
Effectiveness of e-CRM in Commercial Banks: A Customer Perspective

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Abstract

The customer relationship management has a vital function of customer oriented marketing. The basic aim of this paper is to investigate how commercial banks use e-CRM tool in order to maintain their relationship with their clients by using online and offline mode such as internet, ATM, etc. It also provides a better perception of customer insight about e-banking. Robust infrastructure are required for the growth, maintain and retention of valuable customer. So, our study concludes that e-CRM now days becomes a tool for improving the customer retention ratio and improve customer relationship by increased efficient and effective utilization of e-CRM.

Keywords: E-CRM, Customer Retention

1. Introduction

CRM is defined as the process of acquiring retaining and growing profitable customer. It requires a clear focus on the service attributes that represent value to the customer and creates loyalty. It is a comprehensive sales and marketing approach to building long term customer relationship management and improving business performance. Gathering all the information about the customer helps the company to develop customer insight and enhance customer interaction.

CRM is essentially a business strategy for acquiring and maintaining the right customer over the long term. Within this frame work a number of channel exist for interacting with customer. One of these channels is electronic and has been labeled e commerce or e business. This electronic channel does not replace the traditional sale force.

The thrust of e-CRM is not what an organization is doing on the web but how fully an organization ties its on line channel back to its traditional channel or customer touch points.

In simplest form e-CRM provides companies with a means to conduct interactive, personalized and relevant communication with customer across both electronic and traditional channel.

Presently the traditional system of sellers' market has changed into the form of buyers market unless buyers obviously consumer is satisfied the marketing activities

cannot go ahead either in the product or service marketing only the consumer satisfaction not taken as the basic fundamental of marketing rather than the consumer loyalty is taken as important factor.

It is under this background that the theorist has developed a new concept of marketing process known as e-CRM Relationship Management (CRM) has its roots in relationship marketing which supports the proposition that a firm can boost its profitability by establishing long term relationships with its 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. It is supported by Hasham that by implementing e-CRM at the company all manual processes are removed:

e-CRM (electronic customer relationship management) is considered as strategic technology centric relationship marketing business framework. According to Forrester 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 concept of Electronic Customer Relationship derived from Customer Relationship techniques. Shani and Chalasani define relationship marketing as “an integrated effort to identify, maintain, and build up a network with individual consumers and to continuously strengthen the network for mutual benefit of both sides, through interactive, individualized and value-added contacts over a period of time”.

In today’s hyper competitive scenario, more than three quarters of the money and time spent by companies go towards acquiring and retaining customers. Customer-centricity has become the buzzword and the ones with clear and relentless focus on customers, enjoy a better competitive position.

The main aim of e-CRM system is to improve and provide better customer service develops a relationship and preserve valuable customer. Banking can be mysterious for customers and how they interact with their finances can be a complex matter. The challenges faced by the bank and their customers are many but the trick lies demystifying complex financial relationships. Technical solution deployed by the banks today is flexible, user friendly and meant to facilitate specific workflow and requirement in implementation processes.

In order to simplify lives bank have begun to implement end to end technologies through all department with intention of removing human error from processes previously existing manual environment could not have been adequate for future vision growth plans and strategies.

In this day and age customers enjoy complete luxury in terms of customized technical solution and bank uses the same to cement long-term mutually beneficial relationships. Maintaining and managing the customer relationship will become more competitive by added development and deployment of e-CRM. We found that convenience; customer interaction and satisfaction are more advantage provided by online banking industry through the usage of e-CRM. The usage of e-CRM has speed up the transaction with a better rate of accuracy and trust in the banking industry

The Internet revolution really about people customers and the fundamental shift of market power from seller to the buyer. The realization that customers are the key to profitability to business success has driven the need to create a customer centric organization to operate with single seamless view of the customers to strength them and nurture a long-term relationship. On the net the competition is really only a mouse click away. The banks need a new approach e-CRM to leverage the Internet unique strength for capturing customers.

1.1. Objectives of the Study:

The main objectives of the study are

- ♦ To know the implementation and impact of e-CRM on consumer and marketing process.

- ♦ To study the application of e-CRM process in commercial banking sector.
- ♦ To show the relation between CRM and e-CRM and their interdependency.

2. Literature Review

The e-CRM is an essential and vital function of customer oriented marketing. The aim of e-CRM is to improve customer service, develop a relationship and retain valuable customers. The e-CRM is the advancement of traditional CRM and it is more web-based. Without CRM, e-CRM has no meaning. Banking has been a pioneer in adopting e-CRM, but not so much empirical data is available on the effectiveness that it creates both of the bank and customer and that is why it addresses the topic in our study. As customer is centric to all business and important that is why companies are customer oriented and it is an art of company providing his expectation both benefit to customer and bank area taken into consideration for the study.

