

E-CRM IN BANKING SECTOR: A THEORETICAL FRAMEWORK

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ABSTRACT

In today's scenario, every organization endeavors to apply information technology with CRM (Customer Relationship Management) application for getting long-term success through efficacious E-CRM tools. In addition to it, E-CRM is considered as modern tool to make strategies regarding sustaining and maintaining long lasting relationship with their valued customers. Recent development in information and communication technology (ICT) has greatly emphasized the banking sector also. If banks use E-CRM to acquire, retain, maintain and grow profitable customers then they will get the benefit of competitive advantage. In this research paper, various concepts related to E-CRM specifically focused on banking industry including evolution of E-CRM, working of E-CRM, process of CRM and relevance of E-CRM in banking industry has been discussed.

Key words: E-CRM, Banking, Customer, Information Technology

INTRODUCTION

Information Technology brought a paradigm shift in the way of doing a business. Service sector has also witnessed revolutionary changes in the past decades. Government agencies, insurance sector, tourism & hospitality industry, education sector and banking sector etc. have transformed the way in which they provide services to their customers. Information Technology has strong impact on quality-of-service sector (Georg and Dietmar, 1997).

Internet has revolutionized the way in which organization deliver customer services. Because in present era the people are more technology savvy, it is imperative for every organization to adopt E-CRM practices whether by phone, email, websites or other channels to manage their customers.

E-CRM is a paramount factor for the performance of every firm. Firms who want to improve their customer's relationship, they have to efficiently implement E-CRM concept in their organization (Sin, 2005).

E-CRM directly improves quality which is very difficult task in case of service industry. Firm can have better understanding of their customers and it would be easy to create and maintain two-way relationship to improve customers longevity (Lee- Kelly, 2003).

Service marketing firms have well understood that customer relationship management is essential for their survival and getting success. Thus, they are adopting the concept of E-CRM for decades (Christopher et al., 2011). With the help of E-CRM, service providing firm can easily

differentiate, customize, personalize and deliver speedy services to their customers (Armstrong & Kotler).

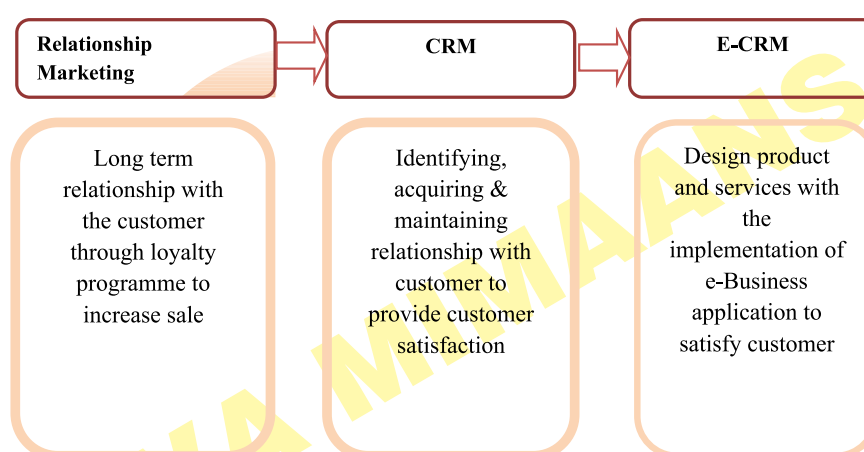
In service sector, involvement of customer is very significant because designing a service is to be done according to the customer's requirement. Customers provide their preferences criteria to the marketer and companies develop packages accordingly. Thus, one-to-one communication with customer is essential and E-CRM helps the service industries to easily maintain the relationship with the customer.

E-CRM provides service industry to make itself more interactive, get personalized with its customers and able to get relevant information related to its customer through electronic channels (Rajkumar and Gayathri, 2008).

Evolution of E-CRM

Figure: 1

Evolution of E-CRM



The concept of CRM is originated from relationship marketing. Leonhard Berry (1983) used the term relationship marketing first time (Bitner, 1995; Gronroos, Barner, 1994). Berry defines relationship marketing as “attracting, maintaining and in multi-service organization enhancing customer relationship”. Parasuraman & Berry (1991) found that customer always demands for more personalized and close relation.

