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## CURRENT e-CRM PRACTICES IN INDIAN PRIVATE SECTOR BANKS AND THE NEED FOR STRATEGIC APPROACH

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### ABSTRACT

*With the increasing number of private sector banks creating many alternatives for customers to invest in, it has become imperative for banks to keep their customers satisfied. Most importantly it is important to retain the profitable customers because there is a general notion that retaining an existing customer is less costly than acquiring a new one. e-CRM is currently being debated as one of the new advancements in marketing which can address this problem. It is being seen as a tool to acquire and retain customers using the one of the efficient channels known as web. In this paper we will try to provide an insight into current e-CRM practices in leading private sector banks in India and the issues related with it based on secondary data obtained from different reliable sources and some suggestive measures have been discussed for successful implementation of the e-CRM programmes. This paper is informative and the data used is secondary data collected from different reliable resources.*

### KEYWORDS

e-CRM practices, Indian private sector banks, strategic approach.

### 1. INTRODUCTION

Earlier marketers especially in the industrial area used tools and techniques of mass marketing to attract and acquire the customers. But in recent times of robust competition and newly emerging techniques based on rather efficient information, this has become highly ineffective. The highly intensive competition and technological developments have forced companies to find measures for reducing costs in order to gain the competitive advantage. Studies have shown that while manufacturing costs declined from 55% to 30% and management costs declined from 25% to 15%, the marketing costs have increased from 20% to 55% (Sheth, 1998).

In recent times it has been seen that companies are devising ways to retain their existing profitable customers. On average, businesses spend six times more to acquire customers than they do to keep them (Gruen, 1997). All these considerations have lead companies to develop and maintain the relationships efficiently through Customer Relationship Management (CRM). CRM can be viewed as a practical implementation of Relationship Marketing theory, with emphasis on one-to-one marketing techniques enabled through technology (Buttle, 2004; F. D. Davis, 1989; Doherty & Lockett, 2007; Gambeson, 2004; Ryals & Knox, 2001). Recent robust developments in technology, increasing accessibility of users to web, and the emphasis on one-to-one marketing techniques, customer relationship management (CRM) is being viewed as new important strategy in marketing (Palmatier, Gopalakrishna, & Houston, 2006; Payne & Frow, 2005). With different views by academicians, Customer Relationship Management can be classified into four groups (as strategy, technology, process and information system) (Thompson and Moscardini, 2002).

#### 1.1 STRATEGIC VIEW

CRM as a strategy means that a company decides till create relationships with customers that have not existed already. The company this customers based on their potential and current values for the company is dividing into sections. Then, the company defines a strategy to determine when and how the investment of various sources in each customer, based on where the customer is a strategic sector (Rigby et al., 2002).

#### 1.2 TECHNOLOGY VIEW

CRM technology Communicate between the duties of directors of an organization (sales, marketing, and customer service) and the factors behind the organization (finance, operations, logistics, and human resources) and customer contact points. CRM integrates information from different systems in a unified view of customer.

#### 1.3 PROCESS VIEW

According to this view, CRM is a process of learning about customers and to do all those things that keep them satisfied that even perhaps be this satisfaction beyond customers expectations (Nickels 2008). This view, CRM consider as a set of business processes (Zablah et al, 2004). CRM as a process includes all activities of company with purpose of creating a beneficial communications with the customer (Swift, 2001).

#### 1.4 INFORMATION SYSTEMS VIEW

According to this View, CRM refers to management of efficient communication with the customers by a company with the help of software technology and internet (Chen and Popovich, 2003).

Here we will try to focus and provide some insight into the Information systems view of Customer Relationship Management which has given rise to e-CRM (Electronic Customer Relationship Management).

Electronic Customer Relationship Management integrates 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 (Shan and Lee). Employees that interact with customers at the various touch points (e.g. contact centre, sales presentation, service delivery); can help in obtaining the important customer information required for CRM strategies. It is argued that e-CRM can help to retain the valuable customers by enhancing the analytical capability of the companies to capture, organize and distribute the data obtained through web.

### 2. OBJECTIVES OF THE STUDY

1. To review the literature on the concept and use of e-CRM in general.
2. To highlight the use of e-CRM practices in Indian Banking sector with reference to ICICI and HDFC bank with relevant issues and the need for strategic approach.

