CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES IN RETAIL BANKING: AN INDIAN EXPERIENCE

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ABSTRACT

An expanding knowledge savvy consumer market is challenging the Indian retail banking industry to redefine itself. Not only are new financial products and the vehicles to deliver them to the customer demanded, but also new business strategies and models. In today's situation, Indian retail banks can stay competitive only by building lifelong partnerships with customers. CRM can be employed to develop an ongoing dialog with customers, integrated across all contact points. CRM allows retail banks to integrate customer-interaction channels and provide consistency to their interactions with customers, generate better customer intelligence, customize their offerings and communications to customers, manage customer interactions and relationships more effectively, and manage the customer portfolio by assessing the lifetime value of customers.

The future for the retail banking industry in India depends on whether it continues to provide value to its customers. The challenge for retail bank managers and relationship supervisors is to understand what customers want—to distinguish between cutting ice and keeping food cold. In the researchers' view, understanding the services that people demand and exploring banks' comparative advantage in supplying them will be crucial in determining the future of the Indian retail banking industry.

The research paper presents the findings based upon an exploratory survey of 200 retail bank customers conducted across 6 Indian cities, CRM end user survey consisting of 10 public sector banks, 10 private sectors banks and 30 industries across 15 industrial sectors conducted across India, and the study of 10 Application Service Providers (ASPs) and 10 vendors. Implications are drawn from these results, and future research directions are discussed.

By considering the value-adding activities of banks, the research paper provides a strategic framework for evaluating profitable opportunities and assessing competition from other banks, money market funds, or even phone and computer software companies. The paper also examines how new methods of delivering financial services may affect the role of the retail banks in regard to money, the payments system, and banking supervision through the use and implementation of strategic CRM business models. The research study aims at enabling managers to assess CRM activities and processes in retail banks. It also contributes to the customer relationship management literature by shedding light on an issue that has not been adequately examined by marketing scholars.

INTRODUCTION

Customer relationship management (CRM) is an information industry term for methodologies, software, and Internet capabilities that help an enterprise manage customer relationships in an organized way. CRM provides seamless integration between all applications and flexible deployment of solutions, merging front-office and back-office into one office that focuses on increased customer satisfaction.

Customer relationship marketing (CRM) became the number one focus when today's competitive retail banks and the Indian banking market space were getting more saturated and competitive. Now the marketing model is changing from the product-centered stage to the customer-centered stage. Retail bank customers are demanding a different relationship with bankers and suppliers of financial than the traditional sales and transaction model (Sajal, 2002). The new database technologies enables retail bankers to get the knowledge of who the customers are, what they bought and when they bought, and even predictions based on the historical behavior. At both operational and theoretical levels, attempting to define a relationship is challenging and is often avoided, constituting "a glaring omission" according to Bagozzi (1995). Operationally, Liljander and Strandvik (1995) argue, a relationship consists of a number of episodes and that buying a service twice is a minimum requirement for a relationship. Storbacka (1994) similarly argues that a relationship consists of a series of interactions between customer and company. Under these definitions, banks have relationships with each and every customer.

Relationship processes are integral to marketing relationships. The available marketing research shows that successful, continuing relationships are characterized by trust and commitment (Morgan and Hunt, 1994; Shemwell et al., 1994; Strandvik and Liljander, 1994). Commitment is promoted by satisfaction, lower quality alternatives and greater investment size and can be developed by the provision of benefits superior to the alternatives, shared values, communication and goodwill.

In IT terms, CRM means an enterprise-wide integration of technologies working together such as data warehouse, Web site, intranet/extranet, phone support system, accounting, sales, marketing and production. CRM has many similarities with enterprise resource planning (ERP) where ERP can be considered back-office integration and CRM as front-office integration. A notable difference between ERP and CRM is that ERP can be implemented without CRM. However, CRM usually requires access to the back-office data that often happens through an ERP-type integration.

CRM principally revolves around marketing (Kotler, 1997) and begins with a deep analysis of consumer behavior. It uses IT to gather data, which can then be used to develop information required to create a more personal interaction with the customer. In the long-term, it produces a method of continuous analysis and refinement in order to enhance customers' lifetime value with the firm. Wells *et al.* (1999)

noted, "both [marketing and IT] need to work together with a high level of coordination to produce a seamless process of interaction". However, in order to work effectively with marketing, IT managers need an understanding of the fundamental marketing motivations driving the CRM trend.

RESEARCH DESIGN AND METHODOLOGY

The methodology of the conduct of the study was implemented in following phases.

Research Design

Since the main objective of the research is to develop and design strategic business models for CRM for retail banking in India, for gaining sustainable competitiveness and ROI in retaining, acquiring and servicing customers in the Indian retail banking environment, thus this research is more qualitative in nature. Research design adopted to undertake the research includes the following:

Literature Survey was conducted to collect secondary data for the identification of different variables, probable contemporary issues, and clarity of concepts.

The **Case Study** of a particular bank (ICICI Bank Ltd, Mumbai) was carried out which revealed a certain number of key issues in order to implement good CRM within the banking sector. The idea of the implementation is to succeed in establishing a single identity card per client in order to fully serve, satisfy, and retain them. It is, therefore, essential to integrate information collected from all the distribution channels in a well organized data mart. However, it makes little sense doing so if all the parties involved are not part of the evolution. That is why the bank is restructuring every single department with one thing in mind: the client. After having checked the fluidity of the information, built a framework, recruited the right people, and implemented the relationships, it is crucial for any organization – a bank in this case – to continuously upgrade the data and the IT tools, as well as train the human resources in constantly making efficient use of the precious information gathered.

The case revealed that Indian Retail Bank is faced with a number of challenges with its CRM program. One such challenge regards personalized messages: many of the bank's clients do not want to be disturbed by constant messaging. These clients do not consider buying a financial product as being an impulsive behavior. On the contrary, only when they decide to acquire a financial product will they require the bank's assistance. How should Indian Retail Bank then market its products to potential clients? Evidence from the case suggests that it is of major importance that the bank develops a relationship with its clients that is based upon trust. Only when such a relationship has been achieved will Indian Retail Bank be able to anticipate a client's need without looking as though they are desperate to cross sell. Another challenge for the bank is to change some of its clients' behavior towards the least expensive distribution channel, namely the Internet. However, changing a behavior implies changing the client's underlying attitude, which is clearly not an easy task. The bank is thus facing major challenges for the years to come.

