

CRM Strategies in Commercial Banks: Fostering Long-Term Customer Relationships

Ajatashatru Samal¹, N. Manasa², Priya Vinod² and Hemalata Radhakrishna³

¹Visvesvaraya Technological University, India

²Christ University, India

³Reva University, Bengaluru, India

Keywords: Data Privacy, Long Term Relationship, Retention, Acquires Quick Service.

Abstract: The research paper investigates the impact of socio-economic characteristics on Customer Relationship Management (CRM) practices within private banks, highlighting CRM's role as a customer-centric, holistic approach. In the context of economic uncertainties, rapid technological advancements, swift market dynamics, and intensifying competition, CRM technologies are critical for coordinating sales, marketing, and support services. The study reveals significant variability in socio-economic factors across different bank branches, with these factors correlatively influencing customer accounts. Notably, elements such as customer satisfaction, robust privacy policies, and prompt service are pivotal in fostering enhanced relationships between private banks and their clientele. The analysis confirms that effective CRM not only safeguards data privacy but also strengthens customer relationships and proactively anticipates customer needs, thereby underpinning the strategic importance of CRM in retaining loyalty and driving bank revenues.

1 INTRODUCTION

The idea of CRM in private banks has attracted the attention of academicians, experts and bankers in the financial area. The organizations have extensively recognized that customers are profitable now-a-days. CRM develops life time customers. It allows developing customer base. It manages all aspects of customer interaction in a manner that enables banks to maximize profitability from every customers.

CRM is a business model that aligns product and sales strategic with needs of customers and preferences (Sampath et al. 2014). CRM has been viewed as a process aimed at collecting customer data, find profiles of customers and use the customer knowledge in specific marketing activities (Anu Putney et al. 2013). Indian private banks are facing a dual challenge of building customer base and performance maintenance. CRM helps to build customer base through IT and helps in the building of long term relationship and sustainability. CRM can be viewed as a process geared towards increasing the value of a customer order life time (Farress P. 2001).

Banks need to focus for creating added value and establishing forever relationship with customer. For the last two decades there is a significant changes in

the banking industries for business process like mobile banking, ATMC, cost reduction in transaction and delivering better service for managing the supplier- CRM is continuously the important critical issue in the banking sector (Ndubisi et al. 2007) customers have also started demanding more and more, more knowledgeable, aware of alternatives and capable of negotiating with different service providers (Heinonen 2014).

2 LITERATURE REVIEW

Dr S Sudhakar, Dr Thomas Michael, Mrs V Santhiya(2023) focus that Customer relationship management establish a long term relationship with customers by analysing the need and wants for their immediate services which is the essential components of banking CRM . He also focus through the process of CRM helps the customer complaint resolution in banks with a timely and effective manner . As a result it solved the immediate issues of customer complaints in a fast way and retain customer loyalty.

Dr G Manoj, Dr Leena Jenefa(2022) refers CRM maintain a long relationship with the process and

enhance the banking instrument and services in current scenario of present situation.

K.P Anjana(2021) indicates the vital role of CRM practises in the present environment which influence the better functioning in the banking sector. core benefits in banking business process and customers by using better tools and techniques in the banking sectors.

The authors suggested that Indian banking need to focus new services and develop new marketing strategy for the betterment of banking sectors.

3 STUDY OBJECTIVE

- To understand the socio-economic feature of respondents.
- To understand CRM as a customer-centric approach.
- To examine the CRM practices in private banks.
- To identify the factors influencing long-term relationships between private banks and customers.

4 PROBLEM STATEMENT

Customer switching to others banks and effective retention and attraction of customers can be effectively managed by CRM strategies. On account of severe competition among banks CRM came into existence with much focus on customers. Consumer attraction and retention has become a complex impressing factors banks here introduced different strategies to retain the existing customers or attract new customers. The strategies followed by different private banks speak about the significance of CRM in banks. CRM is a approach for management that gives the firm to get, attract and retain the customer profitability through the process of CRM. The CRM achievement depends upon the needs and desires of the customers and by integrating them by using organizing strategy, people technology and business process.

CRM in banks in banks must maintain good relationship with customers. This makes the banks to take up branch expansion all over the country. Further, maintenance customers loyalty and trust is utmost important in addition to providing different products and services.

Customer will never switch to other banks if they are fully satisfied with quality of service.

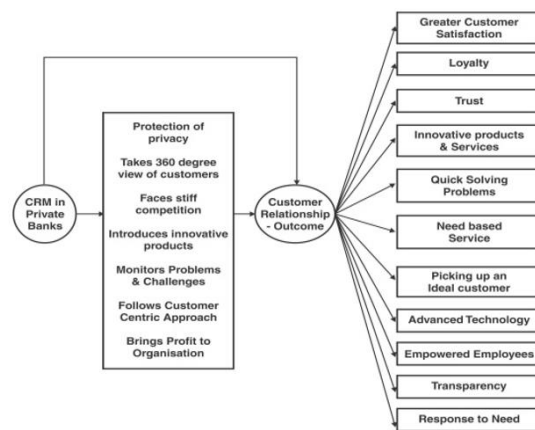


Figure 1: Conceptual Model of the Study.

