

## **CUSTOMER RELATIONSHIP MANAGEMENT: CONCEPT AND IMPORTANCE FOR BANKING SECTOR**

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### **ABSTRACT**

*Due to the fierce rivalry in the banking sector, where the race to gain greater market share and retain the greatest possible number of customers is still on, and taking into account banks' poorly differentiated offerings, effective customer relationship management (CRM) is a critical tool for achieving better business results. The aim of this paper is to identify the characteristics of a modern approach to customer relationship management, as well as the factors that affect its effective implementation, in order to achieve long-term and mutually beneficial relationships between banks and users of banking products and services.*

**KEYWORDS:** *Banking Sector, CRM, Beneficial Relationship, Banking Products.*

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### **Introduction**

With many changes in the form of new legislation, changed customer behavior, increased use of information and communication technologies, and intense competition, the modern financial services sector has become highly competitive and turbulent. Banks must make significant efforts to add value, and one way to do so is to foster and promote the growth of long-term customer relationships that have greater value than the banking product itself. Building any added value is difficult nowadays, since competitors' practices, which are often very similar, erode any business's added value. Despite the fact that the banking industry has experienced dramatic changes in various market segments over the last two decades, such as delivery changes (with increased use of ATMs, PCs, Internet, and mobile banking), reduced transaction costs, and significantly increased service speed, managing supplier-customer relationships remains one of the most important issues in the banking industry. Aside from such shifts among providers, significant shifts among customers have also occurred. Customers have become more demanding, empowered to conduct certain practices traditionally performed exclusively by banks, more educated, sophisticated, conscious of available alternatives, autonomous, willing to negotiate with a variety of service providers, and similar. Under the impact of such shifts in consumer behavior and needs, banks invest a significant amount of capital, technical, and human resources in customer relationship management (CRM) in order to achieve and sustain market competitiveness. Relationships must be built in such a way that both the bank and the consumer prosper in the long run. Based on the success of relationships between banks and customers, efficiency and quality of banking services are increasing as a result of such relationships. Customer relationship management has undergone significant changes as a result of the widespread use of electronic communication technologies. It now represents a system that encompasses all aspects of communication and interaction with customers, in other words, it determines how to work with customers, solve their problems, persuade them to purchase banking products and services, and generate a feeling of loyalty.

### **CrM: Concept and Objectives**

Consumer Relationship Management is a dynamic method that relies on a thorough understanding of customer habits and needs. The bank's mission is to provide customers with deals based on their needs, so it assumes continuous data collection of customer behaviour. Developing a CRM strategy necessitates ongoing improvements on both the consumer and bank sides. There are four main reasons why banks adapt their business processes to meet the needs of their customers: Customers who have been with you for a long

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time are more likely to stay with you. Attracting new customers is one of the most important aspects of any company. Encourage consumers to work more closely with banks. Customers are informed of a portfolio of goods, services, and contact networks in order to increase revenues or avoid losses. A group of authors believes that a well-implemented CRM concept enables: Customer identification through communication, engagement, and transaction channels with the goal of creating value for each customer under the slogan "the right product at the right time." Segmentation of customers. Each customer has unique product and service requirements, and the bank must decide which category the customer belongs to (age, sex, income, transactions, channel utilization, etc.). Since consumer needs are so nuanced, grouping customers who have similar needs or behaviors necessitates knowledge about them. Banks face a significant challenge in tracking improvements in consumer behaviour. As a result, more connections and regular contact with each customer increases the probability that the bank can collect better knowledge about the customer's needs and behavior. Customer interaction is essential. One of the most critical objectives of the CRM concept is to monitor consumer actions and needs over time. Interaction with customers is a contact mechanism initiated by the bank in order to gather customer information, track their responses, and evaluate the bank's importance to them. Customers, on the other hand, obtain critical details about the bank's operations that can meet their needs. Unlike traditional marketing, which seeks to produce messages for consumers, modern marketing seeks to generate customer feedback. Customer relationships are becoming more personalized. Personalization refers to how a bank handles each customer individually, differently, and uniquely in order to achieve long-term loyalty by adjusting the deal to the customer.

### **CRM in the Banking Industry**

In every consumer-focused business, customer relationship management (CRM) is a must. It's a particularly valuable tool for banks in terms of meeting sales and marketing objectives and achieving consumer standards. CRM software is a customized solution that assists banks in implementing customer-focused strategies. Tellers and employees can:

- Store customer data such as contact information, items used, and experiences in a single system.
- Make appointments, respond to social media messages, and submit personalized emails.
- Add comments or new details to customer accounts in real time.
- Leads in their distribution funnel can be visualized, nurtured, and managed.
- Create reports that examine consumer actions, the effectiveness of marketing campaigns, and more.

### **Importance of CRM**

CRMs are important in every industry, but they are especially important in banking because they enable organizations to provide more personalized customer experiences. According to a global survey of financial service customers, 67 percent are willing to give banks more information in exchange for new benefits, and 71 percent say they will use entirely computer-generated support for their banking processes.

Customers are eager to share their information with their banks, so there's no excuse not to incorporate a CRM that can accomplish the following goals:

#### **For Banks**

- **Make the Most of a 360-Degree View of each Customer**

A banking CRM is a streamlined framework that integrates with your other banking software systems to give you a clear view of all of your customers' accounts. Any predetermined action a customer takes can be registered in your CRM, from making an ATM deposit to requesting information about a specific type of loan. This makes gaining deeper insights into their habits and personal preferences simple and easy, which can help you match these goods to their financial goals.

