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E-CRM in Indian Banks: A Tool for technology upgradation

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Abstract

Customer relationship management (CRM) is a critical business strategy in gaining competitive advantage in the domain of banking. Technology, people and customer are the three pillars of the success of banking in the fast changing economic environment. Information technology has embraced banking services like any other industry. Through the use of ICT there is increase in customer expectations on service quality dimension.New generation ICT services include use of ATMs, Internet Banking, Mobile Banking, customer Call centre and other internet driven services like E-banking etc. Little empirical research has been conducted on the link between customer relationship management and customer commitment within an internet or e- commerce context. The present paper endeavours to explore the concept of E-CRM in Indian banks from its various dimensions covering specifically its concept, terminology like Customer relationship management, electronic customer relationship management (E- CRM), e-responses, benefits, techniques used in E-CRM, present status of E-CRM and future prospects. Our findings indicate that with the implementation of E-CRM and the latest technologies, banks have ensured full

security for the transactions of their customers. E- CRM facilitates the organisations to provide one to one services and also maintain the transaction security of the customers.

Keywords: *E-CRM; Banking Industry; e-commerce.*

1. INTRODUCTION

"The purpose of business is to create and keep a customer."
-Peter Drucker

In the growing economy, every business, especially in the service sector has become customer centric and has been exploring novel ways to service customers efficiently. The advancement in information and communication technology(ICT) has made the new millennium as e-millennium.The

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dividing line between banking and non-banking financial institutions is getting blurred. Now banking services are not confined to borrowingand lending, but provides a variety of services as per the requirement and convenience of customers. In the fast changing bankingenvironment,the challenge lies in addressing technological issues keeping the wheels of growth moving.Technology, people and customer are the three principleelements on which the success of banking inthe e-millennium relies. Technology will be ancatalyst in managing the pace and quantum of change.To overcome thetechnological challenges, organizations have to evolve internal capabilities. The bank's performance depends upon the satisfaction of its customers. In the fast changing, competitiveand technological driven banking era, banks have to strive hard for retaining and enlarging theircustomer base.

2. OBJECTIVES OF THE STUDY

1. To study the concept of Customer Relationship Management (CRM) and Electronic Customer Relationship Management (E-CRM)
2. To discuss the techniques used in E-CRM by banks
3. To enumerate various benefits of E-CRM to banks and customers
4. To discuss the present and future prospects of E-CRM in banking industry.

3. RESEARCH METHODOLOGY

This paper reviews the literature on the basis of secondary data collected from the sources such as articles, research papers, journals and websites, etc.

4. . CONCEPTUAL FRAMEWORK OF CRM AND E-CRM

The concept of customer relationship management (CRM) has its roots in relationship marketing which supports the proposition that an organisation can enhance its profitability by establishing and maintain long term relationships with the customers. Customer Relationship Management is a comprehensive strategy and process to acquire, retainand partner with selective customers to create superior value for the company and its customers.

E-CRM enables the organisations to conduct interactive, personalized and relevant communication with its customers through both electronic and traditional channels. It allows complete view of the customers to take decisions about messaging, offers, and channel delivery. It synchronizes communication across customers adhering to permission based practices, respecting each individual's preferences, security and privacy issues. Electronic Customer Relationship Management (e-CRM) expands the traditional customer Relationship Management techniques by integrating technologies of latestelectronic channels such as web, wireless and voice technologies and combines them with E-business tools and application into the overall enterprise customer Relationship Management strategy.

With the advancement of technology and internet, enterprise portal has taken a new face. They act as the gateways to entire web based communities and customer activity. A portal is a gateway to an range of services to an optimal community it is a centralized and

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common entry point, usually placed on web server that links multiple information and interactivity sources and allows a customized view of any or all the services according to the requirements of the users who is entering.E-response is an inexpensive way to disseminate information and conduct correspondence on many topics, including responses to customer inquiries. E-responses also help in strengthening the bond between the bank and the customer and makes up for the personal response that prevails in the conventional banking transactions.

5. LITERATURE REVIEW

Customer Relationship Management (CRM) is still in nascent stage. It is a concept whichstrives to build long lasting relationships with customers. Through CRM initiatives it is expected to gain confidence and loyalty of the customer.

Wayland and Cole, (1997) explained that the concept of CRM demands the sharing of customer combination management through positioning, value addedstrategies and reward which aimed at sharing with customer.

Leboeuf, (1987) emphasized that, the five best ways to keep customer coming back are to be reliable, credible, attractive, responsive and empathic .

Friedlien, (2003) explained that internet and e-business are accountable for 'e' in the e-CRM. It is essentially about conveying increased value to its customers and to do business through digital channels.