5 HYPOTHESES

- H₀: The socio-economic characteristics are not impacting on the study.
- H₁: The socio economic characteristics are impacting the study.
- H₂: Private commercial banks do not practice CRM.
- H₃: There is no customer centric approach in private banks.
- H₄: There exist significant variation in the customer centric approach followed by banks.

6 LIMITATIONS

- The study is restricted only to Yelahanka Sub-district and covered only the private banks.
- The study considers only 200 respondents.

7 RESEARCH METHODOLOGY

The current study adopts a customer-centric approach to explore Customer Relationship Management (CRM) practices within the banking sector. Drawing inspiration from academic contributions in the field, the research aims to identify factors influencing long-term relationships between banks and their customers and to analyse CRM strategies through the lens of customer-centricity. The research was conducted within the naturalistic settings of bank premises in the

Yelahanka subdistrict of Bengaluru Urban district, capturing insights from customers either before or after their banking transactions. This method ensures that the data reflects genuine customer experiences and attitudes towards the CRM practices of their respective banks.

The study encompasses a sample of 200 customers from diverse backgrounds, ranging from agriculture to homemaking, residing in the Yelahanka subdistrict. To ensure a comprehensive understanding, four bustling localities were chosen: Yelahanka Old Town, Hunusamarahalli, Yelahanka New Town, and the broader Bengaluru area. The banks involved in the study included major players like ICICI, HDFC, Axis, Indusind, and Citi Bank. Participants were selected using a convenience sampling technique, which involved approaching customers at different branches of these banks, ensuring each bank had equal representation of 40 participants.

Data collection was conducted through a structured questionnaire, designed as the primary research instrument. This questionnaire employed a bipolar Likert 5-point scale to measure the intensity of customer opinions regarding various aspects of CRM practices. The choice of a bipolar scale facilitated the capture of a spectrum of customer attitudes, from strongly agree to strongly disagree, thus enabling a nuanced analysis of customer satisfaction and engagement. Additionally, the study utilised secondary data sources, including academic books, e-journals, and relevant websites, to enrich the analysis and contextualise the findings within existing literature.

Data analysis was carried out using robust statistical tools such as the chi-squared test and contingency coefficient, aimed at assessing the relationships and dependencies between the variables under study. The Garrett Ranking method was also utilised to prioritise the factors as per their influence on customer satisfaction and loyalty. The findings were systematically presented, with a focus on the socio-economic characteristics of the respondents, such as gender, marital status, age, education, occupation, monthly income, account types, and the duration of their relationship with the banks. This comprehensive methodological approach ensured a thorough exploration of CRM practices, offering valuable insights into how banks can enhance their customer relationships in a competitive sector.

8 RESULT AND ANALYSIS

In examining the influence of socio-economic factors on the study of Customer Relationship Management (CRM) practices within private commercial banks, a rigorous analysis has been conducted, as evidenced by the findings presented in Table I. This analysis categorises the respondents based on various socio-economic characteristics, including gender, marital status, age, education, occupation, and monthly income, as well as their tenure with the bank and whether they hold accounts with different financial institutions. The chi-square (χ^2) test was utilised to determine the statistical significance of the differences observed in these categories. It is noteworthy that except for two categories—namely, the presence of multiple bank accounts and the duration of the relationship with the bank—significant and substantial relationships have been identified across all other demographics, demonstrating a high degree of variance.

The implications of these findings are profound, suggesting that socio-economic parameters indeed play a pivotal role in the application and efficacy of CRM practices. For instance, the significant differences observed across age groups and educational levels indicate that CRM strategies may need to be tailored to meet the specific needs and preferences of distinct demographic cohorts. Similarly, variations in occupation and income levels may influence customers' expectations and their perceptions of value, which are critical components in establishing and maintaining long-term customer relationships. This supports the alternative hypothesis (H_1) that socio-economic characteristics do impact CRM studies, thus challenging the null hypothesis (H_0) which posited that these factors do not influence CRM.

Ultimately, the research underscores the necessity for banks to adopt a customer-centric approach that recognises and addresses the diverse backgrounds and needs of their clientele. This approach not only enhances customer satisfaction and loyalty but also positions the banks to better manage their customer relationships in a dynamic and competitive environment. These insights are particularly valuable for formulating strategic decisions and refining CRM practices that are inclusive and effective, thereby fostering enduring customer relationships that contribute to sustained business success.

Table 1: Factors Impacting CRM as a Customer Centric Approach.