### 3. LITERATURE REVIEW

The Customer Relationship Management is still in its pioneering stage. Customer relationship management in electronic commerce (e-CRM) is one of the fastest growing management techniques adopted by online enterprises (Reichlehd and Scheffer, 2000). As suggested by Gilbert , 2003 CRM has emerged due to the change in marketing environment. The link of the CRM with the technology makes it's more interesting to explore. That is the reason that research on CRM has increased in recent years (Kamakura et al., 2005; Ngai, 2005). Technological developments enable businesses to implement CRM systems that can create practical mass customization marketing programs, based on one-to-one marketing techniques. It is suggested by academics that the link between marketing and technology can help to build and maintain long term, mutually beneficial interactions with large numbers of customers with relatively lower costs (Peppers, Rogers, & Dorf, 1999; Reinartz & Kumar, 2000). Within the framework of CRM, a number of channels exist for interacting with customers. One of these channels is "electronic", commonly known as "e-commerce" or "e-business". Companies should be able to integrate the online channels with the traditional customer touch-points via e-CRM. It is the combination of hardware and software to capture and analyze the data (Dyche, 2001).

Through e-CRM companies try to identify and understand customer's demographic pattern of purchasing and other relevant information in order to create new business opportunities giving importance to customers. However it is important for an organisation to define its business objective and asses its current position with respect to its marketing environment before implementing the e-CRM. An organisation must also align its existing strategy with the new possibilities.

The most widely tool of e-CRM in banking is the eBanking. According to Heikki et al. (2002), the transformation from the traditional banking towards e-banking has been a 'leap' change. The evolution of electronic banking started from the use of automatic teller machines (ATM) and has passed through telephone banking, direct bill payment, electronic fund transfer and the revolutionary online banking (Alter, 2002).

#### 3.1 EVOLUTION OF e-CRM

Age	Year	Lessons Learned	Milestones
<b>Introduction</b>	1980s to early 1990	Very expensive to maintain	Focusing on automating and standardizing the internal processes to make the customers an asset
<b>Growth</b>	Mid-1990 to end 1990	Some vendors are slow to respond to the Internet	Due to the emergence of the Web, client/server architecture behind CRM applications would disappear
<b>Paradigm Shift</b>	2000	Adoption of ICT technologies	e-CRM
<b>Ubiquitous</b>	After 2000	Services Across Platforms	mCRM, Self-Service CRM etc.

### 4. CURRENT STATUS OF e-CRM IN INDIAN BANKS

Internet in recent times has emerged as one of the potent way to ease the access to banks. With the innovative technologies provided by telecom providers, banks have made it possible for customers to pay bills at home with the use of internet. These include MTNL, BSES, and AIRTEL etc.

Understanding the importance of internet as a medium to reach the customers, Indian private sector banks like ICICI Bank, HDFC Bank, Global Trust Bank and UTI Bank, have taken the lead in e-banking. Foreign banks operating in India like Citibank Federal Bank, HSBC Bank, Deutsche Bank and ABN Amro Bank, RBS are also in the same practice.

Recently it has been seen that even the Indian public sector banks like SBI have begun the internet enabled services for their customers.

With the introduction of the utility bill to payment through Internet it has revolutionised the bill payment in India. ICICI is being seen as the pioneer in this practice in India. It has over 1 million internet users of which more than 25 percent are of NRIs. The bank is looking to get competitive advantage by the use of technology to deliver customised and better services to its customers.

It is also being seen as leader in B2B business solution by creating a sophisticated common platform for multichannel transaction. With a new banking service called 'Infinity' can intimate about the loss of an ATM card over the net when using Infinity. Corporate sector can issue letter of credit and make inquiries regarding bills sent for collection via this service. It also provides facility for nicknaming all accounts to avoid remarking lengthy accounts number.

UTI in connection Cosmat Max is looking to create a communication network for its customers. The network is said to help in ATM servicing and internal management information system with the 50 VSAT terminals at strategic locations.

Call centre Automation, Data warehousing, Email Management, Field Service Automation, Marketing Automation and by using CRM technology, HDFC is looking to make the customers aware and expand its customer base. As far as HDFC Bank is concerned, it has also set a new trend with its e-shopping experience secure online and real time with the launch of its payment gateway. This allows any Visa/Master credit card holder anywhere in the world to make payments for global services over the Internet. The bank is also looking to offer secure business to customer e-com. Transactions to its customers to facilitate their business transactions. The first secure, on-line and real-time e-com. credit card transaction in the country was done on the Easy.2 shoppe.com shopping mall, enabled by HDFC bank on a Visa card, heralding the launch of the payment gateway. With the direct debit offered by HDFC bank the customers can make payment directly into the merchants account from their account with secure password.

