Readiness for CRM Use: A Comparative Study of Urban and Rural Customers of Banks in Ernakulam District in Kerala

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ABSTRACT *Customer Relationship Management (CRM) is fast becoming an imperative for survival and growth of banks in India in the ongoing reforms era. With the fast advances in Information and Communication Technology (ICT), CRM is gradually giving way to electronic-CRM or E-CRM. Central to the implementation of any effective CRM today depends on the technological readiness (TR) of customers to use E-CRM and such other ICT-based banking services and applications. In this context this paper makes a comparative analysis of the TR of bank customers of rural and urban areas in Ernakulam district in Kerala. Accordingly, suggestions are made for effective implementation of CRM in banks, particularly in its new form viz. the E-CRM.*

INTRODUCTION

The battle for banks to gain a greater slice of the market share is increasing year by year as with the globalization effect banks are finding it increasingly difficult to meet the high growth of customer expectations. In order to boost their economic lines banks are increasingly looking at ways of achieving organic growth through acquisition of new customers and retaining existing customers. In this 21St century one of the approaches which are creating the buzz in the banking sector is Customer Relationship Management (CRM). Banks are realising that the magical formulae for attaining success in such a competitive environment is to focus on maintaining relationship with customers leading to customer loyalty and retention. In fact customer relationship management involves organizing activities around the sole customer which can ensure differentiation at each point of sales by creating a unique customer experience to customer. But in reality the paradox is that since the word customer is associated with CRM, many banks are under the misconception that they secure competitiveness by implementing CRM as a piece of software.

Today, because of cut-throat competition banks in India face the most crucial challenge of providing the highest order customer service on an ongoing basis. Customer satisfaction is considered the essence of success in banking. In general, it relates to a customer's feelings of pleasure or disappointment resulting from comparing a product's perceived performance in relation to his or her expectations. If the performance falls short of expectation, the customer is dissatisfied, if the performance matches the expectations, the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied or delighted. Customers become the focal point for the banking business so that bankers have to involve themselves totally in anticipating, identifying, reciprocating and satisfying their customers in a mutually rewarding manner. Realizing this, there is a strong feeling in the modem banks that each individual employee working with them has to act as a marketing person who contributes to the total satisfaction of their customers. Latest business models attach highest importance to customer satisfaction for organizational success. Fast advances in the Information and Communication Technologies (ICT) have prompted the banking industry too to adopt ICT in a big way so as to leverage from its vast potential as is the case of any other industry or business. This has resulted in CRM giving way to electronic CRM or E-CRM in short.

PREVIOUS WORK AND RESEARCH GAP

Peter Drucker asserts, "A business exists to create a customer". In reality, however, companies are yet to find a fit between business activities and customer needs. Often, businesses use one off promotions to attract customers but nothing is done strategically to retain these customers. One approach adopted is to jump into the CRM bandwagon so as to get a better slice of customer data. CRM epitomizes a marriage of relationship marketing with the emerging ICT practices and it adds value to the customers by creating the right experience (Peppers, 2002). According to Harvard Business Review 2000, CRM is an approach which companies can implement to boost profits by almost 100 percent by retaining just five percent more of customers. CRM is a management approach that enables organizations to identify, attract, and increase retention of profitable customers through improved relationship management (Hobby, 1999) CRM is the utilization of customer related information or knowledge to deliver relevant products or services to customers (Levine, 2000). The customer is at the heart as the approach aims at putting customer first by shifting the role of marketing from manipulating the customer to genuine customer involvement communicating and sharing the knowledge (Parvatiyar and Jagdish, 2001). Financial services are in a structural change whereby competition and customer demands are increasing. As such financial companies need to focus shift from product provider to relationship one on core competencies in order to deliver to the value of the customers (Lehman, 2000). Banks are slipping on every measure of relationship quality (Mishkin, 2001) and the need for CRM is justified because of the following: (i) The longer a relationship the better a bank can understand customer needs greater opportunity to cross-sell products and services; (ii) Customers in long-term relationships are more comfortable with the service; (iii) Long-term customers are more likely to become a referral source; and (iv) Determining which products and services should be sold to profitable client. It has been observed that retail banks are facing greater need to manage customer relationships so as to remain competitive in the market (Ryals and Payne, 2001).

