

# Importance of Customer Relationship Management in Marketing of Banking Products and Services

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## ABSTRACT

*Customer relationship management (CRM) has become the key word in all marketing organizations & banking sector is no exception to it. This paper attempts to high light the direct relationship between CRM & the marketing of banking products & banking services mainly to the retail segment. The need is to understand that in today's world of globalization not a single bank whether, private, co-operative or national can afford to ignore their potential customers. Now-a-days maintaining & developing customer relations has become the mantra of success in today's world of cut-throat competition.*

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**Keywords - Customer Relation Management, Banking products & services, Globalization.**

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## I. INTRODUCTION

After the recent liberalization measures taken in 1992, & as the consequences of privatization & globalization, the financial sector has witnessed deepening & widening of its products & services. Expansion & diversification has become the hallmarks of banking & non banking financial sector. There was a mushroom growth of nonbanking financial companies. Many spurious companies have also emerged in this period & competition intensified. In this new competitive environment & globalization trading practices, the marketing of financial services & products assumed greater significance. Today's financial service market requires new strategies to survive & operate. They have to adopt new marketing strategies & practices which enable them to capture the minimum opportunities with lowest risk in order to enable them to survive & meet the tough competition from global players of domestic & foreign origin. Here, the role of customer relation management comes in picture. In order to capture maximum number of customers available in the target market, it has become priority of banks to pay maximum attention towards their customers through customer relation management.

Globalization refers to the increasingly global relationships of culture, people and economic activity. Most often, it refers to economics: the global distribution of the production of goods and services, through reduction of barriers to international trade such

as tariffs, export fees, and import quotas. Globalization contributes to economic growth in developed and developing countries through increased specialization and the principle of comparative advantage. The term can also refer to the transnational circulation of ideas, languages, and popular culture. Globalization is the increasing interdependence among countries & their organizations as reflected in the flow of goods, services, financial capital & knowledge across the country border. Globalization results in higher-quality goods and services.

Customer relationship management (CRM) is a widely implemented strategy for managing a company's interactions with customers, clients and sales prospects. It involves using technology to organize, automate, and synchronize business processes—principally sales activities, but also those for marketing, customer service, and technical support. The overall goals are to find, attract, and win new clients, nurture and retain those the company already has, entice former clients back into the fold, and reduce the costs of marketing and client service.

Customer relationship management describes a companywide business strategy including customer interface departments as well as other departments. Measuring and valuing customer relationships is critical to implementing this strategy.

Customer relationship management (CRM) is firmly on any business institution's agenda. Planning and Implementing Customer Relationship Management Strategies, a joint Business Intelligence and Renaissance Worldwide research programme, discovered that six out of ten business organizations had introduced CRM initiatives, and a further quarter planned to do so.

The principal business drivers of CRM are:

- Increasing customer lifetimes
- Reducing costs
- Improving efficiency

The main obstacles to becoming customer-centric are poor processes and practices, especially in the areas of communications, service and delivery. Marketing in particular is identified as needing improvement, with systems a close second.

Each bank will approach a CRM project from a unique perspective and will confront a particular set of critical success factors (CSFs). Where one organization may struggle to cope with implementing new information technology (IT), another may have a robust technology already in place. Use of external consultants may be critical for one business to achieve the process change, while another may target the reduction of external consultants as part of its plan.

## II. NEW CHALLENGES

The challenges posed to the financial sector in the market are as follow,

1. Advanced information technology
2. Globalised markets & growing channels of financial transactions.
3. Volatility of the market.
4. Increased customer demands & sophistication of markets & customers.

Many of the banks & financial institutions could not cope up with above factors. Many of them sought to strengthen themselves by merger & acquisitions, diversification or closure of some business lines which are uneconomical. Others have met the challenges by better talent management, acquisition of new organization structure & strengthening of the information system technologies and drastic change in their marketing strategies.

### Banking Products & Services

Items provided by banks for customers goods and services that banks provide for their customers, for example, statements, direct debits, and automatic debits,

debit Cards, All type of Loans, All types of Accounts, Bill Discounts Etc.

### CRM Lends a Hand to the Banking Industry

Despite the fact that in most banks profits sometimes fail, they seldom pay attention to or adopt any customer strategy. It has long been them is conception that banks need not pay much attention to customer focus just because they had customers. Some banks even if they possess good customer relationships are unable to cross sell as they have not figured out who to target with what product/service. What happens is that customers are often approached for the wrong products.

However the new millennium has resulted in banks and financial agencies rethinking their strategies and goals. They have come to understand the importance of hanging onto the customer and keeping him happy. The rules that once governed the banking industry have changed. They have realized that adopting a customer centric strategy is essential and needs to be compulsorily undertaken. The vast majority of banks now realize they need a customer strategy and are opting for CRM-Customer Relationship Management. Banking CRM software serves to increase the market share and boost growth in the banking industry. What happens in CRM banking solutions is that they change the way the employees think and mould them into customer conscious people. CRM induces bankers to know that they are required to maintain good relationships with their customers and should strive to retain them.

