CUSTOMER RELATIONSHIP MANAGEMENT IN SERVICE SECTOR
(WITH SPECIAL REFERENCE TO BANKING SECTOR IN MADURAI DISTRICT)

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ABSTRACT

Customer relationship management is a high-level strategy which is mainly used for creating and sustaining better relationship with the customer on lifetime. Basically, it consists of methods, technology and capabilities that helps company to manage their customers. The project is all about CRM in public and private sector banks. This study was mainly done because now-a-days the cost of retaining a customer is 7 times more than finding a new customer. It is very much important to optimize the marketing cost by adopting marketing and sales automation to find out the right prospects. Moreover now-a-days the competition in banking sector was increasing at a faster rate, so it is must to maintain a good CRM. This study aims to understand the effectiveness of CRM in Banking sectors. It aims to find out the customer perception about the banking products. This involves comparative analysis between the various factors that are related to the CRM process of public sector and private sector banks. These factors will be made as a questionnaire and sent through various social media services to the banking customers. After collecting the data hypothesis tests will be carried on and based on the tests it will be clear that whether there is a significant difference between the factors within these two sectors. If there is a difference, then we are going to provide suggestion for the sector to improve the particular factor. This helps in increasing the customer retention and attraction and thereby increasing the sales of that particular sector.

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Keywords: *CRM, CRM Strategy in Banking Sector, Customer Retention and Attraction.*

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Introduction

In the existing Indian Banking Scenario, outstanding phenomena are the focus to rising practices and policies. These are 'Technology' and 'Relationship Marketing'. The energy of generation that has revolutionised banking offerings and practices. 'Relationship Marketing' is visible because the most effective differentiating element given the nearly commoditisation of banking offerings. On commentary of the latest restructuring, rebranding and reengineering efforts of many banks, we discover that the important thing reason closer to those is to utilise client centricity as an approach. Further, catalysing the significance of Technology and Relationship advertising and marketing is the Core Banking Solution (CBS). All the banks have triumph over the teething issues of CBS and it has come to be the axis of banks' increase and performance. Going further, maximum of the Banks has invested in generation enabled Customer Relationship Management Software to utilise CBS generated client data for reinforcing commercial enterprise opportunities, get admission to clients and support. Thus, CRM is a logical development of CBS for Indian banks. Although, at a nascent level its miles growing swiftly. Customer Relationship Management is the mixing of those cornerstones of Indian banking viz. generation and courting advertising and marketing. It has a capability to result in dynamic adjustments in advertising and marketing practices of banks in close to future, with the goal of commercial enterprise increase thru handling clients as assets, systematically collecting, analysing and disseminating client data and use of this client data for acquiring, keeping and higher servicing clients. An expertise of the modern-day fame of the CRM initiative in majority of banks shows that most effective a minuscule of the capability of CRM has

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been realised. The key obstacle is the lack of know-how and recognition of CRM as an corporation huge approach and want for reorientation of corporation shape to undertake this. The paper tries to analyze those troubles and shows a framework for reaping the advantages of this funding in CRM via way of means of diverse banks. Customer Relationship Management has grown to be inevitable for increase and profitability of Banks in gift state of affairs marked through growing competition, technological development and empowered customers. The CRM practices are followed to generate higher knowledge of the purchaser for product development, segmentation, suitable targeting, marketing campaign control and upkeep of long time worthwhile and together useful relationships with customers. In Indian banking Customer Relationship, Management remains at an ascent stage. A very small share of its capacity has been utilised. The idea has been applied on a restricted scale.

This paper is all about CRM in public and private sector banks. This study was mainly done because now-a-days the cost of retaining a customer is 7 times more than finding a new customer. Moreover now-a-days the competition in banking sector was increasing at a faster rate, so it is must to maintain a good CRM. This involves comparative analysis between the various factors that are related to the CRM process of public sector and private sector banks. These factors will be made as a questionnaire and sent through various social media services to the banking customers. After collecting the data hypothesis tests will be carried on and based on the tests it will be clear that whether there is a significant difference between the factors within these two sectors. If there is a difference, then we are going to provide suggestion for the sector to improve the particular factor. This helps in increasing the customer retention and attraction and thereby increasing the sales of that particular sector.