Self-structured questionnaires were formulated, pre-tested and then applied to gather information with the aid to solve the considered problem.

Data Collection Instruments And Methods

The collected secondary data were used for exploratory research. Primary data were collected from through different methods as discussed earlier. Three sets of pre-tested questionnaire were designed covering various important issues in the problem domain meant for three different sets of respondents namely, CRM end users, Retail bank customers, and lastly CRM vendors and Application service providers (ASPs).

The **first questionnaire** was used for top corporate and bank executives included as sample for CRM end users. The first part of the questionnaire deals with the collection of the information about the respondents. The next part of the questionnaire tests the respondents' awareness and preparedness for CRM package, the importance of this package to them, the level of responsibility of CRM, the general perception about CRM and also the status of CRM in the organizational level. The questionnaire also aims to find out the various channels from which data enters the CRM system, the company's focus towards CRM, the time span required for CRM implementation and also the hurdles during CRM implementation. In this questionnaire, a section was formulated of 19 questions, which is supposed to be answered only if the CRM end user is a retail bank.

The **second questionnaire** was designed for the retail bank customers. The first part of the questionnaire was framed to collect information about the respondent, their education level, their profession, their bank account location, the account type, their frequency of visit to the bank and also the name of the various banks in which they possess an account. The next questions were included in the questionnaire to find out the respondents preference on the type of banking, their opinion about the offered bank facilities, their satisfaction level and expected facilities and also their knowledge and idea about CRM technology and strategy. The definition and meaning of CRM was included in this questionnaire for those customers for whom CRM is a Greek word. The last part of the questionnaire aims to find out the satisfaction level of the customer in various aspects as to the behavior of bank employee and their orientation, the available technological tools, the waiting time and the service delivery time, the channels of contact to the authority and lastly the customer focus and its orientation. The main aim of this questionnaire to find out or rather verify the true scenario of the offered facilities to customer which the bank authority claims to provide.

The **third questionnaire** was formulated for CRM vendors and ASPs. The whole questionnaire is divided into four parts. At the beginning, the respondents' details was asked for. The first part deals with the CRM perception. According to the vendors and ASPs what CRM is, their opinion regarding the general state of the CRM industry, the reason for slow adoption, the importance of CRM and the market drivers and market inhibitors for CRM. The second part deals with the CRM experience. It asks CRM vendors and the ASPs for the years of professional experience, experience of CRM using ASPs, name of the organization in which CRM solution has been implemented, the main industry as their customer, the hurdles and also the risk factor in decision making process after the implementation of CRM. The third part deals with the field of activities which asks for the services offered by them, the method of implementation,

their focus area and their technological direction. The fourth part deals with the CRM projects i.e. the role of vendors and ASPs in CRM projects, their involvement in system introduction, the sort of strategy used in CRM system implementation, time taken for implementation, whether implementation projects are regularly supported by external consultants and experts and also it clarifies their view between the Indian CRM market and the international CRM market.

RESPONDENT'S PROFILE

The characteristics of the three sets of respondents were as follows:

- Top executives and bank managers from some of the leading private and public sector banks and also from other industries like Media, Insurance, Hotels to name some, were considered as CRM end users.
- While considering the sample for retail bank customers, only those customers were considered whose educational qualification is at least at graduate level and above, and also they visit bank quite frequently.
- Some of the top leading ASPs from all over India and vendors from all over world were selected as samples.

SAMPLE PLANNING

For the purpose of collection of qualitative data and to avoid ambiguities and non-response, small sample size was taken. For CRM end users, twenty banks were selected from the bank industry out of which ten were from private and ten from public sector. Besides bank industry, other fifteen industries were also considered as sample for CRM end user. From each of these fifteen industries, two companies were selected. Thus, total fifty samples were selected as CRM end users. For retail bank customers, ten consumers were selected from each of the twenty banks. Thus, total of two hundred retail bank customers were selected as samples. From all over India, ten ASPs and ten vendors from all over world were also selected randomly.

DATA COLLECTION

The selected respondents were asked to fill out the questionnaires in the presence of the researcher and raise questions and clarify problems or ambiguities arose with prior appointments with bank and corporate executives, consumer respondents and ASPs and Vendors. On an average about 2 hours time was spent bank and corporate executives and ASPs and vendors and 30 minutes each for consumer respondents .The study covered the period from December 2000 to October 2003.However, primary and observation data were collected in between August 2003 to October 2003.

HYPOTHESIS FORMULATION

Various hypotheses were taken into consideration for the purpose of test. It includes – level of awareness about CRM software and strategies among the retail bank customers, facilities offered by the bank to the customer from the customers' point of view, difference between the facilities offered by the bank to the customer before and after CRM strategy implementation, level of satisfaction attained by the customer from the added facilities offered, application and involvement in CRM strategy and software in different industries, type of CRM application, development of successful and beneficial customer relation and understanding the business objectives, time span and hurdles behind investments in CRM application. Hypothesis were also formulated to identify the most important factor for the organizations to implement to CRM package according to ASPs and vendors, the facilities provided by ASPs and vendors, importance of CRM software and strategy in development and implementation frequency and also business expectations according to ASPs and vendors.

DATA ANALYSIS TOOLS AND TECHNIQUES

The collected data were processed solely with aid of computer. Softwares viz., SPSS and MS-Office were used for tabulation, calculation, statistical testing and graphical representation. After collection of data, editing was made and incomplete and unusable responses were identified and discarded from further considerations. All together five CRM end users, ten consumers, two ASPs and one vendor(s) responses were not taken for further analysis. To find out differential scale data, mean and percentage was calculated. For the development of a strategic framework, bar graphs and pie charts were developed after assigning certain attributes on quantitative values of key factors. Hypothesis were tested by the use of Z-test at 5% level of significance.

RETAIL BANK CUSTOMER

The study was exploratory in nature and was carried out to identify the following factors:

1. Level of awareness about CRM software and strategies among the retail bank customers
2. The facilities offered by the bank to the customer from the customers' point of view
3. Difference between the facilities offered by bank to the customer before and after CRM strategy implementation from the customers' point of view.
4. Level of satisfaction attained by the customer from the facilities offered by retail bank.