Factors impacting CRM as a customer centric approach	SA	A	SDA	RT	RT2
Establishes and maintains strong relationship	14	6	4	24	576
CRM understand all customers and better the understand stronger will be relationship	8	2	1	11	121
CRM understands customer base and hence renders better service	7	3	2	12	144
Stabilised customer satisfaction leads to strong implement in the business	6	3	1	10	100
CRM understands customer interactions	15	2	1	18	324
CRM prefer to schedule tasks and set up reminders which leads to better business	8	4	2	14	196
CRM strategies helps to retain the existing customer and thereby enhances better performance	20	6	4	30	900
CRM anticipates needs to customers	16	4	2	22	484
CRM protects data privacy	26	10	5	41	1681
CRM ensures faster communication	10	5	3	18	324
Total	130	45	25	200	4750

The study in question utilises the customer relationship management (CRM) framework to investigate its efficacy as a customer-centric approach within private commercial banks. The data outlined in Table II focuses on various factors that purportedly enhance CRM's role as a customer-centric tool. These factors range from establishing robust customer relationships to ensuring the protection of customer data privacy. The responses collected were categorised under strongly agree (SA), agree (A), and strongly disagree (SDA), alongside their respective totals (RT) and the square of these totals (RT²). It is evident from the higher scores associated with certain factors—particularly the protection of data privacy—that there is a strong inclination towards acknowledging CRM's pivotal role in fostering a customer-centric environment. The statistical method employed here, Kendall's coefficient of concordance, helps in quantifying the consensus among the variables studied.

The analysis confirms a significant alignment among the variables impacting CRM's effectiveness

in centring customer needs. This is underlined by the rejection of the null hypothesis (H₀), which posited no significant variance in customer approaches amongst different banks. The results compellingly advocate for a customer-centric orientation in CRM practices, with high priority given to data privacy and customer retention strategies. By confirming the alternate hypothesis (H₁), the study substantiates the considerable relationship between CRM strategies and a customer-centric approach. Thus, it is justifiable to assert that CRM, when effectively implemented, is intrinsically geared towards enhancing customer relationships and satisfaction, thereby solidifying its standing as a fundamentally customer-centric approach.

9 DISCUSSION

This paper is to focus how far the socio-economic factors impress the study on CRM practices, factors shape the long term relationship, and to know about customer centric approach followed by private commercial banks. The different experts opinions were considered in order to give the present work an appropriate context. The present study followed research design. A open end organized questionnaire was administered as schedule after considering delay, non-response, incompleteness and raising Covid-19. Internet was referred to arrive at the private banks and their branches in Yelahanka sub district. Further, the study revealed about long term factors like customer satisfaction, developed policy and quick service are impressing long term policy between bank and customer. Finally the study also asserts that CRM, a customer centric holistic approach. The factors decide customer centric approach includes CRM protects data piracy, retention of existing customers and establishing and maintaining strong relationship. Depending upon the views stated by the Yelahanka sub-district respondents of Bengaluru Urban district, it was found that the socio economic characteristics are impacting the study. The execute CRM followed by the banks helps to survive in the competitive situation, and variable impresses long term relationship indicates banks can follow and consider variables impacts relationship.

10 CONCLUSION

The main focus of this paper is to examine whether demographic profile impacts in CRM or not. The

study also probed about CRM practices in banks. Factors influencing long term relationship, CRM – a customer centric holistic approach. The result of the study reveals that demographic profile of the respondent's significant and high relationship between the characters and CRM except account of different bank branches. Further, the study reveals ranked CRM practices which include prioritizing security of funds, transparency in banking services and providing.

greater value for money. The factors as per the study which influences long term relationship includes customer satisfaction, developed private policy and quick service. The study also asserts that factors like CRM protect data privacy, retention of existing customers and maintenance of strong relations. Bank should use the existing favorable socio economic factors and other issues which are highlighted in the present study.

REFERENCES

- Sudhakar, S., et al. (2023). An empirical analysis of factors influencing customer relationship management practices pursued by select private sector banks in Tamil Nadu. *European Chemical Bulletin*, 12(4), 8280-8291.
- Manoj, G., & Jenefa, L. (2022). CRM practices and its effects on public and private sector banks across Chennai. *Journal of Contemporary Issues in Business and Government*, 20(4), 1848-1863.
- Anjana, K. P. (2021). A study on the impact of customer relationship management of South Indian Bank in Bangalore City. *International Journal of Research in Engineering, Science and Management*, 4(11), 64-68.
- Putney, A. M. M. (2013). A study on the role of customer relationship management in the Indian banking sector. *International Journal of Management and Business Studies*, 3(2), 88-89.
- Sampath, L., & Narender. (2014). CRM practices in banking sector. *Global Journal of Commerce and Management Perspective*, 3(5), 141-145.
- Pal, S. (2018). A study on CRM practices in banking sector. *Multidisciplinary International Journal*, 2(2), 70-79.