For achieving the goal of enhancing the service quality, HDFC bank adopted a tailor made CRM initiative called the CRMnext in 2008. This programme called for a single 360 degree customer view by integrating data warehousing with other core banking applications. It has lead to growth of 113% in customer base to over 25 million from 2008 to November 2012.

Studies show that assets business of HDFC bank has grown by 100% over 2008 levels. Furthermore the leads generated have increased from 1,50,000 per month in March 2008 to 3,50,000 per month in Nov. 2012. 8-9 million personalized offers per month are generated through CRMnext. The lead conversion has also increased to 32 during this period. Quality of documentation has improved from 60% FTR (First Time Right) to 97% FTR. The bank's loyalty index rose from 38 in 2007 to 62 in 2010 (benchmarked at 54 for the industry). The number of customer complaints reduced from 36 per 10k customers in 2007-2008 to 5 per 10k customers in Nov. 2012. The service quality rating of the bank improved from 65% in 2007-2008 to 97% in 2011-2012.

All these achievements have made HDFC to receive the IBA Banking Technology Award in 2010 for steps undertaken to strengthen relationships with its customers in the areas of retail and corporate banking. Model Bank Award in Nov 2012 is another result of the CRMnext initiative by HDFC bank for delivering excellent customer service experiences across channels like branch, phone banking, call centres etc.

Figure no. 1 depicts the most common Core Banking Solution software that is used by the banks. It serves as an integral part of e-CRM programme in most of the private as well as public sector banks.

### 5. RECENTLY USED e-CRM TOOLS BY BANKS IN INDIA

Banks leveraging technology can develop innovative customer solutions to attain growth with profitability within the framework of sound risk-management practices. Techno-savvy banks are tapping into online services to initiate a new era in relationship management to create one to one relationships as well as one to many relationships to enhance their competitive advantage. Recent developments in critical areas of IT, have changed the way banks are managing their customer relationships. The following are some of the latest e-CRM techniques used by banks in offering new products and services to its customers.

#### 5.1 INTERNET BANKING

Internet banking is the magical tool that has revolutionized the banking through the widely used medium of internet. Internet banking is a powerful tool of direct marketing and cross selling at reduced costs. It gives customer the benefit to perform banking activities like fund transfer, merchant bill payments etc without visiting the branch, hence saving the time and effort. The private sector banks like ICICI Bank, HDFC Bank, UTI Bank and the Global Trust Bank initiated the Net Banking as a part of their banking. The most commonly operations done through Net Banking are:

- Payment of Utility Bills-electricity, phone etc.
- Online Railway ticket booking

- Inter Bank funds transfer Third party transfers
- Credit Card bill payments
- Linked mobile alerts

## 5.2 DATA WAREHOUSING AND DATA MINING

As is the case with every corporate organisation, banks have always made strategies to retain the profitable and loyal customers. Data warehousing is a technique where relevant and important information about the customers is captured. This pertinent information is then systematically analysed to customize the offerings according to customer profile, income, needs etc.

## 5.3 ATMs

ATM (Automated Teller Machine) is yet another convenience created out of the e-CRM initiatives by the private sector banks. Initially the ATM operations were confined to withdrawing the requisite amount of money from a particular location. But now banks are enhancing the usability of the ATMs from intra bank transfers to mobile recharge payments and much more. With the usage of ATMs getting popular, this practice has triggered good competition among the banks operating in India. This has led to increased number of ATMs being installed recently.

## 5.4 TELEBANKING OR MOBILE BANKING

With mobile banking, customers have an instant access to queries related to the transactions of their accounts. It usually keeps the customers aware of the balances of their accounts and hence often reduces the amount of confirmatory actions that are being asked after a transaction has happened. So it can help build trust and satisfaction from the customer perspective. The mobile banking facility in the private sector banks like ICICI and HDFC is generally seen two ways:

- Alert facility: ICICI bank mobile banking alerts facility keeps us informed about the significant transactions in your accounts. It keeps us updated wherever we go.
- Request facility: ICICI bank mobile banking requests facility enables us to query for our account balance.

## 5.5 E-MAIL

E-mail serves as an effective and cheapest way of communication that's being used by banks these days. By emails, banks can disseminate a lot of important information to their customers with one click. It helps to reach to the larger customer and future customer base with relatively lower cost.

## 5.6 INSTA BANKING

Leading private sector banks like ICICI Bank offers a service called as "Insta Banking" which enables customer to conduct banking transactions anytime from anywhere. This service can be availed anywhere-Anytime banking service through 24-hour channels like ATM, Internet Banking, Instant Voice Response (IVR) Banking and Mobile Banking, and from 8 a.m. to 8 p.m. From balance enquiry to checking cheque status to ordering a new cheque book, you can communicate with ICICI Bank from the comfort of your home or in the middle of a busy day at the office.