Objectives of the Study

- To study about CRM and to understand the effectiveness of CRM in banking sector.
- To find out the customer's perception about the banking products and services.
- To find out the level of impact of CRM on public and private sector banks to enhance the quality of service.

Scope of the Study

The scope of the study is to gain more knowledge on customer perception about banking products and services and it is mainly used to gain more insights about the reasons and factors that are responsible for customer retention and attraction. Banking products and services were almost similar in every bank, so it is difficult to overcome the competition among banks. This study helps me to become a great salesperson in the field of banking. This study is limited to the of Madurai district.

This study helps to concentrate the important factors which are responsible for Improving customer satisfaction, improving customer retention, Optimizing the marketing process, improving better internal communication and to gain more valuable insights. The factors might not be same in both private and public sector banks. So, this study helps to differentiate the CRM process followed by public and private banks. As a customer this study helped me to choose a right banking sector. As a salesperson this helped me in understanding how to increase the sales with less expenditure and how to differentiate our services from other competitors.

Statement of the Problem

Now-a-days the private sector banks were facing more competition from the public sector banks as the products and services provided by these banks were almost similar. So as a service industry the banks should improve their customer services and relationship with customers.

This offers a service differentiation for them, which is the important factor for attracting and retaining a customer. Moreover, it is very important for the private sector banks to increase their sales because majority of the shares were owned by the investors. If the bank fails to overcome the competition definitely there would be a decrease in the share price of a particular bank. It is important to satisfy customer by maintaining good relationship and providing better services. Therefore, there is need for customer survey, identifying their requirements and satisfaction.

Methodology

- **Sources of Data**

Primary data was collected through online questionnaire

Secondary data required for the study is collected through journals, research Papers and websites.

- **Data Collection Methods**

    Data is collected through online survey method. The questions are in the form of multiple choice and rating scale of (1-5).

- **Sampling Technique**

    Sampling technique used is stratified random sampling method.

- **Sample Size**

    The total sample size is 128. Among that 61 of them were public bank customers and 67 of them were private bank customers

- **Tools and Techniques**

    The data analysis tools used are Microsoft excel and SPSS software.

Analysis Used

    In this research chi square distribution has been used, because the data collected is ordinal scale data. There are totally 16 factors that have been included and among that six factors are used for analysis purpose. The selection of important factors was based upon the previous researches. Each and every factor was compared against the sector to find out whether there is a difference in the factor between private and public banks.

Hypotheses

H_0:   There is no significant difference between the sector and CRM factors.

H_1:   There is a significant difference between the sector and CRM factors.

Data and Responses

    The data includes customer's perception towards the factors that has an impact on CRM corresponding to the particular sector. The total responses were 128 including both public and private. The respondents belong to the four banks namely TMB, SBI, INDIAN and HDFC. The data was collected from the peoples from Madurai district.

Analysis and Intepretations

    The results are obtained by applying chi square distribution for sector and the CRM factors. The six important factors among the total CRM factors were analysed and these six factors had been chosen as important factors based on the researches done by the experts. The results and interpretation were discussed below:

Better Interest Rates

			Better Interest Rate					Total
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
sector	public	Count	2	7	21	22	8	60
		Expected Count	2.8	6.6	21.3	19.8	9.4	60.0
		% within sector	3.3%	11.7%	35.0%	36.7%	13.3%	100.0%
	private	Count	4	7	24	20	12	67
		Expected Count	3.2	7.4	23.7	22.2	10.6	67.0
		% within sector	6.0%	10.4%	35.8%	29.9%	17.9%	100.0%
Total		Count	6	14	45	42	20	127
		Expected Count	6.0	14.0	45.0	42.0	20.0	127.0
		% within sector	4.7%	11.0%	35.4%	33.1%	15.7%	100.0%

Hypothesis

H_0:   There is no significant difference between sector and the interest rate.