Sample Selection

Non-probability convenience sampling technique was used for data collection from all the twenty banks (10 – private sector banks and 10 – public sector banks). Ten customers from each bank was selected randomly, which adds up to 200 customers in total.

Data Analysis

The raw data collected was tabulated and subjected to factor analysis and z –test. Three factors that emerged on factor analysis are : level of awareness, offered facilities, degree of satisfaction.

(While formulating the hypothesis, the customers selected as sample should be of same educational level and their rate of visiting bank should be more or less same.)

The following hypotheses were formulated:

H_{01}: There is no significant difference in the facilities offered to the customers by the private sector bank and public sector bank.

H_{02}: There is no significant difference in the facilities offered by the bank to the customer before and after implementation of CRM strategy.

H_{03}: There is no significant difference in the degree of satisfaction between the customer of private sector and public sector bank.

H_{04}: There is no significant difference in the degree of satisfaction among the customer before and after CRM strategy implementation.

Discussion

Through application of Z-test on the hypothesis formulated, the following results were obtained.

H_{01} ($Z = 63.7$, $p < 0.05$) was rejected because it was proved that the facilities offered to the customers by the private sector banks is much more than the public sector banks. So, the difference exists.

H_{02} ($Z = 24.12$, $p < 0.05$) was also rejected through application of Z-test. The results show that the facilities offered by the bank to the customer has really increased after implementation of CRM strategy.

Through this questionnaire analysis, it is proved that the customers of private sector banks are more satisfied than the public sector banks, thereby H_{03} ($Z = 49.5$, $p < 0.05$) was also rejected.

While analyzing H_{04}, it was proved that the degree of satisfaction has increased to a large extent among the customers after CRM strategy implementation. Thus, H_{04} ($Z = 23.86$, $p < 0.05$) was also rejected.

Thus, conclusively it can be said that level of satisfaction among customers of private sector banks has increased because of the increased facilities offered by the bank after implementation of CRM strategy.

CRM END USER

The study was exploratory in nature and was carried out to identify the following factors:

1. Application of and involvement in CRM strategy and software in different industries.
2. Type of CRM application in the different organizations.
3. Development of successful and beneficial customer relation and customer satisfaction.
4. Understanding the business objectives, time span and hurdles behind investments in CRM applications.

Sample

Non-probability convenience sampling technique was used for data collection.

From the bank industry, twenty banks were selected randomly out of which ten were private sector banks and other ten was public sector banks.

From the other industries, fifteen industries were selected. Out of these fifteen industries, two samples from each industry were selected randomly.

Data Analysis

The raw data collected was tabulated and subjected to factor analysis and Z-test. Six factors that emerged on factor analysis are: frequency of application and awareness, type of involvement, obtained benefits, time span, customer satisfaction and business objectives. Considering these factors, following hypothesis were formulated:

H_{01}: There is no significant difference in the frequency of application and awareness of CRM software and strategy between the bank industry and other CRM implemented industries.

H_{02}: There is no significant difference in type of involvement between the bank industry and other CRM implemented industries.

H_{03}: There is no significant difference in benefits obtained by application of CRM software and strategy between the bank industry and the other CRM implemented industries.

H_{04}: There is no significant difference in the level of customer satisfaction between the bank industry and the other CRM implemented industries.

H_{05}: There is no significant difference in the business objectives between the bank industry and the other CRM implemented industries.

H_{06}: There is no significant difference in the facilities offered to the customers' by the bank industry and the other CRM implemented industries.

H_{07}: There is no significant difference in the facilities offered between customers' point of view and authorities' point of view.

Discussion

Through application of Z-test on the hypothesis formulated, the following results were obtained.

H_{01} ($Z = 12.26$, $p < 0.05$) was rejected as the frequency of application of CRM software and strategy is much more in the bank industry than the other considered industry. However, the frequency of application in the industries like insurance, hotels, retail outlets and telecom is not much less than the banking sector.

H_{02} ($Z = 2.9$, $p < 0.05$) was also rejected as bank industry is more intensely involved in CRM software and strategy followed by insurance, hotels, retail and telecom industry.

H_{03} (Through theoretical analysis, no Z value) was accepted as the benefits obtained by application of CRM software and strategy was found to be almost same for all considered industries.

H_{04} ($Z = -19.11$, $p < 0.05$) was rejected as the level of customer satisfaction in the bank industry is however slightly high followed by the hotel, retail, insurance and telecom industry.

H_{05} (Through theoretical analysis, no Z value) was accepted as the business objectives behind CRM software and strategy implementation was found to be almost same for all considered industries.

H_{06} (Z = -20.17, p < 0.05) was rejected as the facilities offered to the customers by the bank industry is however higher than the other CRM implemented industries.

H_{07} (Through theoretical analysis, no Z value) was accepted as the facilities offered by the bank to the customers is same according to customers' point of view and bank authorities' point of view.

Thus, conclusively it can be said that though the business objectives and benefits obtained by application of CRM software and strategy is same for all considered industries but still frequency of application in the bank industry is much more than the others and attains a high level of customer satisfaction through increased offered facilities.

Regarding the level of satisfaction and increased offered facilities, the customers' point of view and the bank authorities' point of view matches, which shows the genuinely in the service offered by the bank industry to the customer.

CRM VENDORS / APPLICATION SERVICE PROVIDERS (ASPS)

The study was exploratory in nature and was carried out to identify the following factors:

1. To identify the most important factor for the organization to implement the CRM package.
2. Facilities provided by ASPs and CRM vendors for implementation of CRM strategy in different organizations.
3. Implementation frequency in banks in comparison to other end users according to ASPs and vendors.
4. Problems faced in implementation of CRM strategy and software for ASPs and vendors.
5. Importance of CRM software and strategy development and implementation frequency to ASPs and vendors.
6. Business expectations for ASPs and vendors.

Sample

Non-probability convenience sampling technique was used for data collection.

From all over India, ten ASPs and from all over world ten vendors were selected.

Data Analysis

The raw data collected was tabulated and subjected to factor analysis and Z-test. Six factors that emerged on factor analysis were: factors for implementation, facilities offered, implementation frequency, problems, business objectives and business expectations.

