

Customer Relationship Management and Retail Business Banking in India.

Manisha Panda¹, Nilamani Das²

1(Department Of Basic Science & Humanities ,Gandhi Engineering College, India)

2(Department Of Basic Science & Humanities ,Gandhi Engineering College, India)

Abstract: *The prime target of the examination work is to build up a system for Customer Relationship Management Model (CRM), appropriate to Indian retail banks and to break down the impact of administration quality on client conduct with separate to retail banks. The after effects of the examination study uncover that there seems, by all accounts, to be absence of mindfulness with the bank representatives just as appropriation of CRM bundles accessible in the market. It is proposed that the fruitful execution of CRM bundle can be accomplished just if the bank can make the correct condition, culture and disposition of the representative intending to serve the clients in the most ideal way.*

Keywords: *Customer Relationship Management (CRM); Retail Bank and Disposition of the Representatives*

I. Introduction

The traditional mode of marketing mainly focused on segmenting and acquiring new customers by using tools and techniques developed for mass marketing. In the present competitive era, this proves vain. Today there are different approaches to business such as relationship marketing, customer retention and cross-selling leading to customer extension, which is a far cry from the traditional segmentation model. The relative and marked emergence of CRM as a business strategy has radically transformed the way organizations operate. The shift in business focus from transactional to relationship marketing keeps the customer at the centre of all business activities.

Organizations are trying to restructure their processes to meet the needs of their strategically significant customers. The critical driver of such a dramatic shift towards customer orientation is the realization that customers are business assets and when managed effectively they can derive continuous and sustainable economic value for an organization over their life time.

The dynamics of the banking ecosystem have changed the business format of retail banks both in relationship management and in streamlining their operations.

Relationship marketing or customer relationship management has been emerging as a core marketing activity for businesses in the fiercely competitive environment. On an average, companies spend six times more to acquire new customers than to retain them. Therefore, many firms are now paying more attention to the relationships with existing customers to retain the mand to increase their share of customer purchases.

In order to improve the relations with the customers, today's Retail Banking comprehensively concentrates on the quality of the products and the services offered to the customer, as it is the basic foundation for maintaining and developing long-term relations with the customer. Offering quality products and services is not only essential to develop long-term customer relations, but is also essential to improve marketing productivity and long run profits and growth.

In sum, managing customers today has turned into a well formulated and well studied science and art known as Customer Relationship Management (or) CRM.

1.1.1 Statement of Problems

The intensity of competition in banking industry is bound to grow in they come which in turn could make banking operations more challenging and complex.

AparadigmshiftisnoticeableinthebankingindustryinIndia. Suchashiftreflectsin terms of number of banks, Volume of Business in banking as well as nature of business operations. Bankers in general have moved a long way from mere financial intermediaries to full-fledged financial institutions.

In the context of competing bankers who are performing with almost undifferentiated services, for almost equal prices; the customers of one bank are left with multiple options to move over to some other banks in search of better services, with little or no barrier of switch over from one bank to another.

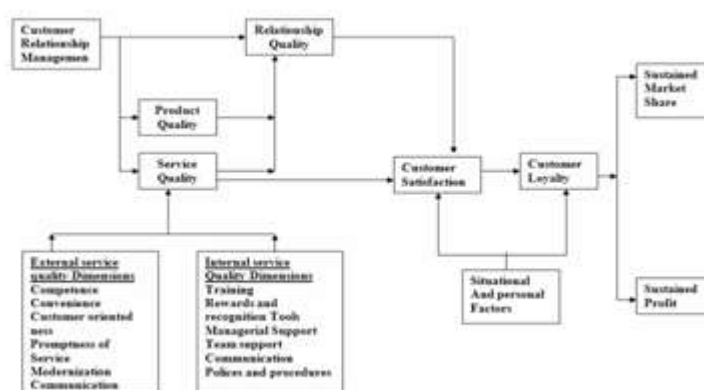
Bankers have to necessarily perform their banking operations with the likelihood risk of the customer making a bank switches over at any given point of time that might result in decline in revenue or loss of revenue on the whole.

To prevent or minimize this possibility of customer deflection; bankers have to come out with customer centric strategic decision. Obviously the conditions draw the attention in evolving meaningful CRM which would provide a platform for not only retaining existing customers but also to expand the customer base by attracting additional customers.

1.1.2 Statement of Objectives

- To develop a framework for Customer Relationship Management Model (CRMM), applicable to Indian retailbanks.
- To analyze the influence of service quality on customer behavior with respective to retailbanks.
- To examine and assess customer satisfaction levels and their influence in building the customer loyalty to achieve a sustained market share and profit.
- To examine and assess the external and internal service quality perceptions in respect of retailbanks.