They are made to realize that the business process should consist of efforts to discover and satisfy customer requirements. Since the banking field now boasts of so much of technological innovations there has been a wide variety of innovations in CRM banking as well. Statistics show that bankers will spend \$7 billion on CRM. The sector will also evidence an increase in expenditure of 14 percent each year. With such phenomenal statistics it is but a surety that CRM banking solutions sales will soar in the coming years.

### Contribution of CRM to Banks

- Customer Information Assimilation and Storage
- Analyzing Profitability
- Aiding Marketing Efforts
- Gaining New Customers
- Relationship Management
- Assisting Customer retention

### **Role of CRM in the Banking Industry**

A Relationship-based Marketing approach has the following benefits

- Over time, retail bank customers tend to increase their holding of the other products from across the range of financial products/ services available.
- Long-term customers are more likely to become a referral source.
- The longer a relationship continues; the better a bank can understand the customer and his/her needs & preferences, and so greater the opportunity to tailor products and services and cross-sell the product/ service range.

Customers in long-term relationships are more comfortable with the service, the organization, methods and procedures. This helps reduce operating cost and costs arising out of customer error.

With increased number of banks, products and services and practically nil switching costs, customers are easily switching banks whenever they find better services and products. Banks are finding it tough to get new customers, and more importantly, retain existing customers. One of the marketing strategies to meet globalization & increased competition for banks and other financial institutions is to expand to international business through alliances with foreign counterparts, joint ventures, collaborations or by opening branches or subsidiaries in the selected countries abroad. Financial restructuring and organizational adaptation are the key words for the Management to meet the emerging challenges arising out of globalization. The final objective is to arrive at the marketing strategies which will influence consumer behaviour through strategic decision making. For the preparation of innovative marketing strategies & for their successful implementation in the market, CRM is very much essential as it can form the basis of.

### **Importance of CRM Systems in Modern Retail Banking**

"Central banks don't have divine wisdom. They try to do the best analysis they can and must be prepared to stand or fall by the quality of that analysis." This quote from Mary Kay Ash, founder of Mary Kay cosmetics shows the key to the wisdom of banks—analysis. Like central banks, retail banks today recognize they must identify, attract and retain profitable customers. The question is how to do this.

Banks, historically, have taken a non-holistic approach to customer management and customer service, offering products and services which satisfied

the banks rather than the customer's needs. Retail banks today recognize that this can no longer be the case. They must be able to react to the individual customers requirements for flexible, customized services and products that can be accessed through multiple channels. In other words, they must be competitive in a competitive market.

Historic entrenchment, however, has made banks reluctant to enter into the banking CRM world which would allow front line branch personnel the ability to manage the customer with a holistic product package. Knowing the customers' needs at the initial point of contact allows for the ability to up-sell as well as cross-sell a full range of financial products and services.

Within the past decade the move from physical branch to e-branch has been significant. No longer is your banker behind the teller's window or behind the desk in the office. Your banker may be your mobile phone, home computer or any other electronic device—faceless and nameless. Generally, over one-half of a retail banks' customers use some form of e-banking. It is not unusual for a customer, once an account is opened, to never have to visit the branch again. This begs the question: How do you increase the ROI on the "electronic customer?" How can you cross-sell or up-sell to an unseen customer?

Though the banks senior decision makers fully understand the branch process and the necessity for it, they are somewhat less understanding of their electronic customer base. It is this gap in knowledge that in many cases causes a reluctance to institute a CRM system. There are concerns about expenses associated with the system, the ease at which the system can be accessed by front line personnel and the relinquishing of authority to the front lines. Even more frightening to the entrenched bank establishment is the relinquishing of choice to the customer themselves.

How then, can a CRM system assist these retail establishments in increasing their ROI? CRM success in retail banking depends on measurable ROI over a short period. Expenditures and prospective earning over an established period of time must be defined. With this information the return from a CRM system can be measured.

One significant issue for physical retail banking is the shifting peak periods—the need to reallocate idle or untapped branch resources during peak periods will have a positive impact on ROI. An integrated CRM system can help to shift these resources through equal access to customer information. The concept of the process driven workflow in a retail bank needs a CRM system which can:

- Capture customer data at the point of entry into the banking system—the branch. Ensure that all customer information and history are accessible—allowing the branch to foster the corporate identity of the organization.
- Provide quality information on each customer interaction that can then be accessed by senior management in timely reports which allow more refined analysis than previously available.
- Enable bank marketing to easily identify customer contacts by market segment and target correspondence to those customers most likely to acquiesce to the product or service offering.
- Ensure that the customers experience within the system is consistent across all channels.

The Banking CRM system also integrates the electronic customer identity into the organization. No longer is the face to face bank contact required to cross-sell or up-sell products. New product introductions, based on the current electronic customer profile, can be offered through the e-marketing channels.

Managing the customer is what CRM is all about—it allows the banking establishment to look at the full basket of products offered by the institution and based on customer profiles offer the most profitable product to the most profitable customer.

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