The following hypothesis were formulated:

H_{01}: There is no significant difference in the most important factor for the organization to implement the CRM package according to vendors and ASPs.

H $_{02}$: There is no significant difference in the facilities provided by ASPs and vendors for implementation of CRM strategy in different organizations.

H $_{03}$: There is no significant difference in implementation frequency between banks and other organizations according to ASPs and vendors.

H $_{04}$: There is no significant difference in problem faced in implementation of CRM software and strategy by ASPs and vendors.

H $_{05}$: There is no significant difference in business expectations between ASPs and vendors.

<div align="center">**Discussion**</div>

Through application of Z-test on the hypothesis formulated, the following results were obtained.

H $_{01}$ (Through theoretical analysis, no Z value) was accepted as according to both vendors and ASPs, the most important factors for the organization to implement CRM package were to maximize the value of existing customers, to enhance customer acquisition and knowledge and also to increase knowledge of market opportunity.

H $_{02}$ ($Z = 33.9$, $p < 0.05$) was rejected as the facilities provided by the ASPs to different organizations in implementation of CRM strategy and software is much more than the facilities provided by the vendors.

H $_{03}$ ($Z = 49.5$, $p < 0.05$) was rejected as according to both ASPs and vendors the implementation frequency of CRM software and strategy is much more in bank industry than any other industries considered.

H $_{04}$ (Through theoretical analysis, no Z value) was accepted as the problems faced in implementation of CRM software and strategies in different considered industries were almost same for ASPs and vendors.

H $_{05}$ (Through theoretical analysis, no Z value) was accepted as both ASPs and vendors have very high business expectations in implementation of CRM strategy and software in different organizations.

Thus, conclusively it can be stated that although the facilities provided by ASPs was more than the vendors but their faced problem and business expectations were almost same. According to the ASPs and vendors, the most important factors for different organizations to implement the CRM package is same but still the implementation frequency in the bank industry is much higher than other considered industries.

STRATEGIC BUSINESS MODEL FOR CRM IN RETAIL BANKING

Many Indian retail banks offer a broad range of products and services, but few stop to think about strategy: how and by what the retail bank enterprise is defined, and how the efficiency of its management can be measured. Understanding what area of retail operations a bank should focus on is impossible without a clear definition of the bank's goals and objectives. Only then the bank will be able to formulate a strategy to attain those goals and objectives.

In 1990, two Harvard professors, R. Kaplan and D. Norton, researched into various systems for measuring the performance of major corporations. The results of their research work were used to devise a balanced scorecard system (BSS) based on a cause –effect relationship between the strategic objectives, their key parameters and the key success factors for achieving target results. BSS has four components:

financial, client, internal business processes, and staff training and development, the goals of which are defined in terms of financial and non-financial indicators. The proposed research model is based on the BSS approach and has been tested for validity in a simulated environment in a retail bank in India. Achieving that goal requires clearly defined client service processes and procedures tailored to target segments, and, of course, trained staff. The system enables the alignment between strategy and business operations.

On the basis of above results, a new strategic business model has been proposed for customer relationship management taking into consideration existing issues and challenges in the new emerging Indian retail banking environment. Value proposition of the model is defined in terms of *"REWARD"* (**R**etain existing customers, **E**ntertain customers with efficient, secure & speedy transactional tools, **W**iden and improve the gamut of services / product offerings, **A**cquire new customers, **R**egain customer confidence, trust and loyalty, and **D**iligent and intelligent use of technologies). For the fulfillment of above value proposition, the requirement of information will be comprehensive and its speedy flow across the CRM value chain, which also needs interface with bank's enterprise systems. Hence, proposed business model is an IT enabled customer relationship management.

Strategic Indicators And Implications Of The Model

Strategy - introducing a balanced scorecard system (BSS) is strategy implementation rather than strategy development. It implies that the enterprise already has a clearly formulated strategy. Secondly, the new concept should be seen more as a comprehensive management system rather than a system of indicators. For innovative banks, BSS can serve as a long-term strategic management tool.

The model serves to:

- Formulate a clear strategy and translate it into specific strategic goals.
- Align strategic goals with the target performance indicators and communicate them to all sub-divisions of the bank.
- Plan and define objectives and strategic initiatives.
- Expand strategic feedback and awareness.

Impact of the Strategic Model on Indian Retail Banks

Training people in the bank is the first step in implementing any strategy. The balanced scorecard system is a recognized instrument for implementing corporate banking strategies. It is used to test existing strategies for completeness, consistency and relevance. More than half of the retail banks surveyed have expressed a desire to use the balanced scorecard system to review their old strategies.

The system can also be used to provide information to external users. Empirical research in other projects has shown that around one third of those surveyed needed non-monetary indicators for decision making purposes. This situation makes it expedient for companies to incorporate non-monetary indicators into their reports. The balanced scorecard system is especially suitable as a strategic communication and specifications instrument in cases whereby a strategy is incoherent or influenced by political considerations.

Software is not a major concern for retail banks when implementing a balanced scorecard system. Nevertheless, gathering, analyzing and evaluating data play a major role. For that reason, the major computer software developers like SAP, SIEBEL and Oracle are today working on creating specialized CRM software solutions for retail banking operations.

Indian retail bankers implementing CRM are fast learners, and the balanced scorecard system has a bright future. By gaining an initial advantage or a market share, Indian retail banks can secure additional future revenue through an increased scale of operations. The better known the product is and the wider it is distributed, the more people will want to use it. Sooner or later, as a result, someone will want to give away for free what the bank is selling today for money.

Strategic Planning – A Procedural Road Map For CRM Implementation In Retail Banks

Indian Retail Banks should spend time in strategic planning. Following steps should be followed.