H_1:   There is a significant difference between the sector and interest rate.

    = 0.05 is the level of significance.

Chi-squared Test for Better Interest Rates

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.380a	4	.848
Likelihood Ratio	1.394	4	.845
Linear-by-Linear Association	.009	1	.926
N of Valid Cases	127		

P value=0.848,

Here P value> , so reject H1

This clearly shows that there is no significant difference between the sector and interest rate.

	strongly disagree	disagree	neutral	agree	strongly disagree	
public	2	7	21	23	8	
private	4	7	24	20	12	
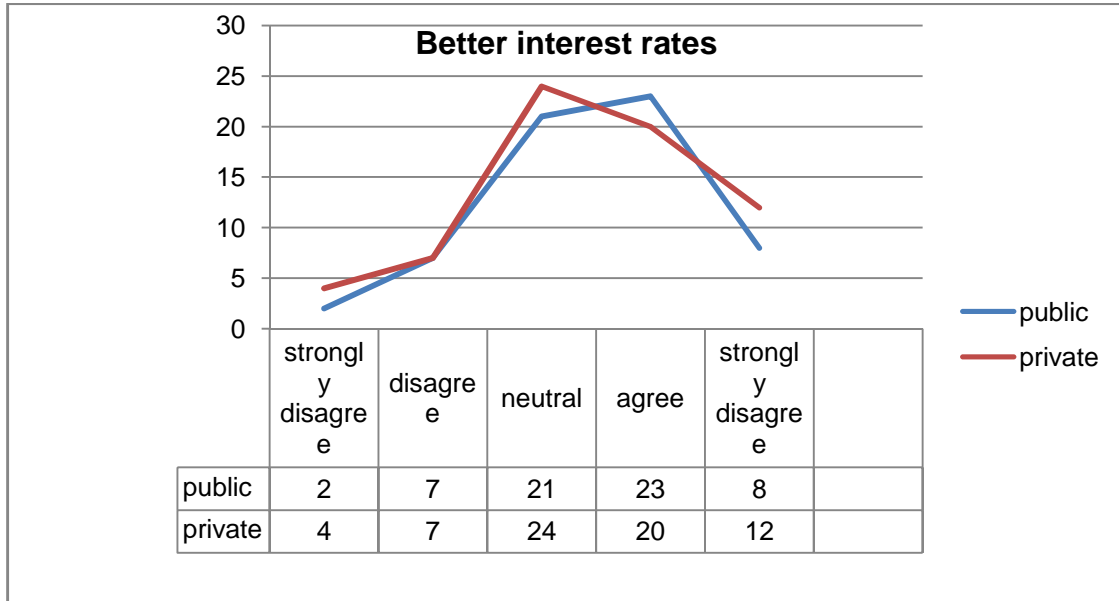
From this graph it shows that the loan interest rates are more or less similar with both private and private sector banks. From the graph and chi square test it clearly shows that customers were not bothered about the slightly increased interest rates and moreover this shows that decreasing the interest rates of loans might not have more impact in customer satisfaction and this won't cause the customers to shift from one bank to another bank and even if they decrease the interest rates it would cause decrease in their profit.

Understanding Customer Expectations

			Understanding Customer Expectation					Total
			Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**	
sector	public	Count	2	7	15	25	11	60
		Expected Count	1.9	5.2	14.2	24.6	14.2	60.0
		% within sector	3.3%	11.7%	25.0%	41.7%	18.3%	100.0%
	private	Count	2	4	15	27	19	67
		Expected Count	2.1	5.8	15.8	27.4	15.8	67.0
		% within sector	3.0%	6.0%	22.4%	40.3%	28.4%	100.0%
Total		Count	4	11	30	52	30	127
		Expected Count	4.0	11.0	30.0	52.0	30.0	127.0
		% within sector	3.1%	8.7%	23.6%	40.9%	23.6%	100.0%

H$_o$:   There is no significant difference between sector and understanding customer expectations.