## 5.7 CALL CENTRES

The call centre also provides an opportunity to shift the qualitative nature of the relationship between bank and customer to a new level. Much of the extra leverage with customers that the call centre brings are tactical.

## 6. SOME CHALLENGES AND ISSUES RELATED TO IMPLEMENTATION OF e-CRM IN INDIAN PRIVATE SECTOR BANKS

### 6.1 CRM: TECHNOLOGY ISSUES

The following are the impediments to e-CRM implementation in context of technology:

- **Technology misunderstood:** Technology as a tool should not be only confined to recording and dissemination of information. Systematic and need related analysis of information is vital to make it useful for further usage.
- **Lack of Integration:** Information in current technological environment is obtained via multiple channels at a point of time. Currently with many companies and banks it's a challenge to integrate these different channels into a coherent system.
- **Empowerment to frontline staff:** The frontline staff of banks lacks the motivation and training to analyse and forward the customer data and profiles so that the prospects could be changed into customers.

### 6.2 DATA ISSUES

- **Fragmented Data:** Systematically collecting and organising this huge data and to assimilate it into a central repository system is a challenging task.
- **Lack of skill and initiative to manage and utilise data:** Employees expected to organise and systematically manage data may not do it efficiently because of the lack of understanding of the strategic perspective of this activity. They also lack the necessary infrastructure and skill to complete this task.

### 6.3 PEOPLE ISSUES

- Lack of motivation for utilising the potential of e-CRM solution
- Inadequate performance management parameters
- Less or insufficient decision making authority : In order to use CRM concept towards customer centricity ,sufficient decision making power is required to provide customised, responsive and proactive services
- Training: Staff lacks training in IT, its applications, the complete use of software and its applications as well as marketing skills, analytical skills, uses of customer information and service skills for implementation CRM.

### 6.4 PROCESS ISSUES

Like CRM, e-CRM should be viewed as an integrated process:

- **Change in Culture:** The e-CRM implementation requires an organisation to keep the strategy in central scheme of things related to vision, mission and other goals of company.
- **Acceptance of change:** CRM success also depends on how the different systems and traditional practices reasonably accept the required changes which are aimed at better servicing.

## 7. STRATEGIC FRAMEWORK TO ADDRESS THE IMPLEMENTATION ISSUES

A global survey conducted by the IBM Institute for Business Value and part of IBM Business Consulting Services three part series 'Doing CRM Right', claims that only 15 percent of CRM projects are fully successful, but that the success rate can be improved to as high as 80 percent, through proper business methodology and prioritisation. For making the e-CRM investments more successful and achieving the profitable results, banks need to adapt the right strategy and integrate the e-CRM initiatives into the core business philosophy. Corporate strategy should be changed to customer-centered instead of product-centered.

### 7.1 RECOGNISING CRM AS A STRATEGIC INITIATIVE

The e-CRM should be inculcated in the long term strategy of the banks. This is possible if the banks are following the customer centric philosophy. The implementation should be done which will fit the long term goals of becoming a customer centered organisation.

If the relative role of technology in maintaining the e-CRM is adequately communicated, the employees are going to buy the idea of implementation rather appropriately. Every department in addition to IT department must be integrated to the central scheme of e-CRM implementation to make it successful.

### 7.2 TOP MANAGEMENT SUPPORT

For proper deployment of e-CRM, the top management should be supportive and active in the initiation of process. A study of best practices adopted by organisations successful in implementation of CRM indicates that senior managers of these firms create a vision for how CRM will change their organisations. The vision of the bank must correlate with the e-CRM implementation. For example, at a major Canadian Bank, initially the vision was associated with the

development of customer information systems. With time the vision became more focused on the delivery of differentiated value propositions through products to customers.

### 7.3 REALIGNMENT OF ORGANISATIONAL STRUCTURE AND PRACTICES

The structure of the banks should be realigned apart from installing the above discussed e-CRM tools. The present structures in most banks are product and process centric. Having installed technology set up for e-CRM, relevant changes in structure making it compatible to adoption and use of technology enabled CRM is the need of the hour.

### 7.4 CHANGE IN CULTURE

Each employee can contribute in value addition to customer irrespective of his task and role in process sequence. Each employee in an organisation must be customer centric to improve the customer satisfaction. Hence the culture and perceptions of employees towards keeping the customer satisfied should change accordingly.

