



## Customer Perception Towards CRM Practices in Private Banks in Indore

### KEYWORDS

CRM, Bank, Customer relationship management Customer perception, private banks, importance of CRM practices.

**Tarannum Syed**

Assistant Professor, IBMR IPS Academy Indore

**Kali Charan Modak**

Assistant Professor, IBMR IPS Academy Indore

**ABSTRACT** *In today's era banks are becoming increasingly customer centric and almost all the banks have embraced CRM as a tool for customer acquisition, satisfaction and retention. CRM is a business strategy which increases customer value and ensures that the customer stays loyal which is very critical for growth and profitability of banks. Banks which have made inadequate investment in CRM are losing out in this fierce competitive market. This paper explores the customer perception and importance of CRM practices in private banks in Indore.*

### Introduction

With intensifying competition, globalization and technological breakthroughs, the banking sector is compelled to realize the importance of knowing their customer better. Banking sector is a customer-oriented service where the customer is the KEY focus.

Experts define CRM as "a business strategy to acquire and retain the most valuable relationships. CRM requires a customer centric business philosophy and culture to support effective marketing, sales and service processes. CRM applications can enable effective customer relationship management, provided that an enterprise has right leadership, strategy and culture".

This move has increased the importance of customer relationship management (CRM) for organizations. Customer relationship management is an approach to manage customer related information and utilize it to acquire new customers, retain existing ones, and maximize their lifetime value. This is the reason it is considered as a source of competitive advantage for organizations. The new age marketing aims at winning customers through the principles of customer delight and customer life time value.

CRM involves gathering of customer data, and then using it to facilitate customer service transactions by making the needed information available to resolve the specific issue and concern of the customers. This results in more satisfied customers, a more profitable business and more resources available to the support staff. Some recent CRM packages integrate the speech-enabled specific application functions which embrace customer support order management and sales force automation or modules within individual applications. These products are provided by companies such as Siebel system, Oracle, and SAP

Indian banking industry has undergone tremendous transformation post liberalization and globalization process initiated from 1991. These changes have forced the Indian banking industry to adjust the product mix to effect the rapid changes in their process to remain competitive in the globalised environment. Over the years the nature and scope of services provided by banks have changed and expanded so much.

### Literature review

CRM appeared in the literature after the evolution in the relationship marketing philosophy. Berry (1983) defined relationship marketing as attracting, maintaining and enhancing the customers' relationships in multi-service organization. After a few decades, the evolution in relationship marketing philosophy changed the word relationship marketing to CRM.

According to Brown (2000) CRM is a process of acquiring new customers, retaining the existence customers, and at the same time understands, anticipates and manages the needs of an organization's current and potential customers.

Over the last few decades, technical evolution has highly affected the banking industry (Sherif, 2002). CRM in financial service industry is a cyclical process which starts with definition of customer actions (Panda, 2003). CRM is fundamental to building a customer-centric organization. CRM is a key element that allows a bank to develop its customer base and sales capacity. The goal of CRM is to manage all aspects of customer interactions in a manner that enables the organization to maximize profitability from every customer. Panda (2003) described customer expectations are difficult to manage but are often the cause of dissonance which results in loss of existing customer base.

In today's competitive banking industry, customers have to make a choice among various service providers by making a trade-off between relationships and economies, trust and products, or service and efficiency (Sachdev et al., 2004).

The challenge before the banks is not only to obtain updated information for each customer, but also to use the information to determine the best time to offer the most relevant products (Lau et al., 2003). It is also important to understand that if customers bring in profits for the bank, it becomes imperative for the bank to provide excellent services to those customers, otherwise they switch to other banks (Ray, 2007).

CRM is a key to create a superior customer experience. It manages the customer relationship by creating a clear understanding (Know), by developing services and products based on the added value for target groups (Target), then enabling the actual sale and delivery of services and products through the selected channels (Sell), and developing long term profitable relationships with customers after sales services (Service) (Hussain, et.al., 2009) Furthermore, Mylonakis (2009) described CRM as an innovative process to create a long term relationship and gaining trust.

Nguyen and Mutum (2012) found that the firm creates long lasting relationships and successful CRM implementation when there is an effective blend of the following four factors; namely (a) trust and commitment; (b) satisfaction; (c) symmetry and dependence; and (d) fairness.

### Objectives

- To study customer perception towards CRM practices in banking sectors in Indore.
- To study the importance of CRM practices in private sec-

tor banks in Indore.

**Hypotheses**

H<sub>0</sub>: There is no significant association between Gender and the perception of the customers towards CRM.

H<sub>1</sub>: There is a strong association between Gender and the perception of the customers towards CRM.

H<sub>0</sub>: There is no significant association between Age and the perception of the customers towards CRM.

H<sub>2</sub>: There is a strong association between Age and the perception of the customers towards CRM.

H<sub>0</sub>: There is no significant association between Marital Status and the perception of the customers towards CRM.