Codatte (1987) argued that customer develops norms for product performance based on general product experience and these, rather than expectation from a brand's performance, determine the confirmation/disconfirmation process. Westbrook (1991) argued that in addition to the cognitive components satisfaction judgements are also dependent upon effective components as both coexist and make independent contribution to the satisfactory judgements. Levesque (1996) [6] conducted a study to confirm and reinforced the idea that unsatisfactory customer service leads to a drop in customer's satisfaction and willingness to recommend the service to a friend. This would, in turn, lead to an increase in the rate of switching by customers. East (1997) suggested that customer's satisfaction is a major outcome of marketing activities whereby it serves as a link between the various stages of customer's buying behaviour, if customers are satisfied with a particular service offering after its use, then they are likely to engage in repeat purchase and try time extensions. Researchers like Ahmad (2002), Anderson (2004), Campbell (2006), and Rajkamal (2008) have evaluated services of the banks in term of customer's satisfaction parameters and, therefore, have made good contribution in the field of research in the area. However, a human customer is a complex organism, always changing with changing times, the preferences and priorities also do not remain static which change his/her perception about the satisfaction or dissatisfaction regarding the services he/she gets from the banks. Reichheld and Sasser have observed that 5 per cent increase in customer retention can increase profitability by 35 per cent in banking business, 50 per cent in insurance and brokerage, and 125 per cent in the consumer credit card market. Therefore, banks are now stressing on retaining customers and increasing market share. (Harvard Business Review, 2007).

Manoj P K (2006) [12] in his paper, 'Success Strategies for Marketing of Bank Products' studied the need for aggressive marketing of bank products for the survival and growth of banks in India in the reforms era and suggested broad strategies for bank marketing relevant for Indian banks. In another study by Neeraja James and Manoj P K (2014) [16] on relevance of E-banking in rural areas, the relevance of E-banking for better reach of banking in rural areas was noted. Another study by William George A. J and Manoj P K (2013) [17], 'Customer Relationship Management in Banks: A Comparative Study of Public and Private Sector Banks in Kerala' has noted the utmost significance of CRM for Kerala-based banks in view of the ever growing competition and have pointed that private sector banks are ahead of their public sector counterparts in respect of CRM adoption. In another empirical study on E-CRM, Manoj P K, Jacob Joju and Vasantha (2014) [15] entitled 'Impact of E-CRM on Commercial Banking: An Empirical Investigation with Reference to Private Sector Banks in Kerala' have observed that majority of the customers of private sector are using CRM and various ICT-based services; and vast majority of the customers and bank staff preferred E-CRM and ICT-based services including marketing of bank products.

In spite of a number of studies, including a few in the Kerala context, papers focusing on the readiness of customers towards adoption of CRM, particularly E-CRM, are very scarce. This paper seeks to bridge this research gap and makes an empirical study on technology readiness from a comparative perspective with reference to urban and rural customers in Ernakulam district in Kerala.

Significance of the Study

In today's market, customers are the key to maintain a competitive advantage. Banks should be aware of who their customers are, which customer group produce higher profits and what factors keep them happy and influence their loyalty. As banks and their branches increase exponentially and so also the variety of services that they offer, customers are easily switching banks whenever they find better services and products because switching costs are becoming virtually nil. Banks are finding it tough to get new customers, and more importantly, retain existing customers. The situation in India in the ongoing globalized regime is no exception in this regard. It is the above context that CRM becomes all the more significant. CRM is about managing the customer portfolio efficiently and effectively by designing business policies which focus around the customer. It is a set of business processes which focus on capture, retain and provide service to customers. Today, customers tremendously influence the success of any bank, and so the winners will be only those banks which can succeed in managing their relationship with customers in an effective manner and in quick time (Mylonakis, 2009) [13]. Hence, the best weapons of banking institutions in a fiercely competitive environment is the establishment of a customer-centered attitude with the implementation of CRM and the recognition of customers' strategic role in all banking activities. The importance of using CRM lies in personalized customer approach, and the understanding in advance of customer needs constitute the main criteria for achieving a competitive advantage in the banking market. In short, putting in place a sound CRM system is not just an option but an imperative for survival and growth of banks in the ongoing scenario.