1.2.1 THE CRM MODEL OF RETIAL BANK



1.2.2 Research Methodology

The area preferred for the research is Kancheepuram District.

Population

The population for the study consisted of the total number of retail banks in kancheepuram district and their customers. Of the total banks, the followings banks namely SBI, Indian Bank, ICICI, CUB, Barclays Bank and CITI bank control more than sixty percent of the deposits and loans⁶ in kancheepuram District. Therefore the study was confined to these six banks. The details of the number of branches of these six retail banks in Kancheepuram District are as follows:

Table 1: Number of branch of the retail banks in Kancheepuram District taken for the study

Name of the Bank	Number of Branches
SBI	14
Indian Bank	27
ICICI Banks	4
City Union Bank	3
Barclays Bank	1
CITI Bank	1
TOTAL	50

In determining the sample size the factors that played a major role are time taken by the respondents to fill up the questionnaires, the number of respondents willing to part with information, resources required and the working hours of the bank. The researcher visited the customer's of various bank branches of six banks on different days during the month of December 2009 to June 2010 to collect data.

Data Sources

Primary Data

Primary data was collected by interacting with the bank`s customers

Secondary Data

Secondary data from the various websites and information from the various studies carried out previously in this area, source from RBI offices in Mumbai, National Institute of Bank Management office at Pune, RBI websites, books, report-published as well as unpublished and journals

Data Collection Tools

Based on suggestions given by the bank managers, account holders and statisticians two detailed interview schedule were framed; one for the retail bank customers and another for bank employees. Part I of the interview schedule is designed for collecting the information related to the behavior of the respondent and their external service quality.

The Sample

The questionnaire drafted for the interview schedule meant for the customers was distributed to 451 respondents of the various bank branches taken for the study. Nine customers in a branch are considered as a research sample in each bank as presented in Table 2

Table 2: Distribution of Sample Respondents (Bank customers)

Name of the Bank	Number of Bank Customers
SBI	126
Indian Bank	244
ICICI	36
City Union Bank	27
Barclays Bank	9
CITI Bank	9
Total Sample size	451

1.3.1 Data Analysis

Explanatory factor analysis is used to identify the underlying constructs and investigate relationship among the variables. To test the suitability of the data for factor analysis, the following steps are taken.

- The correlation matrix was computed and examined. It reveals that there are enough correlations to go ahead with factor analysis.
- To test the sampling adequacy, Kaiser-Meyer-Olkin measure of sampling adequacy is computed which is found to be 0.804. It indicates that sample is good for sampling.

The overall significance of correlation matrices is tested with Bartlett test of sphericity ((Approximately Chi-square 4442.044 and significant at 0.000) provided as well as support for the validity of the factor analysis of the data set.

Table 3 KMO and Bartlett`s test

KMO and Bartlett`s test		
Kaiser – Meyer – Olkin Measure of Sampling Adequacy	0.804	
Bartlett`s Test of Sphericity	Approx. Chi-Square	4442.044
	Df	435
	Sig.	0.000

The table above shows that the standards indicated makes the data suitable for factor analysis. Principal component Analysis is employed for extracting factor. Orthogonal rotation with Varimax was applied. The latent root criterion is used for extraction of factors. As per it, only the factors having Eigen values greater than one are considered significant. All the factors with Eigen values less than 1 are considered insignificant and disregarded.

Table 4 Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.136	23.786	23.786	7.136	23.786	23.786	3.382	11.273	11.273
2	2.024	6.747	30.533	2.024	6.747	30.533	2.555	8.516	19.790
3	1.814	6.047	36.580	1.814	6.047	36.580	2.424	8.079	27.868
4	1.568	5.225	41.805	1.568	5.225	41.805	2.235	7.451	35.319
5	1.510	5.035	46.840	1.510	5.035	46.840	2.208	7.359	42.678
6	1.337	4.457	51.297	1.337	4.457	51.297	1.902	6.338	49.016
7	1.179	3.931	55.228	1.179	3.931	55.228	1.863	6.211	55.228
8	1.125	3.749	58.977						
9	1.064	3.546	62.523						
10	.944	3.145	65.668						
11	.858	2.860	68.528						
12	.827	2.757	71.286						
13	.788	2.626	73.912						
14	.736	2.453	76.365						
15	.720	2.399	78.764						
16	.671	2.235	81.000						
17	.614	2.045	83.045						
18	.563	1.877	84.922						
19	.529	1.764	86.686						
20	.510	1.701	88.387						
21	.490	1.634	90.020						
22	.476	1.587	91.607						
23	.420	1.401	93.009						
24	.373	1.243	94.252						
25	.347	1.157	95.408						
26	.319	1.065	96.473						
27	.302	1.008	97.481						
28	.276	.918	98.400						
29	.261	.869	99.269						
30	.219	.731	100.000						

Extraction Method: Principal Component Analysis

Source: Output from SPSS

From the table above, it is observed that there were only seven factors having Eigen values exceeding 1. The Eigen values after rotation are 3.382, 2.555, 2.424, 2.235, 2.208, 1.902 and 1.863. The percent of the total variance which is used as an index to determine how well the factor analysis accounts for what the variable together represent is 55.228 percent.