H<sub>3</sub>: There is a strong association between Marital Status and the perception of the customers towards CRM.

H<sub>0</sub>: There is no significant association between Education Qualification and the perception of the customers towards CRM.

H<sub>4</sub>: There is a strong association between Education Qualification and the perception of the customers towards CRM.

H<sub>0</sub>: There is no significant association between Occupation and the perception of the customers towards CRM.

H<sub>5</sub>: There is a strong association between Occupation and the perception of the customers towards CRM.

**Research Methodology**

Present study is an exploratory research to study the customer perception towards CRM practices of private sector banks in India. The survey questionnaires were distributed to 100 respondents in Indore. The major part of the study is based on primary data. Convenient sampling method was adopted for collecting a sample. The data was analyzed using SPSS version 20.0 for windows throughout the study.

**Data Analysis**

S no.	Variables	N	Mean	Std. Deviation	Std. Error Mean	t
1	Satisfaction from services	100	3.55	0.68718	0.06872	68.3
2	Channel of communication between customer and bank	100	3.89	0.31447	0.03145	51.66
3	Addressing customer queries	100	3.56	0.49889	0.04989	123.702
4	Satisfaction from products	100	4.11	0.56667	0.05667	71.359
5	Fulfill all commitments	100	3.67	0.47258	0.04726	72.529
6	Use of modern technology	100	4.11	0.31447	0.03145	77.659
7	Benchmark services against competitors	100	3.22	0.91652	0.09165	130.698
8	Innovative and customize offerings	100	4.34	0.4761	0.04761	35.133
9	Feedback from customers	100	4.44	0.49889	0.04989	91.158
10	Improvement in customer service and support	100	4.34	0.4761	0.04761	88.998

11	Internet banking is easy and secure	100	2.77	0.91954	0.09195	91.158
12	24*7 phone banking services	100	4.22	0.41633	0.04163	30.124
13	Banks welcome employee suggestion	100	3.56	1.06667	0.10667	101.361
14	Transaction alerts through SMS and Email	100	3.67	0.6675	0.06675	33.375
15	Regular account statements	100	3.55	0.5	0.05	54.981
16	Confidentiality of personal information	100	3.45	0.83333	0.08333	71
17	Transparency in charges	100	2.45	0.83333	0.08333	41.4
18	Expert investment advisory services	100	4	.00000 <sup>a</sup>	0	29.4
19	Customer willingness to switch the bank	100	3.88	0.3266	0.03266	118.8
20	Competitive interest rates	100	4	0.4714	0.04714	84.853
21	Loyal and proud customer	100	4.01	0.67412	0.06741	59.485
22	Recommendation to friends and relatives	100	3.14	0.64832	0.064832	90.04
23	Modern core banking facilities	100	3.34	0.24811	0.024811	38.23
24	Transparency in banking practices	100	3.82	0.63274	0.063274	94.55
25	Mobile Banking services	100	3.12	0.43222	0.043222	68.23
26	Sufficient number of ATMs	100	3.92	0.34562	0.034562	53.11

**Table 1**

**Inference:** To find out the validity and reliability of the data we applied the reliability test and found the value of Cronbach's alpha is .830 that shows that data is reliable. From the above table, it is found that the mean value of the initial strategies variables range from 2.45 to 4.44. Feedback from customer plays a very important role in CRM because this variable is having the highest mean score of 4.44.

Gender	Perception of customer for CRM practices in private sector banks				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Male	5	6	20	31	4
Female	3	12	10	7	2

**Table 2**

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.126 <sup>a</sup>	2	.001
Likelihood Ratio	16.361	2	.000
Linear-by-Linear Association	.657	1	.418
N of Valid Cases	100		

a. 1 cells (16.7%) have expected count less than 5. The minimum expected count is 3.74.

**Table 3**

**Inference:** It can be seen from the Table 3 that, the significance level 0.001 is less than the assumed value 0.05. So we reject  $H_0$ . This means that Gender influences the perception of the customers towards CRM in Banking Sector. Hence it is confirm that, Gender can become a significant demographic factor in influencing the perception of the customers towards the necessity of CRM in Banking Sector.

Age	Perception of customer for CRM practices in private sector banks				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Up to 18 years	0	2	1	2	0
18-30 years	4	10	3	5	3
30-45 years	5	4	5	20	6
45-60 years	2	4	1	2	1
60 years and above	4	8	1	3	0

**Table 4**

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	52.738 <sup>a</sup>	4	.000
Likelihood Ratio	56.634	4	.000
Linear-by-Linear Association	13.095	1	.000
N of Valid Cases	100		

a. 2 cells (22.2%) have expected count less than 5. The minimum expected count is 2.42.

**Table 5**

**Inference:** It can be seen from the Table 5 that, the significance level 0.000 is less than the assumed value 0.05. So we reject  $H_0$ . This means that Age influences the perception of the customers towards CRM in Banking Sector. Hence it is confirm that, Age can become a significant demographic factor in influencing the perception of the customers towards the necessity of CRM in Banking Sector.