OBJECTIVES OF THE STUDY

- To study the emerging trends in Customer Relationship Management (CRM) in banks with a focus on the impact of ICT–based initiatives;
- To study the technology readiness (TR) of customers with reference to CRM, particularly E-CRM, and compare the same between urban and rural customers; and
- To suggest strategies for effective CRM adoption

RESEARCH QUESTIONS

What is the general attitude of customers towards CRM, particularly the E-CRM?

Is the TR of rural customers lesser compared with their urban counterparts, and is there any difference in their preference towards 'human interface' in CRM or allied services?

RESEARCH METHODOLOGY

This research deals with CRM in Commercial Banks (CBs) in Ernakulam District. A sample of 10 CBs consisting of 5 private sector banks (PVBs) and 5 public sector banks (PSBs) taken for the study. PVBs chosen include (i) Federal Bank Ltd. (ii) South Indian Bank Ltd. (iii) Dhanalakshmi Bank Ltd. (iv) Catholic Syrian Bank Ltd., and (iv) ICICI Bank. The 5 PSBs chosen for this study are (i) State Bank of Travancore (ii) State Bank of India, (iii) Canara Bank, (iv) Union Bank of India, (v) Corporation Bank. A sample of 200 customers from different socio-economic strata were drawn using random sampling from the 10 CBs chosen for the study. These 200 respondents had different occupations, different educational levels, and belong to different age groups. Among the 200 respondents 100 were from Rural Branches and the rest 100 were from Urban Branches. A struc-

tured questionnaire was used to collect primary data. The data was collected by conducting personal interview with the customers. The views of the customers regarding their opinion on CRM practices, their TR for using ICT-enabled services etc. were collected and quantified with a 5-point Likert scale. Five- point scale and their respective scores are as in Table I

Table I: Five-Point Likert's Scale and Scores

Points of Scale	Scores
Strongly Agree (SA)	5
Agree (A)	4
No Agreement or Disagreement (NO)	3
Disagree (DA)	2
Strongly Disagree (SD)	1

A high score in the corresponding dimension indicates a very high satisfaction of the customers. Score in the low range indicates conversely low satisfaction of the customers. Since the questionnaire was a survey, the dimensions selected for measuring customers' satisfaction have been selected as below:

* Ability to Resolve Complaints
* Responsiveness of the Banks Staff
* Banking Services
* Counter Services
* Accounts and Deposits of the Banks

The techniques used for data analysis include (i) Mean, (ii) Standard Deviation, (iii) Z-test etc.; and popular software package SPSS is used for analysis.

DATA ANALYSIS AND DISCUSSIONS

Emerging Trends in CRM: One of the vital needs for effective CRM implementation is the level of awareness of customers in this regard as well as their preparedness or readiness to meaningfully use CRM, particularly E-CRM. It is noted that there is growing awareness among both urban and rural customers regarding CRM. Besides, there is also increasing use of ICT-enabled services of banks, including CRM or E-CRM. A growing trend towards CRM adoption by banks and its use by customers is apparent (Table II).

Attitude towards CRM and Readiness for Use: Though there is a growing trend in CRM acceptance, in general, this positive attitude is significantly higher in respect of urban customers than their rural counterparts. This is evident from Table II. This might be because of the significantly higher TR (technological readiness) of the former vis-à-vis the latter (Table II). It is also noted that there is a clear trend in respect of electronic services or ICT-based services including E-CRM. (Table II).

Table II: Awareness and Attitude on CRM

No.	Parameters	Urban Customers		Rural Customers	
		Mean	SD	Mean	SD
1.	Usage frequency-CRM	4.67	0.65	4.06	0.91
2.	CRM Awareness	4.85	0.73	3.83	0.87
3.	Attitude towards CRM	4.54	0.78	3.23	0.91
4.	E-CRM / E-Services	4.87	0.63	4.11	0.88
5.	T.R towards E-CRM	4.39	0.81	3.01	0.98

Source: Computed based on Field (Primary) data

Need for 'Human Factor' in Banking Services: In spite of a growing trend in CRM acceptance among all types

of customer, increasing frequency of its use and a positive attitude in general (Table II), it is noted that still there is demand in favour of 'Human Factor' or 'Human Touch' in services. This need in favour of human interface is much more pronounced in respect of rural customers than their urban counterparts. This is evident from Table III. It is noted that most of the customers, both urban and rural, are interested in time savings offered by CRM and security in such transactions is their major concern (Table III).