In our research study we try our level best to gain a better understanding of the benefits of e-CRM to bank as well as customers related to bank. By going through previous research paper following research gap are analyzed

- ♦ CRM emerge as a response to decreasing customer loyalty with increase competition.
- ♦ Many research paper written on CRM and its application to various discipline such as airlines, health, insurance hospital and cement industries.
- ♦ Paper written CRM architecture, CRM approaches and types which focus upon the process and system level.
- ♦ Model and framework were developed in CRM to increase the effectiveness of the organization
- ♦ The impact of customer satisfaction in agricultural bank were measured.
- ♦ In e-CRM on line banking has no social dimension customer are not serve in the way as they are in face to face situation at branch (Mathilla et al 2003)
- ♦ Customers are afraid of security issue (Sathye 1999 Hamelt &Stube 2000)

During review we came to know that a few research papers available for public sector banks in India most of the review done for private sector banks.

2.1. Current Trend in e-CRM

E-CRM is still in infancy, there is no much work done in this field, there is more research gap, but in our research study we try to fill this gap by knowing the effectiveness of e-CRM in commercial banks with respect to use, implementation and application prospective. As we have gone through so many research papers during review we came to know that previous researches focus only to private sector banks or foreign banks, public sector banks are a neglected wing by them. In our research study the leading public sector banks and private banks including one foreign bank is considered which may provide a holistic approach to

e-CRM. Most of research study does not consider the view point of customer and their satisfaction level although e-CRM is a customer centric approach. Model and frame work were developed but they were organization centric approaches.

We try to highlight those key factors which must consider in implementing CRM. In our research study customers of banks are the main centre of attraction who expresses their view point about the e-CRM and its practices. We focus to know the impact and implementation of e-CRM on consumer and marketing process. A few research studies emphasize upon impact of online banking only and offline banking is continuously neglected by them. Undoubtedly online banking has a great future and number of consumer in online banking growing rapidly. With the advancement of technology it provides an opportunity to bank to have customer feedback from touch point. The internet channel is not replacing the traditional channel fully, but it one popular channel which is helping in CRM activities click and brick both are important for the organization. In our research study we try our best to show the interdependence of e-CRM over CRM. Now the situation is changing fast as the on line banking channel has proven to be safe to use and uses rich data banks of customer information to manage the relationship with customer.

e-CRM supports the multi channel touch point and there should be consistency in customer experience. e-CRM creates multiple channel strategy for successful CRM strategy in organization with the advancement of technology it provides opportunity to companies to have customer feedback from touch points. The technology make it possible for agents managers, partners and others user to maintain a single view of the customer and gain organization information immediately. For social interaction people would like to visit their traditional brick and mortar branches. The internet channel is not replacing the other channel It is one channel which help in advancing CRM. In online banking face to face interaction between bank and customer is not seen. This creates a huge service gap for bank.

Most of the previous research work were done on analytical aspect of e-CRM only. We try to focus on analytical as well as operation e-CRM both for these entire banks which is taken into consideration in our research study.

After ICICI Bank, HDFC is in the second leading position in deployment of CRM best practices. Previous research shows that penetration level of internet banking is low in developing country like India but now the era has totally changed most of the customers are inclined towards internet banking. We try our best to show five important elements complete implementation of e-CRM. These are customer, strategy, people, process and technology in context of banks such as HSBC, HDFC, OBC and Union Bank of India which are taken into consideration.

On the above ground it is assessed that there is enough information gap in the existing research which is related

to the effectiveness of e-CRM in commercial banking sector particularly the application an implementation and its benefits bank and its customer. This fact shows that no many empirical studies have been done in this connection. Thus, the objective of this study is to contribute and try to fill the gap by exploring the utility of e-CRM in commercial banking sector.

3. Research Methodology

The sample selection is based on convenience and purposive sample by considering the activities of the banks and respective customers with latest e-CRM practices and the availability of interviewees willing to answer the questions. Introduction e-mail was sent to a few commercial banks who are working in Delhi for the purpose of the study. Their customer support office referred to the concerned persons involved in e-CRM practice. Four commercial banks are ready for this study. Two private and two public sector banks were considered they are Union Bank of India, Oriental Bank of Commerce, HSBC and HDFC bank. Cases are chosen by considering these organizations because of involvement in B2C activity and it will help to deeply understand the practice of e-CRM. Utmost importance was done for the selection of the respondents based on our description and purpose of our study. These respondents are well qualified for the customer relationship matters. Besides that customer segments were considered and the size of the sample was 250 from all the four banks. The coverage area is New Delhi.