### 7.5 COMMUNICATION AND COORDINATION

To make the e-CRM technology investments successful coordination of human efforts and customer communications to software enabled CRM updates, alerts and templates is essential. This can be achieved by Multichannel Integration Process. To achieve the e-CRM objectives, information regarding transactions and enquiries across channels like internet, mobile, call center, branch, POS terminal, ATM, etc need to be tracked and processed in order get better insights into customers preferred products, channel preference, usage frequency, needs and wants. This, unified customer view will also enable informed decision making preventing attrition, bad loans and frauds.

### 7.6 MOTIVATION

Lack of can be addressed by helping employee at all levels to understand CRM concepts and firm's vision for CRM as well as communicating customer, market and profitability data to describe the Banks' progress, as it proceeds on its e-CRM journey.

### 7.7 TRAINING

Appropriate training should be also given to end users in order keep them informed about the key e-CRM practices and how bank is trying to make the relations with customers better. Training at all levels focused on e-CRM philosophy, applications in banking, new processes to be adopted, employee's role in customer service, and change management along with use of new technology is the need of the hour. It requires intense training, a real dialogue between marketing, technology departments and all channels, it requires commitment to document customer needs whenever possible and a proactive approach towards using customer intelligence on a continuous basis.

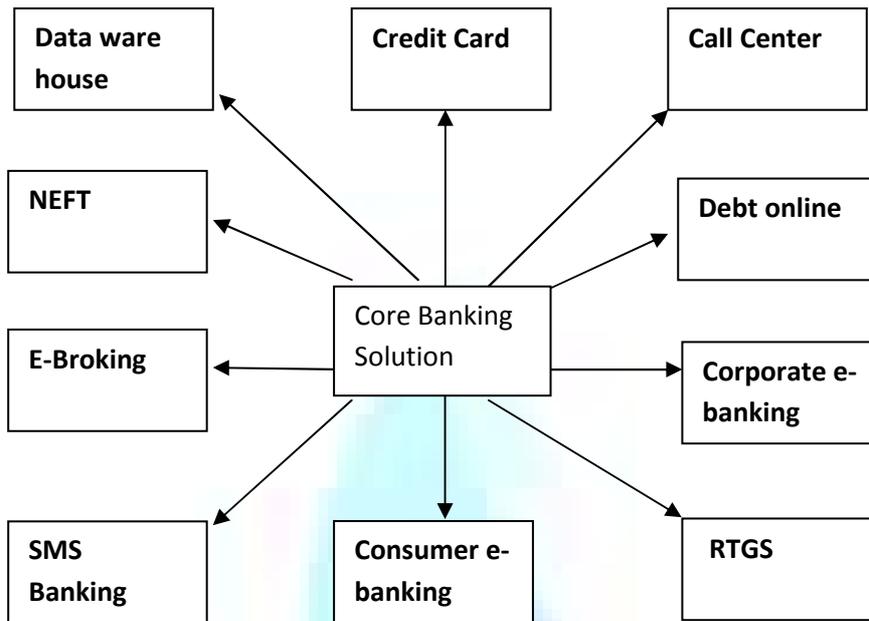
## 8. CONCLUSION

As the banks need to collect, organise and use the information related to customers in a systematic manner, e-CRM is a potent and efficient way to do that. It can help with developing the accurate customer profiles to customize the offerings and improve the customer experience by building healthy relationships. With some efficient data mining techniques, e-CRM will act as a facilitator in converting the loads of information into useful customer profiles and touch points hence improving the quality of data. An organisation must keep a customer centric approach in implementing the e-CRM strategy to make it a profitable one and this will include the culture, process and people being integrated into the core framework. Banks need to understand that they need to make a beginning. Start small, but start. Later they can learn and improve. Finally, it is very important to communicate, train and measure all activities. The framework recommends leadership and motivation driven by top management to optimise customer relationships on the basis of customer information. It points out the need for training at all levels along with coordination and communication amongst various departments. As it has been Banks that have achieved positive ROI have focused on 4 fundamental tenets. First, they have focused on the creation of an overarching, customer-centric business strategy, streamlined operations, superior analytics and integrated collaborative channels. Second, these banks have adopted a transformational approach to ensure that all sources of value are identified and appropriately measured. Third, they have developed a value-based e-CRM ROI model that is aligned with the bank's strategic objectives. And finally, based on appetite and readiness for change, these banks evaluated numerous implementation options before making a final decision. Thus, a strategic approach towards e-CRM implementation will enable attainment of the desired benefits of the e-CRM investments made by banks

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FIGURE 1: CORE BANKING SOLUTION USED BY BANKS.



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