

CRM Practices at Organizational Level in Banking Sector - An Empirical Study

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ABSTRACT

As business processes become increasingly knowledge intensive, transactions decline, and new relationships are defined opportunistically, the focus of attention shifts to core capabilities of the firm-the few things it can do well. CRM builds on the philosophy of relationship marketing that aims to create, develop and enhance relationships with carefully targeted customers to maximize customer value, corporate profitability and thus shareholders value. This paper explores various dimensions of CRM at Organizational Level in Banking Sector and study the future perspective of the CRM in banks. CRM at organisational level signifies the internal processes of the organisations utilized to address customers' issues and building relationship. The managers of both Public and Private Banks constituted the population of the subject in the study. A sample of 330 managers was randomly selected from banks located in north India. The major findings of the study indicate that CRM is in initially stage at organisational level in banking sector.

Key Words: CRM, CRM at Organizational Level, CRM Practices

Introduction

Marketing plays a key role in strategic planning and business operations, it is a fundamental determinant of business success, consequently, over the last few years; the concept of marketing effectiveness has attracted increasing attention among academic researchers and business practitioners. In multiple studies, experts have found that marketing effectiveness differentiates superior organizations from their competitors.

Relationship marketing is not new. The principles that underlie it represent the essence of marketing, with its focus on concepts like trust and commitment. It predates the mid-20th century view of marketing as a set of tools pertaining to product, price, distribution, and promotion. If we accept that the ultimate goal of marketing activities is customer satisfaction, and that this satisfaction is achieved through the creation of value for the customer, then many small firms have been practicing "relationship marketing" over the years without realizing what they were doing.

Relationship management, however, emphasizes the organization of marketing activities

around cross-functional processes as opposed to organizational functions or departments. This results in a stronger link between the internal processes and the needs of customers, and results in higher levels of customer satisfaction. CRM evolved from business concepts and processes such as relationship marketing and the increased emphasis on improved customer retention through the effective management of customer relationships.

Literature review

Both RM and CRM emphasize that customer retention affects company profitability, therefore, it is more efficient to maintain an existing relationship with a customer than create a new one (Reichheld, 1996).

Establishing relationship with a customer is to attract the customer and to build the relationship with the customer so that the economic goals of the relationships are maintained (Gronroos, 1997). Customer Relationship Management appeared as a new concept at the climax of the Internet boom (Kotorov, 2003). It changed both the CRM market and customer-related business requirements of all sizes of companies (Chou et al., 2002). During the early

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1990's providers of CRM solutions were offering products that accentuated the automating and standardizing of internal processes related to acquiring, servicing and keeping customers. Still, these solutions were very expensive and hard to maintain. The new CRM system means that the existing and potential customers are now able to interact and communicate with corporations.

CRM builds on the philosophy of relationship marketing that aims to create, develop and enhance relationships with carefully targeted customers to maximize customer value, corporate profitability and thus shareholders value. The goal then is to improve the customer's experience of how they interact with the company, which hopefully, will turn into more satisfaction, which might lead to more loyalty, and finally, increase the profit. CRM is a comprehensive business and marketing strategy that integrates technology, process and all business activities around the customers (Anton, 1996). Thompson (2000) declared that Customer Relationship Management is a business strategy to select and manage customers to optimise long-term value. CRM requires a customer-centric business philosophy and culture to support effective marketing, sales, and service processes. CRM applications can enable effective Customer Relationship Management, provided that an enterprise has the right leadership, strategy, and culture.

According to Kotler (2000), the marketing effectiveness of a firm is reflected in the degree to which it exhibits five major attributes of marketing orientation viz. customer philosophy, integrated marketing organization, adequate marketing information, strategic orientation, and operational efficiency.

Objectives of Study

The broad objective of the study is to know the existing practices of organisation on CRM in banks. CRM at organisational level signifies the internal processes of the organisations utilized to address customers' issues and building relationship. In order to pursue this broad objective, some affiliated objectives have been identified, which are given as follows:

To study the practices of CRM at Organisational Level in banking industry;

To study the future perspective of the CRM in banks; and

To investigate the problems arising in implementation of CRM.

Research Methodology

The present study is exploratory in nature. After making intensive review of literature, a questionnaire; containing 31 questions was drafted.

Bank managers of both public and private sector banks constituted the population of the subject in the study. A sample of 330 managers was randomly selected from banks located in North India only.

Before collecting the data, researchers decided to establish the validity of questionnaire by surveying 50 managers. After getting their response, the necessary corrections were incorporated in the questionnaire.

Then, this questionnaire was served for collecting the response of all members being contained in the sample. Response of each question was measured on 5 point linkert scale.

In all, 300 questionnaires were filled by managers out of which 30 were dropped out because of inadequate incomplete information. Thus final success rate was about 81%.

Analysis

Nine factors were extracted from 31 statements of the questionnaire. These nine factors jointly explain 68.28% of the behaviour under CRM at the organisational level in banks. These nine factors are shown in Table 1.