Dyche, (2001) described that e-CRM is combination of software, hardware, application and commitment of management. E-CRM is basically of two typesi.e operational andanalytical. Operational e-CRM gives importance to have contacts with customers through telephones, fax, texts, letters or e-mails.

Rosen.K, (2000)opined that e-CRM is about people, process and technology and these are key principle elements of success.

Rigby (2002) emphasized that e-CRM takes into different forms, relying on the objectives of the organizations. Itis about positioning in a line business process with strategies of customers provided back up of software.

Jellasi and Enders (2004) discussed thate-CRM is the use of the Internet and IT applications manage the relationship with customers. There are four elements in E-CRM i.e. customer selection, customer retention, customer acquisition and customer extension. They also mentioned the benefits of E-CRM that it creates long term customer relationship with minimum cost, reduces customer defection rate, increases the profitability and focuses on high value of customers.

6. E-CRM TECHNIQUES USED BY BANKS IN INDIA

Banks which are updating themselves with latest technology develop innovative customer solutions to achieve profitable growth with efficiency within the framework of comprehensive risk-management practices. Technology-savvy banks are adopting online services to enter into a new era in relationship management. Some of the latest e-CRM techniques used by banks in offering new products and services to its customers are given below:

- **Online banking-** Online banking/E-Banking/ virtual banking/ Internet Banking/ Web Banking is an electronic payment system which allows customers of a bank or financial institutions to perform a wide range of financial

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transactions through the website of financial institution or bank. The online banking system will directly connect to or become the part of the core banking system which is operated by a bank and is distinct to branch banking that was the traditional way by which customers accessed services of banks.

- **Data Mining and Data Warehousing:** This technique is used to collect and use customerdata to for segmentation of customers, profitability, credit scoring and approval, forecasting default in payment, marketing, identifying fraudulent transactions, etc. It also helps to check customer's profile and their retention and loyalty patterns and help in developing products and services for the future. Applications of data mining enables bank to enhance their performance of some of their core business processes.
- **Automated Teller Machine (ATM):**As per RBI records, the all-India rise in number of ATMs from June 2013 to June 2016 was 76.48%. In August 2016, the total number of ATM transactions in India was 75.6 crore compared to 8 crorecheques cleared and 7 crore mobile banking transactions.The rising growth in ATMs has been fuelled due to competition among banks toexpand their customer base by introducing more value added services (bill payments andticketing services) on ATMs/ kiosks.
- **Telebanking or Mobile banking: Telebanking** is a service which is provided by a bank or financial institution to the customers to perform anextensive range of financial transactions, anytime 24/7, over the mobilephone, without the need to visit a bank branch or ATM. **Mobile banking** includes obtaining account balances and list of up-to-date transactions, electronic bill payments and electronic funds transfers between accounts.
- **Computerized decision support system:** DSS is an interactive software-based system intending to help decision makers compile required information from raw data, documents, and personal knowledge or business models to identify, solve problems and make decisions. This enables the banks to use optimizationtechniques in functional areas of management such as asset–liability management and investment portfolios through linear programming techniques. It helps the bank managers and customers in optimizing investment decisionstypically resulting in ranking, sorting or choosing from among alternatives which results in optimum solutions.
- **SMS and E-mail alerts:** Short Message Service (SMS) messaging, also known as text messaging, is a powerful mobile communication tool which allows banks and financial services institutions to interact with their customers in a cost-effective, timely manner. Email alerts are electronic services provided by banks. Nowadays, email and SMS alerts are designed to keep the customers up to updated with payments, withdrawals and transactions on their accounts. Banks inform their members throughe-mail about the various services and schemes offered by them.

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- **Management information systems in banks:**The Management Information System of Banks are a pivotal point as it caters to many segments of the society both urban and rural and offers a diversified portfolio of services like credit cards, loans, bank accounts, etc. Therefore,it becomes essential for a bank to maintain an accurate bulk record of al l transactions of every individual or corporate because MIS helps to form a coherent reportnetworking between branches of divisional, regional, zonal andhead office of banks providingeasy access to customer data base from the executive desk itself.

- **Customer smart cards**: Smart cards exist for a vast range of applications. It is a portable computational device with data storage ability which proves as a reliable form of personal identification, a tamper-proof and secure information repository. The applications of smart cards include Mobile Communications, Banking & Retail , Health Care , ID Verification and Access Control. These cards are issued to significant customers as it provides all the relevantinformation, details and pattern of previous and repeat purchases, to make it convenient for the customersto recall and for the banks to keep a record of the behavioral and purchase trends.

