with Customer	165	VI	78	IV	243	VI
3	Attention towards Customer	162	VII	81	III	243	VI
4	Guidance about Facilities	228	II	85	I	313	II
5	Reliable Assurance	199	IV	74	VI	273	III
6	A good business Plan	240	I	84	II	324	I
7	Ability to sense & respond quickly	196	V	76	V	272	IV

Please note that Total is more than Sample size due to Multiple Choices.

With regards to Critical Success Factor Analysis of Customers in both Public and Private Sector banks; Guidance about Facilities, A good business Plan and Continuous Innovation have emerged as the first three factors as per the views of Customers. Attention towards Customer, A good business Plan and Guidance about Facilities have emerged as the first three factors as per the views of Banking Officers.

**IV. CONCLUSION**

A major contribution of this study is the provision of an approach for the Managers to identify the factors of Customer Satisfaction and Customer Relationship Management in banking sector in India. Customer Relationship Management in Banking is concerned with attracting, maintaining and enhancing Customer Relationship. CRM goes beyond the transactional

exchange. Customers can be provided with products and services with effective relationship. CRM is dependent upon banking employees with proper utilization of services and their behavior. A good business Plan and Guidance about Facilities is the major success factor of Customer Relationship Management in banking sector. Hence, we can say that A good business Plan and proper Guidance about Facilities available to customers in Banking sector has emerged as a successful Customer Relationship Management tool.

**V. REFERENCES**

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