Relationship marketing is identification, building and sustaining relationship with customers. It helps in value creation for customers and provides benefits to the organization with increased profit (Kanti and Dixit, 2014). Gulati and Kolhatkar (2012) explained relationship marketing as a combination of activities such as identification, maintaining and building up a connection with each customer and efforts are to be made for making this connection strong which would be valuable for both customer and organization. Relationship marketing is transformed into CRM (Gengler & Leszczyc, 1997). It is a sales approach which emphasis on building long-term relationship with customers that would be favourable for both customers and business.

Techniques used in relationship marketing are:

- Excellent customer service.
- Getting to know individuals and anticipate their future needs.
- Offering special perks through loyalty programs for repeat customers.

Relationship marketing establishes relationship between business firms and their customers but not concentrated on individual transactions (Sheedy and Elizabeth, 1997). Relationship marketing was the principal concept of CRM (Parvatiyar and Sheth, 2000). CRM enables the business organizations to understand the behaviour of an individual customer that could be beneficial in setting targets and distinguishing of marketing related communication and messages (Xu et al., 2002).

CRM concept was firstly used by Walmart, USA longest chain of departmental stores selling economy priced goods. In India Jet Airways, HCL, HDFC bank, ICICI bank and cellular companies like Hutchison has started adopting CRM (Saxena, 2005).

CRM is a business strategy which includes series of functions performed for acquiring, maintaining and retaining profitable customers in long run. CRM identifies that for successful business. Customer's loyalty and profitability are the major contributors which can only be achieved if lifetime relationship with customers is maintained carefully (Mittal and Kumar, 2001).

CRM is acquiring, analyzing and use of customer related information to make transactions in an efficient manner (Bose, 2002). In a hyper competitive market, now a day business organization have realized that attracting new customer cost more than retaining the existing customers. They realized that the development and maintaining relationship with the customers have become imperative for their success. CRM would be successfully implemented with the help of crucial tools which may include:

- Designing of lifetime product and service.
- Retaining loyal employees.
- Financial incentives for customers.
- Fulfill social needs of customer.
- Built structural bond with their customers. (Verma, 2012)

CRM is considered as enabler, which helps to get information about customers and provides this information to all the concerned touch points. A well designed and enabled CRM system could provide unified customer interface that deliver customization and personalization. To develop sound and successful CRM system, CRM strategy should be developed in proper manner, therefore **CRM strategy would include 5 key points process:**

- a) Strategy development:** First of all, strategy is to be developed related to company's vision, industry wise trends and competition and in turn it would be helpful in developing customer related strategies.
- b) Value creation:** Specific value proposition are created for both firm and customers.

- c) **Multichannel integration:** CRM would be helpful in providing unified interface form multi channels.
- d) **Information management:** Firms would be able to collect information from different channels, integrate it with other relevant information and provide this relevant information to all the touch points.
- e) **Performance assessment:** Performance would be checked in terms of value creation, achievement of marketing objectives and expectations met regarding CRM process itself (Christopher et al., 2013).

Advancement of Information Technology has led to increase the practical implication of relationship marketing by performing the function like:

- Tracking the buying pattern and relationship of existing customer.
- Customize service, promotion and pricing and design all these according to customer's specific requirement.
- Multiple services rendered to the customer must be well coordinated and integrated with the help of IT.
- Two-way communication channels would be provided by the company to establish smooth relationship with customers and vice versa.
- Reduces the chance of occurrence of error.
- Core services can be supplied along with extra value-added services (Berry, 1995).