Table 5 Rotated Component Matrix

	Component						
	1	2	3	4	5	6	7
q7-1				.484			
q7-2				.794			
q7-3				.613			
q7-4				.539			
q7-5					.728		
q7-6					.493		
q7-7	.133						
q7-8							.515
q7-9		.422					
q7-10					.572		
q7-11		.453					

q7-12							.685
q7-13						.604	
q7-14						.692	
q7-15						.497	
q7-16		.577					
q7-17							.576
q7-18		.721					
q7-19	.530						
q7-20	.432						
q7-21	.635						
q7-22	.669						
q7-23	.762						
q7-24	.620						
q7-25	.543						
q7-26	.346						
q7-27			.568				
q7-28			.544				
q7-29			.707				
q7-30			.762				

Extraction Method:Principal Component Analysis. Rotation Method:Varimaxwith Kaiser Normalization. a Rotation converged in 10iterations.
Source: Output from SPSS

The above table shows the variables under each of the seven derived factors. The first factor consists of eight variables, these condfactor consists offive variables, the third factor consists of four variables, the fourth factor consists of four variables, the fifth variable consists of three variables, the sixth factor consists of three variables and the seventh factor consists of three variables.

Table6 Then amegiven to all the seven factors depending on the variables grouped together in factor analysis.

Factor	Name given to the Factor	Factor Statement	Factor/Loading
I	Bank personal behavior	Trust worthiness	.530
		Personal touch	.432
		Past experience	.635
		Attentiveness	.669
		Assurance	.762
		Reliability	.620
		Responsiveness	.543
		Preferential	.346
II	Bank feature	Simplicity of operation	.133
		Convenient banking hours	.422
		Attractive product	.453
		Interest rate	.577
		Credit facilities	.721
III	Promotional activities	Treatment	.568
		Advertisement	.544
		Courtesy	.707
		Flexible approach	.762
IV	Operational effectiveness	Computerized services	.484
		Computerized services	.484
		Speed of operation	.794
		Responsiveness of staff	.613

		Flexible working hours	.539
V	Customer confrontation	Flexible working time	.728
		Handling grievances	.493
		Convenient location	.572
VI	External service quality	Demat facilities	.604
		Ambience	.692
		Bank image	.497
VII	Bank accessibility	Privacy	.515
		ATM facilities	.685
		Number of branches	.576

Source: Computed Table using SPSS

II. Result And Discussion

Factor analysis was employed to retain from a large set of variables a very few set of factors. Orthogonal rotation with varimax was applied. The latent root criterion was used for extraction of factors. Only factors with Eigen values greater than one were considered significant. All the factors with Eigen values less than 1 are considered insignificant and disregarded.

There were seven factors with Eigen values exceeding one. The Eigen values after the rotation are 3.382, 2.555, 2.424, 2.235, 2.208, 1.902 and 1.863.

Factor analysis accounts for what the variable together represent is 55.228 percent. The first factor consists of eight variables, the second factor consists of five variables, the third factor consists of four variables, the fourth factor consists of four variables, the fifth variable consists of three variables, the sixth factor consists of three variables and the seventh factor consists of three variables. The seven factors are named by the researcher as bank personal behaviour, bank feature, promotional activities, operational effectiveness, customer confrontation, and external service quality and bank accessibility.

III. Conclusion

The study brings to light the various aspects relating to relationship building in retail Banking Industry. The variables identified are contributing towards relationship building and dissolution of relationship. It will definitely help bankers to evolve appropriate strategies towards relationship building. The study also found that there is a difference in the service quality perception of customers and bankers as regard to several aspects of relationship management. On this line of the study various suggestions towards improving Bank customer relationship by enhancing the delivered service quality and the development of personnel involved in the delivery system which is coined as External and Internal service quality.

The relationship models identified in the study would throw further light on strategic decision pertaining to relationship building. An effective CRM program designed and executed will obviously provide a win-win platform to both the service providers and the customers. It is hoped that this study is a humble contribution towards achieving this goal.

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