1. Establish the retail banks' corporate needs. Identify its problems. Identify the solution to that problem. Decide how to implement the solution.
2. Talk to customers and staff. Ensure staff are willing to accept it. Serve customers better to keep them loyal. Offer profitable products that meet their expectations, repeatedly. Change from product-focus to customer-focus. Build long-term, mutually beneficial relationships with all stakeholders.
3. Encourage inter-departmental communication and corporate-wide support. Appoint a chief customer officer and a CRM project team. Invest in key components such as a data warehouse and analytical tools.
4. Choose a scalable product with:
    a) technology that facilitates monitoring of marketing campaigns;
    b) CRM architecture that can handle existing and future sales channels.
5. Integrate front-end systems with back-office data mining processes for one view of the customer. Use only the relevant data for your business issue. Supplement data where required.
6. Establish a central data warehouse for new and old data. Data mine and analyze it. Create different data models for the solution. Standardize the data format to reduce extraction complications. Use only highest-quality data.
7. Automate the decision-making process. Monitor variances in customer behavior with intelligent Agents to predict key customer events.
8. Use cluster analysis to discover new customer insights. Promote customer retention through predictive modeling.
9. Build, test and apply analytic models.
10. Trigger behavioral change for more profitable marketing campaigns with an event service.
11. Define clear, measurable business objectives for each phase, limiting investment while monitoring ROI.
12. Break general goals into narrow specifics so progress can be monitored.

13. Benchmark customer satisfaction pre-implementation. Learn from campaign mistakes and successes to aid future improvements.

14. Analyze customer database.

15. Promote customer loyalty for increased profitability. Identify customer needs and further opportunities.

16. Deliver customized customer service.

17. Provide reliable, convenient, fast and readily-available customer interfaces.

18. Offer the same customer service level via all channels.

It is clear that, to be effective, a CRM system must integrate seamlessly with the retail bank's data warehouse. Indeed, to fully live up to expectations, the CRM system must integrate with all corporate applications and systems external to the company which includes e-commerce applications.

REASONS FOR SLOW ADOPTION OF CRM IN INDIA

1**. Lack of awareness:** Both public sector banks as well as private sector bankers quoted this one of the primary reasons for the slow adoption of CRM in India. This reason was common across all industrial sectors.

2. **Old legacy system:** The public sector banks quoted this as another reason for the slow adoption of CRM in India. However, the private sector banks didn't agree on this viewpoint as they are already employing modern legacy systems.

3. **Companies have appropriate technologies and system to gather useful information about their customers but are not using together and use the information to serve them better:** Both public sector banks as well as private sector bankers quoted this one of the main reasons for the slow adoption of CRM in India. This reason was also common across all industrial sectors.

4. **Lack of customer centric mindset:** The public sector banks quoted this as another reason for the slow adoption of CRM in India. However, the private sector banks didn't agree on this opinion as they are already practicing customer service programs with the customer in mind all the time. Some public sector banks are also following the trends set by the private sector banks on customer care.

5. **Complete and comprehensive CRM solutions are high end – which only top companies can afford:** Both public sector banks as well as private sector bankers voted against this reason for the slow adoption of CRM in India as there are lot of players in the Indian CRM market who cater to the SME's and also offer small customized CRM packages to suit individual requirements, preferences and needs. This reason was common across all industrial sectors as ASPs cater to this segment effectively.

6. **CRM technologies are heavily dependent on penetration of telecommunication, which is relatively low in India:** Both public sector banks as well as private sector bankers quoted this one of the main reasons for the slow adoption of CRM in India. This reason was common across all industrial sectors. However in basic telephony, with the de-linking of DoT and formation of BSNL as a Govt. of India undertaking and

entry of private players like Reliance Infocomm and Bharati Enterprises, all the respondents expressed a hope that by the year 2005 India would have the requisite telecommunications infrastructure. MTNL has too geared up to provide value added services in the two metros of Delhi and Mumbai.

7. **Companies do not have databases, which are must for CRM:** The public sector banks quoted this as another reason for the slow adoption of CRM in India. However, the private sector banks didn't agree on this viewpoint as they are already using databases for storage of customer information, tracking customer history and transaction details.

8**. CRM is seen in India as a technology tool rather than strategic tool:** The public sector banks quoted this as another reason for the slow adoption of CRM in India. However, the private sector banks didn't agree on this opinion as they view CRM more as a strategic decision making tool rather than merely an technological tool.

9. **Lack of technology savvyness:** Both public sector banks as well as private sector bankers quoted this one of the vital reasons for the slow adoption of CRM in India. This reason was common across all industrial sectors.

10. **More adoption time, lack of education for customer focus:** The public sector banks quoted this as another reason for the slow adoption of CRM in India. However, the private sector banks didn't agree on this opinion as they have already implemented CRM programs in the requisite time. Also customer focus in practiced more inherently as an educational practice in the private sector banks.

11. **Lack of data to implement:** The public sector banks quoted this as another reason for the slow adoption of CRM in India. However, the private sector banks didn't agree on this opinion as they have proper databases in place with all the customer history and details. Some public sector banks are also following the trends set by the private sector banks by employing data mining tools.

12. **Focus is only on internal efficiency:** The public sector banks quoted this as another reason for the slow adoption of CRM in India. However, the private sector banks didn't agree on this viewpoint.

The industries in the service sector like insurance, hotel, media, advertising, software and consulting showed a similar pattern to that of the practices being followed and preached by the private sector banks whereas the other industries showed a pattern similar to that of the public sector banks.

CONCLUSIONS AND SCOPE FOR FURTHER RESEARCH

CRM systems development and implementation are a key priority for most modern Indian retail banks. Most CRM systems have been developed over the last two years and are still not fully implemented. Investment in further systems as well as training is planned by many over the next year.

Just over two thirds of the Indian retail banks have adopted a full CRM package such as SIEBEL, but the consensus is to develop as much as possible in house. In fact the remaining one third only buy software for specific functions commonly related to data mining and automated sales. Those devices are integrated to home developments, which has been problematic. However, it is still a favored route with banks claiming it was the best way to match the requirements of the bank and to have better utilization of

the software. About 30% of respondents were critical of IT consultants in this area. Indian banks are much more advanced on analytical CRM than on operational CRM. This is not surprising because operational CRM involves a cultural change. Analytical CRM is concentrated on a few activities: Cross selling, customized targeting, predictive attrition and behavioral understanding are the main uses and the real time offerings most needed. However, a weakness of these analyses is that in several banks not all the channels are at the same level of development.