7. STEPS TO IMPLEMENT E-CRM PROCESS

The success of implementation of e-CRM depends on culture, commitment of top management, communication and technology. Business processes are considered more important than technology; theintegration of a CRM system with existing systemsplays a vital role in achieving the overall benefitsof a CRM. To implement E-CRM process, following steps need to be followed:

- **Data collection**: For successful implementation of E-CRM process, data is to be collected about customer's preference through activeand passive ways via website, email and questionnaire.
- **Data aggregation**: Filter and analysis is done for firm's specific needs to fulfilthe demands of their customers.
- **Customer interaction**: Organisations provide the proper feedback to the customers according to needs of their customers.
- **Develop customer-centric strategies**: For successful e-CRM, customer-centric business strategy needs to be implemented with the goal of maximizing profitability and customer satisfaction.
- **Redesignworkflow management systems**: E-CRM enables faster lead follow-ups and quicker customer on-boarding through automated workflows. It improves lead-to-customer conversion ratio by targeting and prioritizing the leads according to profitability.
- **Re-engineer work processes**: Banks should constantly re-engineer their processes and procedures by evaluating the customer feedback.
- **Support with the right technologies**: E-CRM creates multiple channel strategy for

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successful implementation of CRM strategy in organization with the innovation of technology it provides opportunity to ensure customer feedback. It helps to maintain a comprehensive view of the customer and gain organization information immediately.

8. Benefits of e-CRM

The benefits that banks are getting from the introduction of E-CRM include:

- The availability of transaction history same information to everyone enables banks to identify the actual expenses of the customer and profitability to the bank.
- E- CRM enables the bankers to predict the kind of product the customer may purchase and also the timing of the purchase.
- E-CRM has facilitated the branches by decreasing the work load on branches.
- E-CRM helps to increase coordination and co-operation between sales and operation staff.
- E-CRM helps the bankers to target customer needs and get their satisfaction with the banking experience.
- Through E-CRM, the bankers have improved their services and have started to focus more on customer needs.
- E-CRM has increased the efficiency, innovation, creativity, information sharing, collaboration and coordination with the bank.
- E-CRMallows the bankers to get the customer feedback, listen and solve their problems at earliest through websites or email.

Not only banks, the customers of the banks are also availing the following benefits from E-CRM:

- With E-CRM, customers are well informed withupdated financial information.
- E-CRM has led to better and stronger relationship of customers with the banking staff and management.
- E-CRM makes the customers feel more secure and safe in the technology oriented banking processes.
- E-CRM allows the customers todo their financial transaction and have the access to their accounts 24/7.
- E-CRM also gives satisfaction and confidence to customers through widespread use of the ATM, creditcards, debit cards, smart cards and lending.

9. FUTURE SCENERIO OF E-CEM IN INDIA

India's technology and business process management sector is expected to generate revenues of US$ 160 billion during financial year 2016 as compared to US$ 146.5 billion in 2015, thus, implying a growth rate of 9.2 per cent. Indian banks are aggressively improving their technology infrastructure to enhance customer experience and gain competitive advantage. Digital banking is gaining rapid foothold in India. Customer Relationship Management (CRM) and data

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warehousing are the main drivers of technology in banks. Indian banks are rapidly focusing on Social media, Mobile banking, Analytic approach and Cloud computing techniques to reach prospective customers. As per RBI statistics (2015), around 44% of population is using Net banking, which is the most preferred mode of payment among internet users in India. Some global giants like PeopleSoft, Baan, Nortel, Microsoft Dynamics CRM, Oracle Corp., Pivotal, and Siebel Systems etc. provide e-CRM software and services to certain Indian banks. To gain competitive advantage, many of the new generation banks have diversified into web-enabled services and the number of net bank registrations has sky-rocketed.

10. CONCLUSION

The introduction of advanced technologies and E-CRM in the banking sector has improved the servicequality of the banks that ultimately strengthened the bankers to customer relationship and satisfied the customer's needs in a better way. The E-CMR brings benefits for both parties, the banks from one side and the customers form the other. The e-channels have enhanced the distribution of information and facilitated the management to announce the latest products and schemes at faster pace. Bankers avail healthy customer relationship, reduction in administrative cost, increase in revenues and better marketing strategies. E-responses and Websites have become new and effective means of communication with customers with the implementation of e-CRM and latest technologies, banks ensures full security of customers for the transaction process. Indian commercial banks are on the learning curve of e-CRM and trying to fulfill the needs of customer. The bank must implement e-CRM customer centric approach. The success of e- CRM depends upon the development of innovative and flexible technological infrastructure.

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