H$_1$:   There is a significant difference between the sector and understanding customer expectations.

= 0.05 is the level of significance

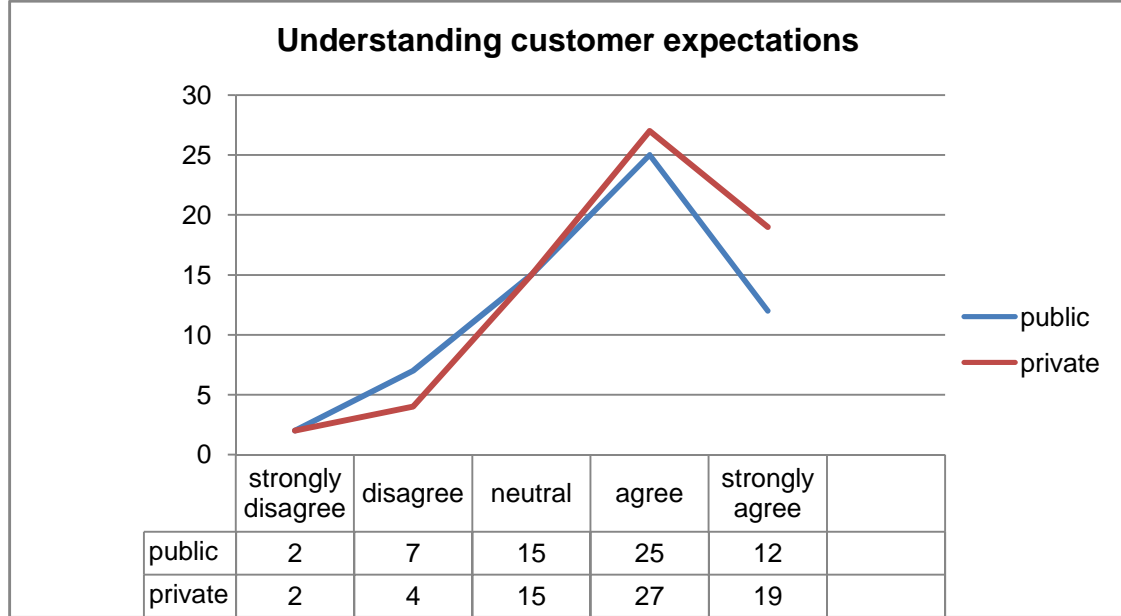**Chi-Square Tests for Understanding Customer Expectations**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.651[a]	4	.618
Likelihood Ratio	2.679	4	.613
Linear-by-Linear Association	1.916	1	.166
N of Valid Cases	127		

a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is 1.89

P value=0.618,

Here P value> , so reject H1

This clearly shows that there is no significant difference between the sector and understanding customer expectations.

Understanding customer expectations

	strongly disagree	disagree	neutral	agree	strongly agree
public	2	7	15	25	12
private	2	4	15	27	19

This shows that customer's expectations were equally understood by both public and private banks and moreover if private banks enhance their CRM strategies, they could help in creating more customer satisfaction and moreover this helps in attracting new customers.

Quality of Service

			Quality of service					Total
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
sector	public	Count	1	5	15	23	16	60
		Expected Count	1.4	3.8	14.2	24.1	16.5	60.0
		% within sector	1.7%	8.3%	25.0%	38.3%	26.7%	100.0%
	private	Count	2	3	15	28	19	67
		Expected Count	1.6	4.2	15.8	26.9	18.5	67.0
		% within sector	3.0%	4.5%	22.4%	41.8%	28.4%	100.0%
Total		Count	3	8	30	51	35	127
		Expected Count	3.0	8.0	30.0	51.0	35.0	127.0
		% within sector	2.4%	6.3%	23.6%	40.2%	27.6%	100.0%

H₀: There is no significant difference between sector and quality of service.