Overall objective was to make a meaningful contribution to the CRM strategy debate on the future of Retail banking. The World has moved on since Henry Ford's " You can have any color as long as it's black". For some time it appeared as if nobody had told the Indian Banks. A combination of imposing, fortress- like premises, haughty attitudes, and self-serving industry practices were matched by resigned consumer obsequiousness. Fortunately, attitudes on both sides are changing. Deregulation, The Global Village, Nationalized Indian Banking and a new consumer liberation have created the imperative for retail banks to seek out customer needs rather than, perhaps, to manipulate them. If this case could promote and integrate consumer views to the CRM strategy debate then objectives would have been fulfilled.

Studies carried out in the research indicated that

a) Retail (personal) bank customers are resistant to closure of local bank branches.

b) They are not as adoptive of new technology deliveries as the industry would like to believe and have an emotional preference for physical presence of branch and staff

c) Perceptions in Mumbai (Western India) vary from those in Kolkata (Eastern India).

Mergers and Acquisitions will continue to be a hurdle for Indian CRM, for the following reasons:

a) Lack of staff familiarization with new software and practices

b) Migration of systems

c) The definition of common policies

Survey respondents feel that data warehouses are the backbone of a good CRM practice, with a number of banks now concentrating efforts towards the development of a single data warehouses.

Research revealed the existence of a more vocal, demanding, and assured breed of consumer. What emerged were consistent indications from a small sampling frame. Indeed the strength of feeling expressed in some of the primary data should re-enforce the messages iterated in Literature Review one of which was the suggestion that innovation should take place close to the Customer. The fairly narrow scope of the study inhibits generalness and there were distortive factors identified in the data. Nevertheless clear signals did emerge which could be the subject of further enquiry. One possible avenue for future research would be to examine how banking related businesses are measuring the success of their CRM programs in India. The value of this kind of research would have a real impact for both academics and practitioners. Another avenue could, therefore, be to study how banking businesses are balancing hard and soft measures.

FIGURE 1: STRATEGIC FRAMEWORK FOR CRM IMPLEMENTATION IN INDIAN RETAIL BANKS USING BALANCED SCORECARD STRATEGY METHOD
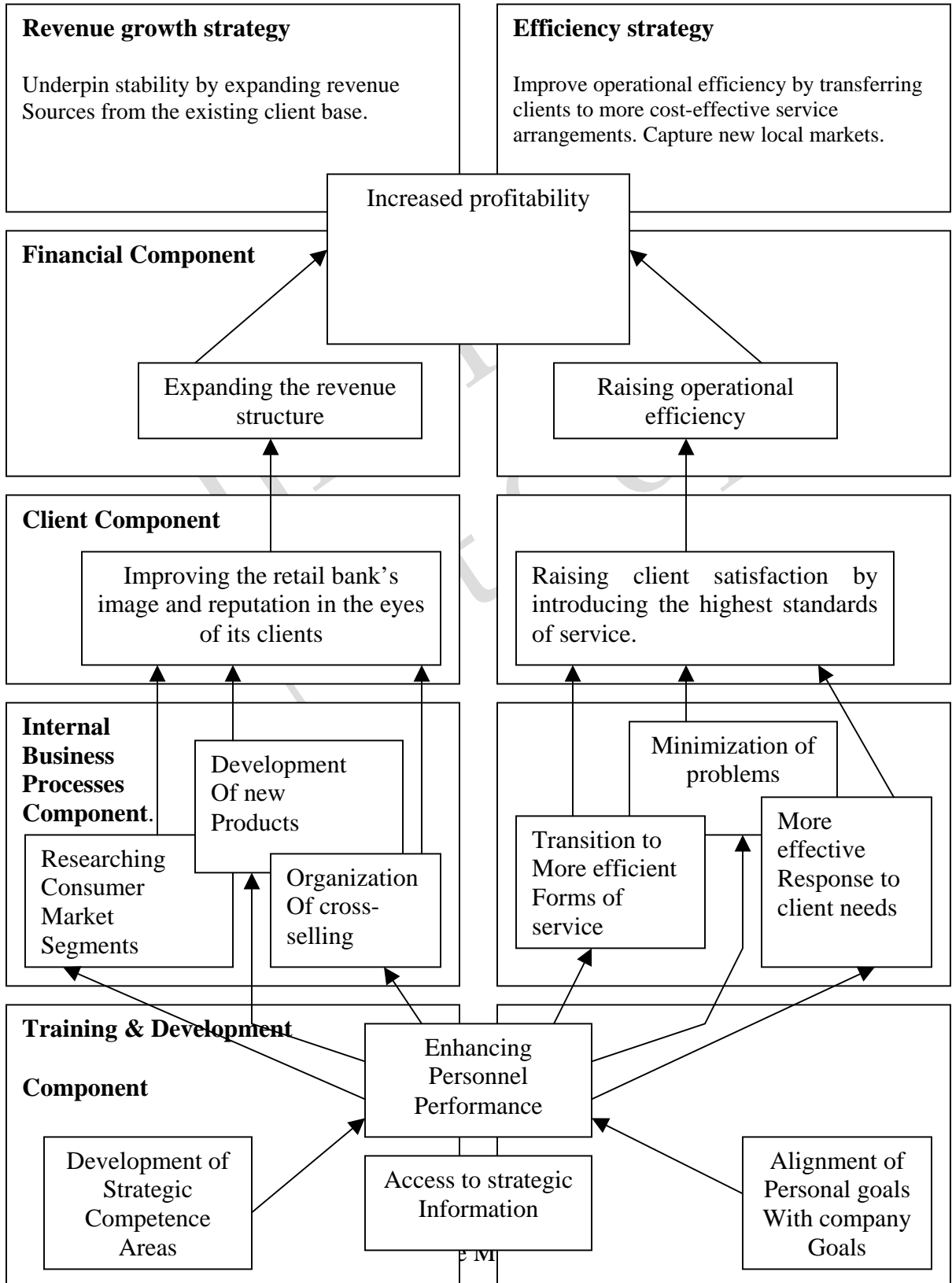
Revenue growth strategy

Underpin stability by expanding revenue Sources from the existing client base.

Efficiency strategy

Improve operational efficiency by transferring clients to more cost-effective service arrangements. Capture new local markets.

Increased profitability

Financial Component

Expanding the revenue structure

Raising operational efficiency

Client Component

Improving the retail bank's image and reputation in the eyes of its clients

Raising client satisfaction by introducing the highest standards of service.