The major components of CRM at Organisational Level in banks are summarized in Table 2.

a) CRM at Organisational Level in Banks

To know the magnitude of the role of different factors based on CRM, the factors have been normalized on a scale of ten by using the following formula:

Table 1: Percentage Variance Explained by Factors (Rotated and Unrotated)

Component	Unrotated Variance	Cumulative Variance	Rotated Variance	Cumulative Variance
1	27.829	27.829	10.892	10.892
2	7.902	35.731	10.722	21.614
3	6.617	42.349	9.347	30.961
4	5.739	48.087	7.275	38.236
5	4.657	52.745	6.636	44.872
6	4.490	57.235	6.439	51.311
7	4.147	61.382	6.258	57.570
8	3.516	64.898	6.198	63.768
9	3.383	68.282	4.514	68.282

Source: Primary Data

Table 2: Major Components of CRM at Organisational Level

Factor	Name
F-I	Readiness for CRM and change management issues
F-II	Readiness for CRM and management future issues
F-III	Readiness for CRM and pilot training
F-IV	Readiness for CRM and organisations cultural changes
F-V	Readiness for CRM and training issues
F-VI	Readiness for CRM and sales process level changes
F-VII	Readiness for CRM and corporate objectives
F-VIII	Readiness for CRM and corporate level changes
F-IX	Readiness for CRM and sales motivation

Source: Primary Data

$$Z = \frac{F_a - F_{min}}{F_{max} - F_{min}} \times 10$$

where a banking organisation is able to reach the value of factor score more than half value of ten.

Where,

Z - Standardized factor score at the scale of ten

F_a - Actual value of factor score

F_{min} - Minimum value for the factor score

F_{max} - Maximum value for the factor score

The mean factor scores for nine factors at Organisational level in banks are shown in Table 3.

The results given in the Table 3 are the reflections of the score achieved by banks on normal scale of ten. The trend shows that CRM is in initially stage at organisational level. There are only few cases

Table 3: CRM at Organisational Level: Factor Scores

Factor	Mean Factor Score
F-I	3.91
F-II	3.25
F-III	4.72
F-IV	3.19
F-V	2.8
F-VI	2.93
F-VII	2.61
F-VIII	5.32
F-IX	2.76
Average	2.44

Source: Primary Data

b) Size and CRM

For analysing how size of company is related to the readiness for CRM, the companies are classified on the basis of turnover and employees strength. On the basis of turnover, the banks have been classified into three categories, namely, having turnover upto 50 crore, 50-100 crore and above 100 crore; and on the basis of employees strength they have been classified into banks having employees strength upto 50 employees, 51-100 employees and above 100 employees.

Readiness for CRM by Turnover Categories

It is observed that banks having turnover less than 50 crore are having maximum average value of 2.8. The factors Readiness for CRM and management future issues, pilot training, organizational cultural changes, Training Issues, Sales Process Level Changes and Corporate Level Changes respectively scored high value.

The factor readiness for CRM at organisational level, change management issue, corporate objective and sales motivation are well taken by the banking organizations having turnover between 50 to 100 crore.

And the factors like management future issues, pilot training, organisational cultural changes training issues, sales process level changes and corporate level changes are well taken by the banks having turnover less then fifty crore. But the overall average is reflecting that CRM initiatives at organisational level are same irrespective of the size of banking organisations on the basis of turnover (Table 4).

Table 4: Factor Score for Banking by Turnover categories

Factor	Upto 50 crore	50 to100 crore	Above 100 crore
	Mean	Mean	Mean
F-I	3.9	5.2	3.4
F-II	3.2	2.0	2.7
F-III	4.7	3.3	3.3
F-IV	3.8	3.8	3.4
F-V	3.0	2.9	2.9
F-VI	4.8	3.5	3.5

F-VII	3.7	4.1	3.8
F-VIII	5.5	5.4	5.0
F-IX	3.9	3.9	3.5
Average	2.8	2.5	2.3

Source: Primary Data

Readiness for CRM on the Basis of Employees Strengths

The results indicate similar type of behaviour as that of the turnover. The banking organisations having size upto 50 employees have scored relatively more average in comparison to other categories. The banks having employees' strength upto 50 are leading in average factor score in factor Readiness for CRM and Management Future Issues, Training issues, Sales process level changes, corporate level changes and sales motivation. The medium size banks having employees' strength between 51 to 100 employees are leading in factor Readiness for CRM and Organisational Cultural Changes and Corporate Objectives.

The large size banks having employees' strength more then 100 are leading in factor Readiness for CRM and Change Management and Pilot Training. It can be interpreted that the small size banks with less than 100 employees are scoring well in factors like, Readiness for CRM in management future issues, training issues, sales process level changes, corporate level changes and sales motivation.

The medium size banks having employees' strength between 51 to 100 are good at factor organisational cultural changes and corporate objective and big size banks having more than 100 employees strength are good at factor change management issues and pilot training (Table 5).