H₁: There is a significant difference between the sector and quality of service.

= 0.05 is the level of significance
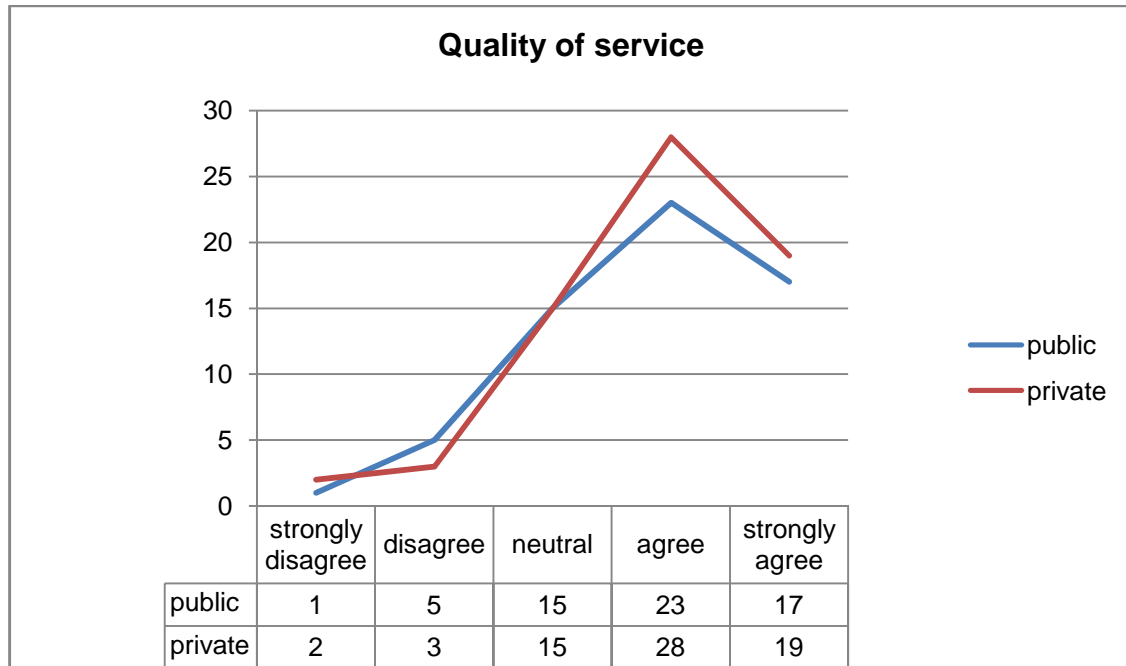
Chi-Square Tests for Quality of Service

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.198[a]	4	.878
Likelihood Ratio	1.208	4	.877
Linear-by-Linear Association	.214	1	.643
N of Valid Cases	127		

a. 4 cells (40.0%) have expected count less than 5. The minimum expected count is 1.42.

P value=0.878,

Here P value> , so reject H1

This clearly shows that there is no significant difference between the sector and quality of service.

Quality of service

	strongly disagree	disagree	neutral	agree	strongly agree
public	1	5	15	23	17
private	2	3	15	28	19

The above graph clearly shows that there is no much difference between the quality of service and the sector. There is no significant difference between them. So private banks should provide more quality service by equipping themselves with more technologies. So this might help the bank in differentiating their service form public banks and improving the customer experience.