Marital Status	Perception of customer for CRM practices in private sector banks				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Married	7	10	20	31	10
Un Married	3	5	1	4	9

**Table 6**

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	51.923 <sup>a</sup>	2	.000
Likelihood Ratio	55.896	2	.000
Linear-by-Linear Association	17.407	1	.000
N of Valid Cases	100		

a. 1 cells (16.7%) have expected count less than 5. The minimum expected count is 2.42.

**Table 7**

**Inference:** It can be seen from the Table 7 that, the significance level 0.000 is less than the assumed value 0.05. So we reject  $H_0$ . This means that Marital Status influences the

perception of the customers towards CRM in Banking Sector. Hence it is confirm that, Marital Status can become a significant demographic factor in influencing the perception of the customers towards the necessity of CRM in Banking Sector.

Education Qualification	Perception of customer for CRM practices in private sector banks				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
SSC	0	1	1	2	1
HSC	4	10	3	5	3
Graduate	5	3	6	18	8
Post Graduate	2	2	1	4	1
PhD.	4	8	2	1	1

**Table 8**

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	40.331 <sup>a</sup>	4	.000
Likelihood Ratio	45.123	4	.000
Linear-by-Linear Association	21.900	1	.000
N of Valid Cases	100		

a. 4 cells (44.4%) have expected count less than 5. The minimum expected count is 1.21.

**Table 9**

**Inference:** It can be seen from the Table 5 that, the significance level 0.000 is less than the assumed value 0.05. So we reject  $H_0$ . This means that Education Qualification influences the perception of the customers towards CRM in Banking Sector. Hence it is confirm that, Education Qualification can become a significant demographic factor in influencing the perception of the customers towards the necessity of CRM in Banking Sector.

Occupation	Perception of customer for CRM practices in private sector banks				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Student	3	1	1	4	1
Service	1	10	1	15	8
Self Employed	2	3	6	3	1
Professional	2	2	1	4	1
Retired	4	1	2	1	4
House Wife	3	3	2	4	6

**Table 10**

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	62.963 <sup>a</sup>	2	.000
Likelihood Ratio	78.154	2	.000
Linear-by-Linear Association	2.968	1	.085
N of Valid Cases	100		

a. 1 cells (16.7%) have expected count less than 5. The minimum expected count is 3.74.

**Table 11**

**Inference:** It can be seen from the Table 5 that, the significance level 0.000 is less than the assumed value 0.05. So

we reject  $H_0$ . This means that Occupation influences the perception of the customers towards CRM in Banking Sector. Hence it is confirmed that, Occupation can become a significant demographic factor in influencing the perception of the customers towards the necessity of CRM in Banking Sector.

### Suggestions

The banks should invest in modern and superior technologies and the drive for CRM should be from top management to lower level management. High level of employee engagement and personalization with customers is required. Employees should be properly trained and continuous participations and feedback from customer should be taken. The customer should be made aware of the banks products and services through advertisement and campaigning. The cus-

tomers should be motivated and rewarded to promote loyalty and satisfaction.

### Conclusion

CRM is a customer centric tool which leads to optimistic customer relationship with an increase in business revenues and overall profitability. The study takes an overall view of private sector banks in Indore. Banks should adopt innovative practices and latest technology and make banking as an overall delightful experience. Thus we can conclude that the future of banking lies with the implementation of CRM structure as an ongoing and continuous process. If the CRM structure is well executed it can give a competitive edge and can work for building long term customer relationship.

### REFERENCE

- Berry, L. L. (1983). Relationship Marketing. In Berry L., Shostack L.G. and Upah G. D.(Eds.). *Emerging Perspectives on Service Marketing*. Chicago: American Marketing Association, 28-30. || Brown, S. A. (2000). *Customer Relationship Management: A Strategic Imperative in the World of E-Business*. Canada: John Wiley & Sons. || Hussain, I., Hussain, M., Hussain, S., & Sajid, M. A. (2009). Customer relationship management: Strategies and practices in selected banks of Pakistan. *International Review of Business Research Papers*, 5(6), 117-132. || Lau K, Wong S, Ma M and Liu C. (2003). Next product to offer for Bank Marketers. *Journal of Database Marketing*, 10(4), 353-368. || Mylonakis, John. (2009). Bank satisfaction factors and loyalty: a survey of the Greek bank customers. *Innovative Marketing*, 5(1), 16-25. || Nguyen, B., & Mutum, D. (2012). A Review of Customer Relationship Management: Successes, Advances, Pitfalls and Futures Business Process Management Journal, 18(3). || Panda, T.K. (2003). Creating Customer Lifetime Value through effective CRM in Financial Services Industry", *Journal of Services Research*, 2 (2), 157-171. || Ray, B. (2007). An analytical approach to understand customers from the perspective of profit making. *Marketing Mastermind*. The Icfai University Press, 52-55. ||