Table 5: Factor Score for Different Banks on the basis of Employees Strength

Factor	Upto 50 Employees	51 to 100 Employees	100 to above Employees
F-I	3.4	3.6	4.0
F-II	3.2	2.6	2.5
F-III	3.4	3.2	3.9
F-IV	3.3	3.7	3.3

F-V	3.3	2.7	2.9
F-VI	3.8	3.6	3.6
F-VII	3.6	4.1	3.4
F-VIII	6.4	4.9	5.0
F-IX	4.2	3.5	3.5
Average	2.5	2.4	2.4

Source: Primary Data

The overall conclusion is that banks are showing the similar type of pattern towards CRM at Organisational level irrespective of their employees' strength.

c) Perception of Banks Towards CRM Practices

In order to know future perspective towards CRM practices, Perception of banks were analysed on 1 to 10 point scale. Higher score on the variables indicates encouraging perception of banks on CRM practices.

The results in table 6 indicates that banking organizations perceive that CRM oriented practices improve their performance with average score of 7.00. The other indicators of performance based on CRM practices are also scoring the average value more than 6. It means respondents are strongly in favour of CRM based system for better performance of banks.

Table 6: Perception towards CRM Practices

<i>Variable</i>	<i>Mean</i>
To improve our ability to capture and analyses business intelligence data to inform strategic and marketing decisions	6.5
To improve our customer retention statistics	6.7
To improve our ability to conduct real time analysis of data when interacting with customers	6.9
To improve collaboration with customers and/or partners in the supply chain	6.3
To improve our company performance	7.0
To improve elements of our service provision	6.5
To improve our marketing information and associated capabilities	6.9

To improve our contact with customers in terms to the number of touch points and different channels to market.	6.8
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Source: Primary Data

Table 7 indicates the perceived importance of CRM in banking organisations is and clears that banks consider CRM as an important tool to improve performance.

Table 7: Future Perspectives of CRM for in Banks

Variable	Mean
To improve our ability to capture and analyse business intelligence data to inform strategic and marketing decisions	7.9
To improve our customer retention statistics	7.8
To improve our ability to conduct real-time analysis of data when interacting with customers	8.1
To improve collaboration with customers and/or partners in the supply chain	7.5
To improve our company performance	8.8
To improve elements of our service provision	7.8
To improve our marketing information and associated capability	7.7
To improve our contact with customers in terms of the number of touch points and different channels to market	7.8

Source: Primary Data

d) Change in Return on Investment Due to CRM

Implementation of CRM has the potential to increase return on investment. The approximate estimates of ROI? due to CRM is shown in table 8. It shows that majority of the banks (nearly 54%) reported 10 to 15 percentage of change in ROI due to CRM. Almost the 15% banks recorded it at 20%. A higher change in ROI is reported by nearly 2.4% of banks i.e. more than 25%. It can be inferred from the above analysis that nearly three fourth of banks use to get 5-15% of ROI.

Table 8: Change in ROI due to CRM

% Change in ROI	Frequency	Percent
5%	11	3.6
10%	83	27.6
15%	79	26.4
20%	43	14.4
25%	7	2.4
No response	77	25.6
Total	300	100.0

Source: Primary Data

e) The Problems Faced in Implementation of CRM

Organizations face various problems in implementing CRM. Management, employees, organizations, financial resources, etc. create hurdle in smooth implementation of CRM practices. The most significant problems in the implementation of CRM are employee related (44.5%), which is followed by the financial limitation (18.1%) and other problems (15.4%). Problems related to organizations and management are comparatively less (11% each) in CRM implementation (Table 9).

Table 9: Problems Faced in Implementation of CRM

Organisations	Frequency	Percentage
Management side	33	11.0
Employee side	134	44.5
Organization side	33	11.0
Financial side	54	18.1
Any others	46	15.4
Total	300	100.0

Source: Primary Data

Findings

- ? CRM at organisational level in banking sector is in initial stage as indicated by factor scores.
- ? CRM initiatives at organisational level are same irrespective of the size of business organisations.
- ? CRM practices at banks are indifferent of employees' strength at the branches of the bank.
- ? The banks are strongly in favour of CRM based system for better performance because they consider CRM as an important tool to improve better understanding of customers.

- ? Bank employees and financial constraints are the biggest challenges in the implementation of CRM at banks.

Implications

Gaining the better understanding of CRM practices in banking organisations is the bedrock of this study. Even through CRM is not to be considered a technology solution; its full integration is a requirement for success. The Banking organizations need to focus on customer data management for better understanding the customers. This will help them in the assessment of economic impact of the market and will lead to enhance customer total experience and loyalty which provide competitive edge. Globalisation is opening the doors for the MNCs in India. There is scope to compare the CRM practices of MNCs versus Indian organizations. CRM is the key to success, in the times to come, banks have to cope up with the problems faced in implementing CRM practices and initiate, learn, and adapt these CRM practices.

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