Internal Business Processes Component.

Development Of new Products

Researching Consumer Market Segments

Organization Of cross-selling

Minimization of problems

Transition to More efficient Forms of service

More effective Response to client needs

Training & Development

Component

Enhancing Personnel Performance

Development of Strategic Competence Areas

Access to strategic Information

Alignment of Personal goals With company Goals
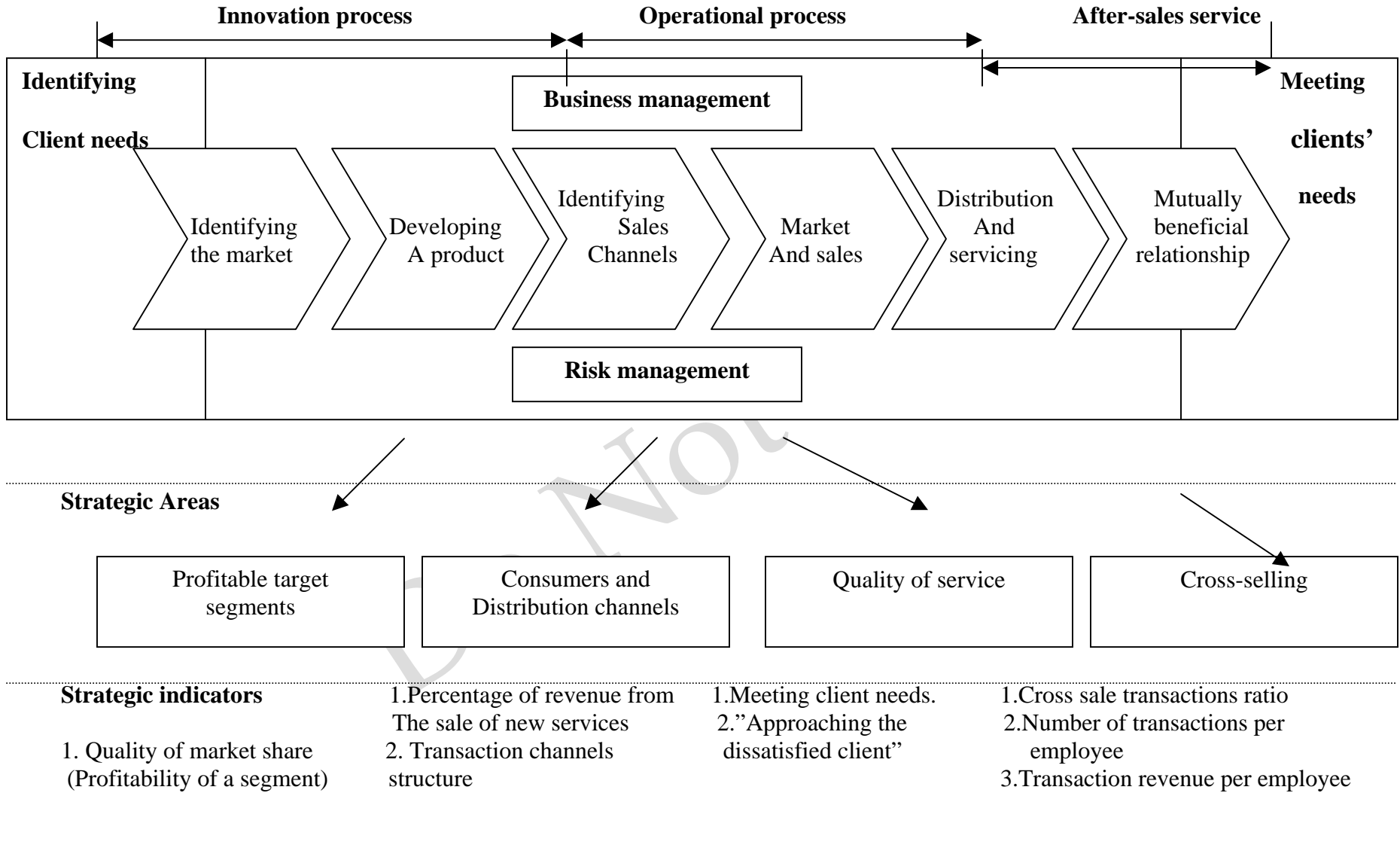
FIGURE 2: CRM VALUE CHAIN FOR INDIAN RETAIL BANKS