- **Customer Retention should be Improved**

With consumers preferring online banking options to in-person interactions, many businesses are finding it difficult to establish long-term relationships. With a banking CRM, you have a wealth of data at your fingertips that can be used to provide customized services ahead of time. You will improve every experience by using your CRM to keep track of customer notes and personal information. If a bank teller adds a note to a customer's profile indicating that they have concerns about a certain form of loan, the loan department may follow up by sending them useful tools that clarify their choices. A strategic approach to encourage loyalty is to demonstrate to your customers that you are listening to them and making efforts to enhance their experience at your bank.

- **Enable Quicker Processes**

Any bank employee can access a customer profile to quickly get up to speed on an account using a single, centralized framework. When a customer calls a call center, for example, the person who answers the phone will update their CRM profile in real time. The customer's notes from their call center contact will be visible to bank tellers when they visit their nearest branch. This will remove any redundant interactions and give the bank teller a complete picture of the customer's situation.

- **Improve Sales and Marketing Efforts by using Insights**

Your CRM data can be collected into reports to give you a better understanding of your customers. You can then spot trends, promising promotions, and areas for improvement, all of which can help you predict consumer desires and tailor your future marketing efforts. You may also use the information in your customer profiles to identify potential cross-selling and upselling opportunities. When a customer makes a deposit inside the bank, for example, the teller has access to their entire profile and may alert them to new items they may be interested in or apply for, such as a platinum credit card.

- **Boost the Employees' Productivity**

There's no need for employees to sift through emails or scan different sites for a response to a fast query now that all customer information is housed in one CRM system. Employees spend less time sifting through data and more time nurturing client relationships as repetitive administrative activities are removed. According to a report, using social networking and mobile capabilities in a CRM increased sales representatives' productivity by 26.4 percent. Users can access a CRM from any computer, including a laptop, desktop, or smartphone, so data can be accessed from anywhere and at any time.

#### **For Customers**

**New Technology Availability-** Banks that use CRM aim to provide new technologies to their customers on a regular basis. Customers are adopting and implementing new innovations while rejecting old ones. Customers embrace new adoptable innovations presented by banks for conducting global level financial activities such as ATM, Internet banking, Mobile banking, E wallets, and E-cards, among others. **Good Information Availability-** A customer may obtain good and valuable information directly or indirectly via CRM. In the direct mode, customers present their query to the bank face to face, while in the indirect mode, customers present their own query through electronic means, such as E.Mail, IVRS, Online complaint redress system, and so on. **Simplify Marketing-** Customers want goods that are easier to sell and more profitable. CRM is used to advertise to consumers in a clear and safe manner. Customers can easily demonstrate which commodity is more profitable as compared to another. Bank marketing techniques have evolved in recent years.

#### **For Nation**

CRM aids in the improvement of the banking sector in our country. Customers who have a strong confidence in the banking system deposit more money in banks, and the rising number of financial transactions aids the banking sector's growth. Banks have given developed countries more financial influence through the banking sector. Application of successful CRM in the banking sector is beneficial in global competition, and the banking sector has a secure position in the global banking industry. CRM in the banking sector creates a favorable climate, so its success cannot be overlooked. In the Indian banking industry, CRM is a critical and powerful tool. **New Innovations -** At both the national and global levels, new and effective technologies are causing revolutions. It is important to obtain positive economic improvements. For example, during demonetization, ATMs, Internet banking, mobile banking, and e-wallets all played a critical role in the nation's ability to adapt to change. The majority of people in India have now been told. **Improving banking quality-** CRM is assisting in the above-mentioned improvement of banking quality. CRM aids in the improvement of service quality and banking standards. The banking sector has gained more clout. The banking sector's value grows at a geometric pace every day as customer relationships strengthen at an arithmetic rate, so CRM benefits the banking sector.

#### **Challenges of CRM in the Banking Industry**

When it comes to CRM software adoption, banks, like every other company, face a number of challenges.

- **Data Security**

The banking industry is extremely concerned about data protection, and it aspires to have a higher degree of control over access to its information. Apart from their customers' personal information and account data, the banking system as a whole should be well protected against cyber-attacks and

malicious software. Modern CRM platform providers are well aware of these issues and have excellent security measures to ensure a high degree of information security, ranging from role-based access authorization to encrypted transactions and data backups.

- **Integration with the Existing Tech Stack**

Almost every financial and banking institution has a legacy IT infrastructure and technology stack that can be difficult to change. The majority of obsolete software was not designed to work with new CRM systems. It means that any bank can deal with the challenge of incorporating new solutions with existing ones without losing data or experiencing device failures.

### **Conclusion**

Changes in the financial market, consumer tastes and behaviour, as well as increased use of emerging technology, necessitate CRM implementation in the banking industry. CRM allows consumers to be segmented based on a variety of requirements, allowing for the customization of banking products and services as well as continuous product portfolio innovation. CRM allows for the creation of an active, "friendly" relationship with customers, which undoubtedly leads to their loyalty to banks and the long-term supply of stable and reliable revenues. Today, as customers' needs and preferences are constantly evolving and becoming more sophisticated, true business success can be achieved only if banks are able to build and sustain adequate customer relationships. When it comes to traditional banking, particularly in the context of Internet and mobile banking, CRM is thus a critical factor for overall business success and survival in the market.

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