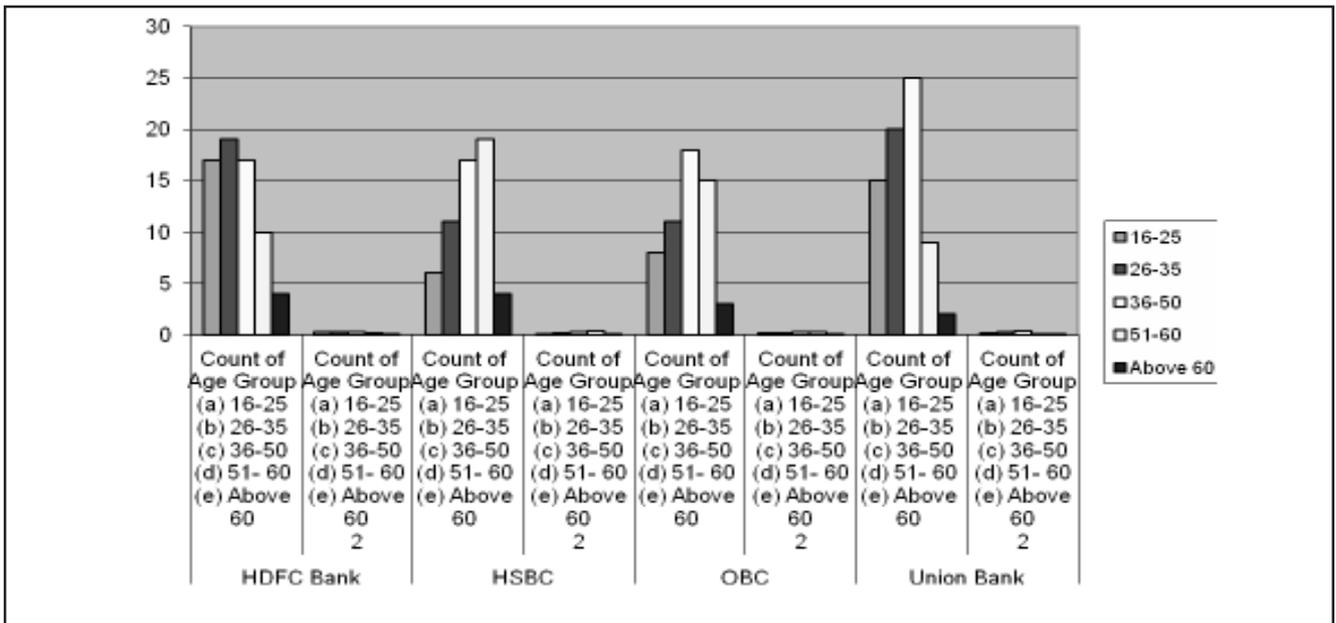
3.1. Data Collection

3.1.1. Primary Data : - Primary data collected through survey with the help of questionnaire and also through face to face interaction and interview. Structured questionnaire was prepared and distributed among the target group and replies to the questions were taken. Target group is formed on the basis of purposive sampling methods. Face to face interaction make with managerial and non managerial staff to get their view point were also undertaken.

3.1.2. Secondary Data :- The secondary data collected from various papers, documents and reports of the banks released from time to time were processed and analyzed to get the relevant result for the purpose of the study and utilized in the preparation of the final report. Books written on the subject and reports of the banks were consulted to know the opinion of different thinkers on the issue.

3.2. Data Analysis

Besides that the customer segment data analysis on the basis of the replies of the respondents and it is well expressed in the form of bar diagram which shows the pictorial representation of the facts & figures. Data can be provided on demand.



4. Hypotheses

1. Effective services are independent of the way of interaction of bank with customer.

H_0 : Effective services are independent of the way of interaction of bank with customers.

H_1 : Effective services are not independent of the way of interaction of bank with customers.

Result: Null hypothesis accepted, that is effective services are independent of the way of interaction of bank with customers.

2. Internet banking is independent of age/gender?

H_0 : Internet banking is independent of the age/gender.

H_1 : Internet banking is not independent of age/gender.

Result: Null hypothesis accepted, that is internet banking is independent of age/gender.

5. Suggestions And Recommendations

Commercial Banks have recorded a phenomenal growth in the past decade with the initiation of economic reforms. The banks, both public and private, have transformed themselves into profit oriented business organizations besides playing a developmental role in the economy. In an attempt to be more profitable, the commercial banks have become competitive and more customer oriented.

This new orientation has compelled them to take a more pragmatic approach for conducting business. The e-CRM is one such tool which helps in meeting the customer's expectations according to their changing needs. While analyzing e-CRM implementation in both the sectors, it was found that the Private Sector Banks have been able to implement e-CRM practices more effectively when compared to their Public Sector counterparts. This indicates that strategically speaking, the Private Sector Banks have been more innovative in understanding their customers and in building good relations with them.