Table III: Satisfaction, Benefits and Concerns

No.	Parameters	Urban Customers		Rural Customers	
		Mean	SD	Mean	SD
1.	Customer Satisfaction	4.58	0.59	3.96	0.87
2.	Time Savings' Benefit	4.72	0.52	4.32	0.74
3.	Concern for Security	4.37	0.63	4.89	0.48
4.	Need for 'human factor'	2.81	0.98	3.98	0.67

Source: Computed based on Field (Primary) data

MAJOR FINDINGS AND SUGGESTIONS

It is noted that there is high level of awareness about CRM among the urban customers though the same is significantly lower among the rural customers, particularly E-CRM. But, it is noted that there is growing awareness among both urban and rural customers regarding this concept CRM. Only during the last few years majority of the bank customers have come across this emerging practice, and moreover, there is increasing use of various ICT-enabled banking services like CRM or E-CRM. A growing trend towards CRM adoption by banks has been revealed during the course of personal discussions with bank managers or principal officers.

Besides, it is observed that there is a growing trend towards CRM usage, in general. This positive trend, however, significantly higher in respect of urban customers than in the case of rural customers. The significantly lower TR (technological readiness) of the rural customers vis-à-vis the urban customers might have contributed to higher use of CRM services by the urban customers than the rural customers. Further, it is noted that there is a growing trend in favour of ICT-based services like E-CRM by all types of customers, over the last few years. In spite of the growing trend towards CRM and various ICT-based services, there is still preference towards a 'Human Touch' in banking services. The preference towards such a human interface is significantly higher in respect of rural customers than their urban counterparts. It is noted that most of the customers, both urban and rural, are deriving the benefit of time savings that is offered by CRM. Besides, for both these types of customers security of electronic transactions is the major concern.

Based on the findings, a set of suggestions are made so as to pinpoint how CRM can be rendered and can be used to secure competitiveness, which are given below:

* Banks should implement a 'customer centric' approach in designing their service process, delivery and even after-sales service.
* Customers' complaints should be handled promptly and customers' satisfaction be given top priority always.
* Employees should be given training to improve their attitude. It is advisable that banks keep a separate complaint-cum-suggestion book to enable customers to give suggestions/complaints.
* The working hours of the banks must be as flexible as

possible. The operating hours of banks must be extended depending upon the needs and desires of customers.

- The banks must try to find out the specific needs of different customers, so that suitable package of services can be made available to them.

- More thrust is required for ICT-based operations, both for enhanced customer service and also better operational efficiency through cost savings. Besides, more ATMs should be installed as most of the customers use ATMs along with other types of services including e-banking.

- Human interface is still preferred by customers, particularly the rural customers. Thus, complete transformation towards an automated system is not preferred in the short-run. Rather, there should be a phased approach in this regard, as customers get gradually prepared for 'E' services.

- Customers should be educated on ensuring security of electronic transactions so that their security concerns could be gradually got rid of and they become more confident to use CRM.

- Adequate provisions for 'human touch' like inquiry counter be provided, particularly in rural branches where customers are less educated and are having low TR, in general. Efficient, knowledgeable, customers, competent and versatile front-line staff is the prime requirement for all the banks surveyed.

CONCLDING REMARKS

It may be observed that there is a clear trend towards CRM as well as various ICT-based banking services. Only thing is the TR and preparedness to adopt such latest services may vary from different customer segments, particularly between urban and rural customers. But, all customers are increasingly using such services since the recent past. Naturally, there is a fast convergence in this regard and the urban-rural demarcation itself is vanishing. Hence, for business success, a phased approach considering the current reality and also emerging trends is required. The strategy towards adequate 'human touch' in the strategy towards CRM implementation in one in the above direction.

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