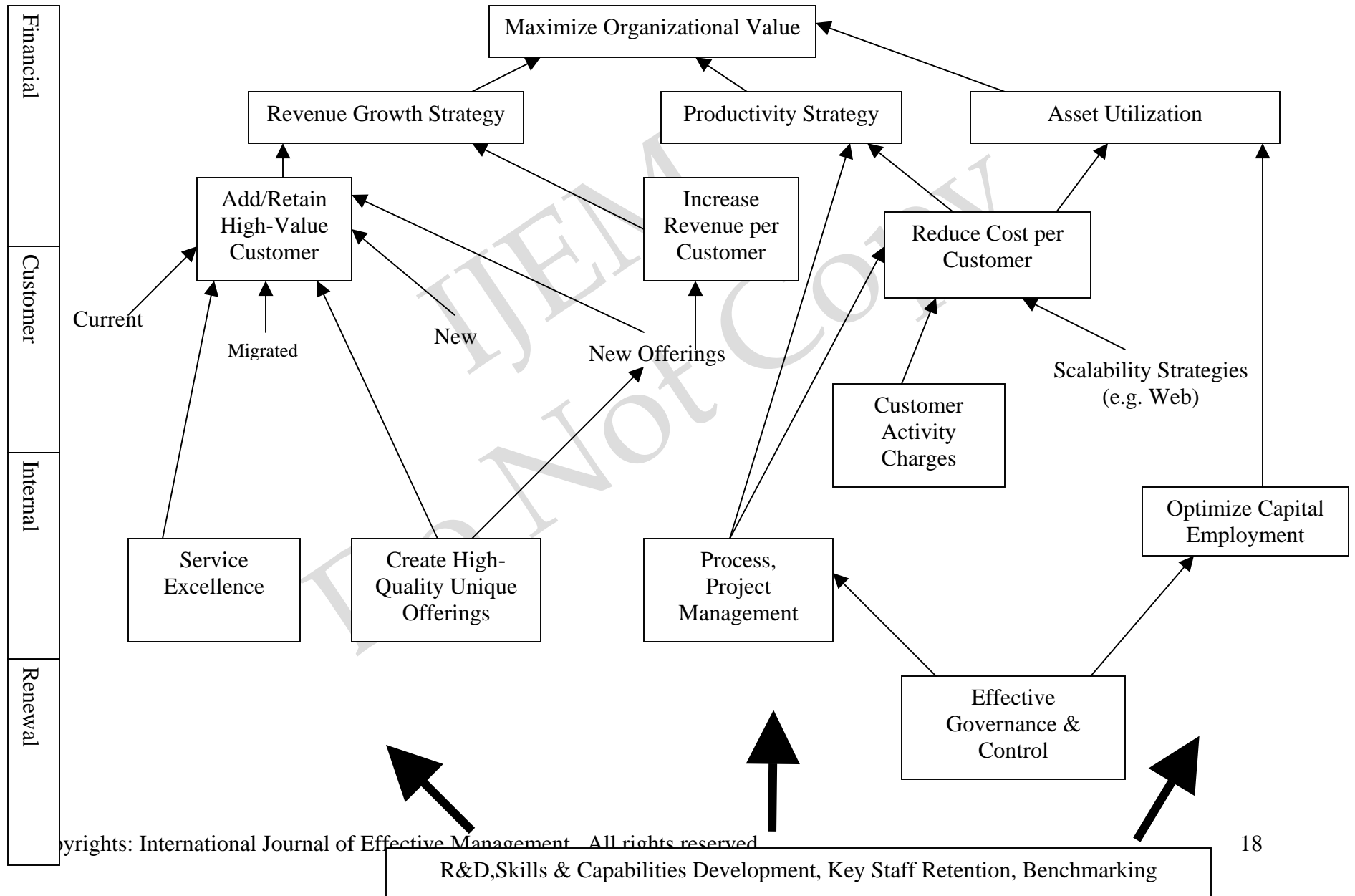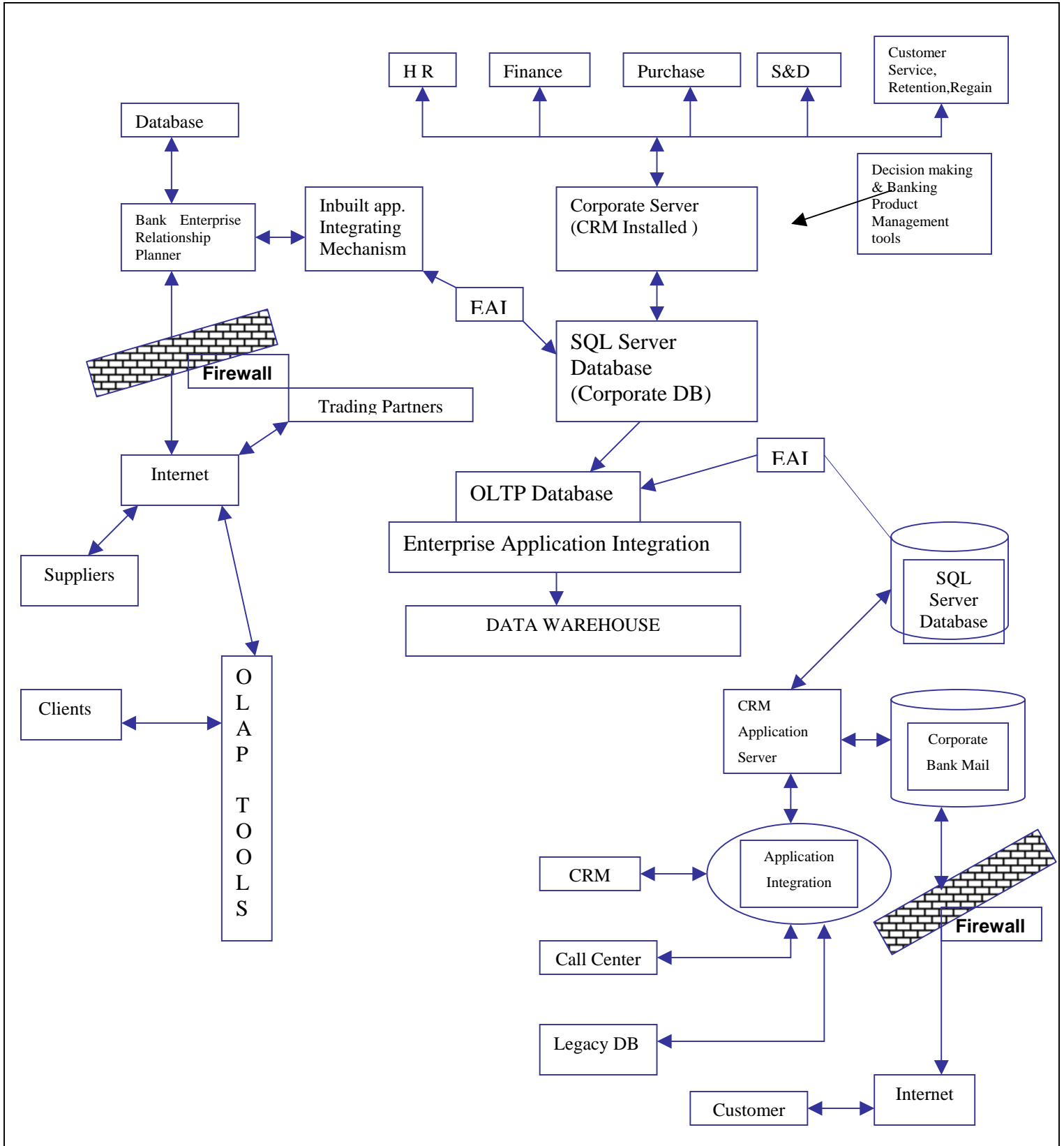**FIGURE 3: CRM STRATEGY MAP FOR INDIAN RETAIL BANKS (REWARD MODEL)**

FIGURE 4: TECHNICAL FRAMEWORK FOR STRATEGIC CRM IN INDIAN RETAIL BANKING

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