However, a micro analysis reveals that the public Sector banks have highest scores in terms of reliability and assurance whereas the private sectors banks have lower in terms of tangibility reliability and assurance. This indicates that the banks are in a dire need to make proper strategies to improve their working. This will make the banks more efficient in serving the customers and in maintaining the long term relations with them. The analysis of the results received suggests that the banks (whether Public or Private) are equally affected by the kind of e-CRM initiatives they undertake. The banks are now under tremendous pressure to retain the older customers because of the competition in the banking sector. This would not only ensure better customer relations but also loyalty among them, which is very critical and important in today's competitive world. Banks have started acknowledging the importance of the customers in developing their business. They have recognized that it is essential to protect and develop its customer base and ultimately its profitability. The commercial banks can do this by building a strong relationship with the customers. To meet the customer needs and to beat competition, they must deliver superior quality service. The e-CRM approach adopted by banks focuses on maximizing the value for the customer and the bank.

Commercial Banks must build their brand image in assuring customers about the safety of their money and security of transaction on the Net. Moreover, e-CRM based alone on Internet will seem to be a wrong strategy for banks in India. For high end products, customer cannot only rely on e-banking. For social interactions, people would like to visit their traditional brick and mortar branches. At the same time history has shown that no channel has completely replaced another channel and Internet is just one such channel which helps in CRM. Click and brick seems to be the right model which ultimately will succeed in India. Banks in India are on the learning curve of e-CRM and are trying to meet the latent needs of the customers. The success of e-CRM

will depend upon the development of robust & flexible infrastructure, e-commerce capabilities, and reduction of costs through higher productivity, lower complexity and automation of administrative function.

The commercial banks must adopt e-CRM 'Customer centric' focus approach, as it is believed that products should be devised for the customers and not the other way around.

5.1. Customers Remarks

Commercial banking customers have also changed in recent years. Customers today are more knowledgeable sophisticated and assertive than ever before. They demand high level of customer accessibility and control.

This has led to a shift in a business focus from transactional to relationship marketing.

5.1.1. Oriental Bank of Commerce:

(1) *More ATM should be installed*

Customers of Oriental Bank of Commerce are satisfied with banking services, according to them the number of ATM should be more in order to get more efficient services of the bank.

(2) *Website should provide more information*

A few customers are not satisfied through the information from website. The website of bank should be updated and provide current information about their product and services.

(3) *Login should be fast*

A few customers are not satisfied with the log in of bank website. They feel some time it is very time consuming so log in should be fast and timely while transacting money from the bank.

5.1.2. HDFC BANK:

In case of HDFC bank customers are quite satisfied with its product and services. A frequent complaint which is noticed by the client of the bank that is faulty transaction should be removed because sometime amount credited from the account and it is not being shown. So this kind of effect should be removed by the bank's authority.

5.1.3. HSBC BANK:

Customers are more satisfied with the services of the bank. There is not many ATMs in HSBC in their respective location. The customers withdraws their amount from the ATMs of other bank. So more ATMs are required for HSBC bank.

5.1.4. UNION BANK OF INDIA

1. Most of the ATMs of Union Bank of India are not functioning properly and most of the time these are out of order. So these ATMs should improve and make advantageous for the customers.
2. A few customer complaints upon faulty online transaction in Union Bank of India which causes inconvenience to customer. So this problem should be removed with immediate effect.

3. More ATM should be installed in order to facilitate customers.
4. Customer care service should be improved as customer expects a high degree of cooperation and support. So, customer care services should be faster and responsive.

6. Conclusion

Almost all of the customers consider customers interaction and satisfaction as an important benefit provided by the banks through the usage of e - CRM. They emphasized the importance of good response to the customer queries, providing assistance to the customers, exchange of business information and employees having excellent knowledge about the offerings and services of the bank. All the customers perceived convenience factor as a vital benefit provided by e - CRM. All customers considered location of the bank, friendliness of bank staff, and their services as important benefits for building good relationship. Most of the customers considered speed of processing transactions through e-response as an important benefit though few did not consider it as an important benefit. Speed of processing the transactions through e-response was found to be an important advantage perceived by most of the customers. But few customers were found to have partially negative feeling towards the speed at which their transactions have been processed. Quality in the products and services of the bank is an important benefit perceived by the customers. Reliable employees of the organization, responsiveness rate of bank personnel, availability of the latest information technology were found to be the most important advantages perceived by the customers. Trust in the services, all the customers in their respective banks found activities of the organization. Confidence in the banks personnel, their effectiveness in handling the accounts of the customers were seen as some of the factors enhancing the trust factor of the customers. This is an essential benefit that improves customer relationships with the organization.

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