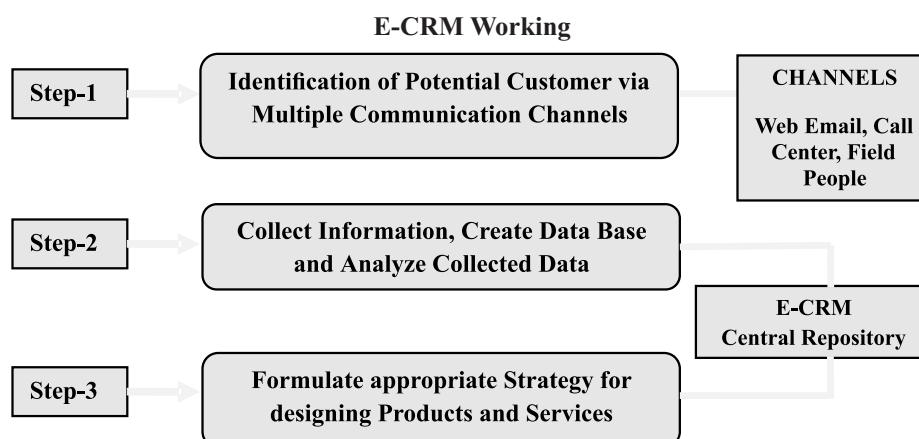
In the present scenario, business organization is facing difficulties and challenges to fulfill the ever-changing requirements of customers and ultimately it is vigorous task to satisfy them. Due to ever changing demands of customers, now it is imperative for every company to identify and satisfy the customer in an effective way. Due to ferocious competition and dynamic global economy business organizations are compelled to do business activities in a way that it would reduce the cost and improve their effectiveness. E-CRM is the only technique with the help of which business organization can develop the method of performing business activities in such a manner that would bring more efficiency in operations and also make customer more satisfied.

E-CRM is nothing more than transformation of traditional CRM. E-CRM is viewed as a form of CRM with the use of IT and web-based applications. E-CRM can be defined as electronically conveyed and administered subgroups of CRM. In fierce competitive market, traditional model of marketing that is CRM has no longer too much effective and get transformed into E-CRM.

In the present time where loyalty has plunge and cost of obtaining a new customer is prohibitive, companies not only have to make an endeavor to retain old customers but also make them as loyal one through effective implementation of E-CRM.

E-CRM Working

Figure: 2



Customer make contact with the organization via multiple communication channels viz world wide web, call centers, field sale people, dealer and partner network. E-CRM makes customers able to deal with business organization at any time via any channels at anywhere which facilitates easy and convenient dealing with organization. E-CRM acts as a central repository which records all data related to customers and provide access to each employee regarding customers' information at any time (Dhanbhakyan and Velmurugan, 2008).

E-CRM IN BANKING SECTOR

Banking sector is the backbone of Indian economy. Today banking industry is facing fast changing economic environment. In hyper competitive and technology led banking era, banks have to make themselves prosper and to satisfy the customer. Now no bank can survive for long without making focus on maintaining long term relationship with its customer. As it can be seen that Information Technology has brought a paradigm shift in banking sector, now it is quite imperative to adopt latest information technology practices and innovations in banking sector.

The Indian banking industry has witnessed exhaustive change in post liberalization deregulation period. Information technology has led to various transformations in banking sector. IT has reduced the gap between banker and customer. For banking sector, technology plays a vital role for achieving increased efficiency, control of operations, productivity and profitability.

Banking sector has grown through different phases of reforms, which revitalize our economy. Banking sector has faced reforms in two phases: First banking sector reforms was led by Narsimham committee-I(1991) and second-generation banking sector reforms by Narsimham committee-II (1998). Mr. Narsimham led committee gave its report on 1st April 1998 and has proposed on issues related to up gradation of information technology in banking sectors. Information technology and electronic fund transfer system has evolved as two main pillars of banking development in modern era. Banking sector has gone through paradigm shift. Customers can access banking service in around the clock and round the week routine. Mostly all global

banks can be accessed via multiple e-channel viz internet, ATM, KIOSK machines, 24 hours a day and 7 days a week.

Technology led banking facilities have brought a transformation in the banking industry. Now banking industry converted its paper-based payment system to electronic payment system (Kaur, 2016).

Modern technology led banks develop innovative customer programs to satisfy their customers. In technology driven era banks are trying to create “one to one and one to many” relationship to get the benefit of competitive advantage. IT has changed the way of banks managing the relationship with its customer. Banks are adopting various e-facilities viz ATM, internet banking, smart card, decision support system, mobile banking and e-mail (Farooqi et al., 2013).