Better Competitor Offerings

			Better Competitor Offerings					Total
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
sector	public	Count	0	8	19	25	8	60
		Expected Count	2.4	4.7	15.6	25.0	12.3	60.0
		% within sector	0.0%	13.3%	31.7%	41.7%	13.3%	100.0%
	private	Count	5	2	14	28	18	67
		Expected Count	2.6	5.3	17.4	28.0	13.7	67.0
		% within sector	7.5%	3.0%	20.9%	41.8%	26.9%	100.0%
Total		Count	5	10	33	53	26	127
		Expected Count	5.0	10.0	33.0	53.0	26.0	127.0
		% within sector	3.9%	7.9%	26.0%	41.7%	20.5%	100.0%

H$_o$:   There is no significant difference between sector and better competitor offerings.

H$_1$:   There is a significant difference between the sector and better competitor offerings.

        = 0.05 is the level of significance

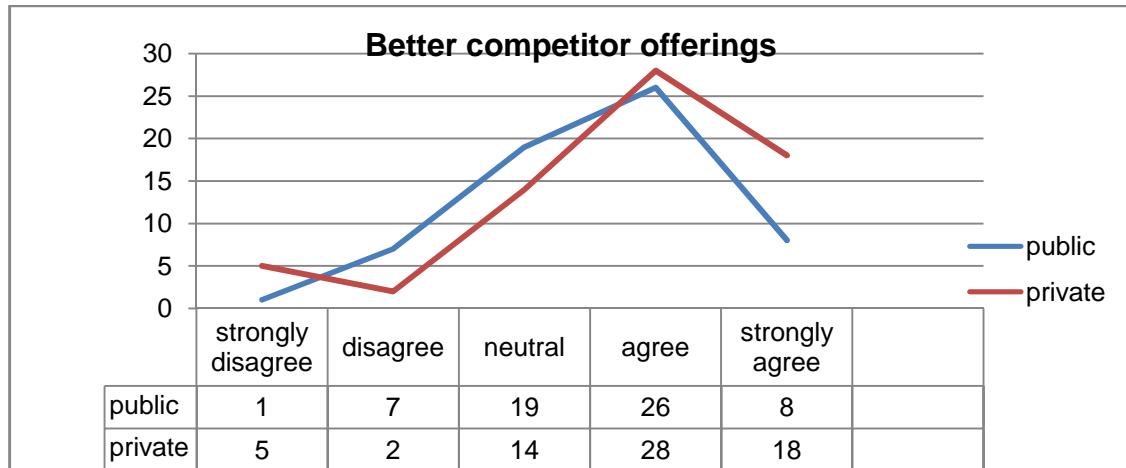**Table 1: Chi-Square Tests for Better Competitor Offerings**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.027[a]	4	.011
Likelihood Ratio	15.278	4	.004
Linear-by-Linear Association	1.567	1	.211
N of Valid Cases	127		

a. 3 cells (30.0%) have expected count less than 5. The minimum expected count is 2.36.

P value=0.011,

Here P value<   , so reject Ho

This clearly shows that there is a significant difference between the sector and quality of service.

	strongly disagree	disagree	neutral	agree	strongly agree	
public	1	7	19	26	8	
private	5	2	14	28	18	

From the graph and chi-square test it clearly shows that private banks are far better than public banks in providing better competitor offerings and this definitely have impacted in the customer retention and acquisition rates of the private sector banks and CRM could have played a major role in better offerings

Suggestion and Conclusion

From the above data it is clear that both private and public bank customers are evenly satisfied in 4 of the factors. The other two factors have a significant difference between these two sectors. From these 6 factors except interest rates every factor can be improved with the help of CRM. Though private banks have high interest rate the satisfaction level is more or less same to that of the public banks. So, if private banks focus on other factors like customer expectations, new products and services quality of service it would be possibly increase their retention and acquisition rate. This would be possible by maintain an updated customer data and good employees' Private banks are now better in competitor offerings. This was the only factor that differentiates private from public banks. So definitely they should improve their products and services with the help of CRM. Though private banks are good their ATM facilities and service time are the factors that un-satisfy the customers. So first, private banks had to resolve these errors and they should be consistent in their services to attract more customers and retain the existing customers.

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