E-CRM has enhanced the quality of service rendered by banks and thus making the strong bond with its customers. E-facilities provided by banks have enabled them to deliver latest product and schemes at faster pace. Thus, IT facilitates healthy relationship with economical cost. (Khanna, 2017). With the advent of E-CRM services, banks can get several benefits viz strengthened processing, less transactions cost, secured transactions, multiple delivery channels and launching of new product and schemes etc. (Selvakumar et al., 2016).

E-CRM fosters to improve customer service standards in banks which lead to customer satisfaction. E-CRM enables transparency in communicating information about products and schemes. It helps the sales staff in simplify marketing and sales processes and searching new customers. Thus, results in reduced cost of marketing (Sadashiva, 2016).

In the emerging technology era, customer expects to get services offered by the banks in least time frame work and in a cost-effective manner, therefore this is the time to focus on customers and manage relationship with them. E-CRM provides benefits with highest priority in this regard. Thus, E-CRM enables banks to get them update with regards to e-business applications usage (Keshvari, 2012).

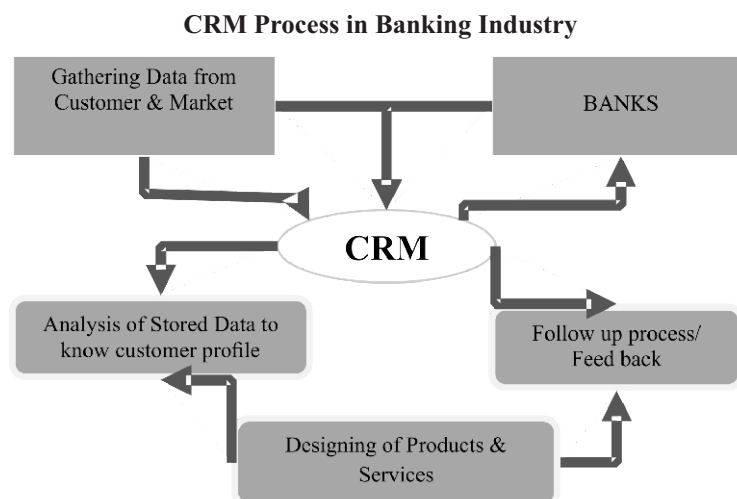
In banking sector, applications of E-CRM are completely different, it has greater viewpoint regarding improvement in services which leads to build trust between banks and their customers (Kumar and Malik, 2013). With the advent of new generation technology, banking sector is finding innovative ways to improve the quality of products and services rendered to their customers (Chopra et al., 2012). Banks have realized that E-CRM has not only become the reason of their survival but they are also getting the benefit of competitive advantage.

Integrated E-CRM strategy is the thirist drive for banking sector as profits are declining due to neck break competition and customers are getting away from the banks due to hectic schedule of their life. E-CRM empowers banks with various e-Business tools to get in touch with their customers. Thus, provide customer satisfaction which enables them to get loyal customers (Deshmukh et al., 2013).

CRM Process in Banking Sector

Bank adopts a process to design their product according to the requirement of customer and maintain a database of customers. With CRM tools this task could be easily managed as shown in following diagram:

Figure: 3



As it can be seen from the Figure-3, firstly data are gathered from banks as well as from the market. With the help of CRM customer identification is performed for both present and future clients. Then data stored would be analyzed for getting to know the profile of customer. After that bank design their product and services for their customers. CRM also enables the banks to get feedback from customer about the services offered to them, thus enable efficient follow up system (Nure, 2018).

Relevance of E-CRM to Banks

Banks are now getting global presence due to E-CRM applications in their institutions. With the help of electronic automated channels banks are able to make long term relationship with their customers and get benefits like increase in sales revenue, decrease administrative cost, ability to introduce new schemes at a faster rate and improved speed of providing information (Kumar and Malik, 2013).

With the help of E-CRM banks can easily identify the actual expenses done on customers, determine profitability of banks, helpful in decreasing the workload of branches and benefited banks in maintaining coordination & cooperation between sales and operational staff. E-CRM has enabled the banks to increase their efficiency and to take best possible decision regarding customer satisfaction techniques (Khanna and Sehgal, 2017).

The primary goals of banks while using E-CRM tools may be mass customization of customer profiling for self-service and sharing of time while performing transactions. E-CRM provides innovative ways to improve relationship with customers. CRM initiatives taken by banks enabled them to decrease the cost of production and enhance customer loyalty (Greeshma, 2016).

Financial institutions get benefited with the implementation of E-CRM such as update of banks, improvement in services quality, and customer satisfaction at international level, secure transactions, profit generation, improvement in bank, cash management and increase in safety (Keshvari, 2012).

With the effective implementation of E-CRM, banks efficiency in terms of operations and strategy can be increased. Banks can have better customer satisfaction by cross-selling of products and services. Due to more acquisition and retained customer, banks profitability would also be improved. There are three main components of E-CRM including people, process and technology, which can be integrated efficiently with the help of E-CRM. Customized products & services, more transparent transactions, decrease operational inefficiencies are the benefits of E-CRM (Sadashiva, 2016).

In the modern era of technology, customers want to use banking services in very less time frame and in cost effective manner. Banks who is implementing E-CRM has brought several competitive advantages with the highest priority in creating business structure. Financial institution which are using E-CRM tools to interact with their customers are able to manage their relationship in the best and improved way by offering various information related to customers like transactions detail of customers and customers contact and it would also be helpful in analyzing the data and making the inferences from it (Haraizah, 2014 and Keshvari, 2012).

E-CRM is essential to attract new customers, helpful in segmenting the customers and would also be required in retaining the customers. It enables banks to make themselves innovative while developing their product and services (Manoj et al., 2014).

Relevance of E-CRM to Customers

Customer's knowledge base is expanding because of fast moving trends in information technology sector. Thus, customer's expectations are increasing regarding bank services. Customers are adopting technology initiatives taken by banks to save their time, money and effort. Now, in this era of ever-changing technology facet the only business will be survived who provide latest technology-based value-added services and satisfaction to their customers (Mittal et al., 2017).

E-CRM is helpful to customers in many ways like in getting up to date financial information, have greater and stronger relationship with staff and management, provide security and safety while performing technology-based transactions. The most significant benefit is that E-CRM provides 24×7 access of their accounts which may leads to feeling of satisfaction and creates confidence among customers (Khanna and Sehgal, 2017).

Customer's interactions and satisfaction is the foremost benefit which is provided by banks by adopting E-CRM practices. Convenience to the customers, speedy transactions and their accuracy are the other main advantages of E-CRM. Customers can get latest information with only one click (Dhingra and Dhingra, 2013). E-CRM would be benefited to customers even if they do not inform or spoke about their needs to the organization. Customer's individual needs and differences can be better understood with the help of Information Technology tools (Dyche, 2001).

According to Mittal et al., (2017) with the development of E-CRM, banks encourage customers to maintain relationship with banks along with greeting satisfaction. Customers can get benefited in various forms like speedy transactions lead to reduce time, immediate response to customers complaints due to e-response system developed by banks, provides convenience to customers and help in maintaining service quality and trust with customers.

E-CRM enables customers to interact with the organization in an easy and convenient way. Their expectations get fulfilled as they can contact the bank at anywhere and at any time with just one click. Customers can provide their feedback and lodge their complaints regarding any discrepancy arises via electronic channels with no waste of single moment, and E-CRM facilitates banks to resolve the issues immediately.

CONCLUSION

It can be concluded that E-CRM has developed as evasive tool to maintain strong and healthy relationship with the customers. With E-CRM, every organization will efficiently provide its services in more interactive and personalized way to its customers and E-CRM also enable them to get relevant information related to its customer through electronic channels. Banking industry which constitutes major portion of service industry is also not lagging behind in respect E-CRM implementation. Bank customers are also benefitted in tremendous ways like easy and 24X7 accessibility of all the information at one click in very short time span at their door step, which may lead to feeling of satisfaction and creates confidence among customers. Latest development in technology can also help banks in developing innovative customer solutions to achieve growth and profit in context with risk-management practices, and ultimately bank would be successful in retaining the customers for a long term.

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