



## Customer Relationship Management: An Empirical Review

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### ABSTRACT

*The paper throws light on various empirical studies taken up on CRM in banking industry in last one decade. It takes stock of findings and conclusion of different researchers so that it can provide fruitful insight into the CRM implementation and the gaps in the implementation of CRM in different parts of the world. Also the paper put forward the view of various researchers together so that a conclusive picture can be drawn regarding CRM, its benefits and problems in its implementation.*

### Keywords :

#### Introduction

The aim of CRM is to optimize the use of technology and human resources for the business to gain insight into the behaviour of customer. Banks have realized the importance of Customer Relationship Management (CRM) and its potential to help them acquire new customers retain existing ones and maximize their lifetime value. In banking sector the need for Customer Relationship Management is to increase customer value by using some analytical methods in CRM applications. Implementation of CRM in banking sector is focused on the evaluation of the critical satisfaction dimensions and the determination of customer groups with distinctive preferences and expectations. In last more one decade many studies have been conducted to see the significance of CRM and in particular CRM banking industry.

#### Objectives

The work is done in order to take stock of various studies taken up on Customer Relationship Management in service industry with special reference to banking industry to create a conclusive picture regarding CRM implementation.

#### Research Methodology

The study is based on secondary sources and in order to write the paper extensive survey of various articles is conducted. Search was conducted both online as well as various research journals. Basic search was carried out using search criteria based on the presence of the phrases like "CRM implementation in banking etc so as to capture the articles discussing CRM. Of the 50 articles studied, 20 were chosen to write the paper.

#### Analysis

**Parvatiyar & Sheth (2001)** explored the foundations of CRM by examining the literature on relationship marketing and other disciplines that contribute to the CRM. They discussed its recent prominence being facilitated by uniting numerous other paradigms of marketing and by corporate initiatives. CRM has the potential to emerge as the predominant perspective of marketing and it should not be taken as just IT solution. Later **Lemon in 2002** concluded that CRM is must to maintain and gain customers. It is very important that anticipated regret of customers must be taken into consideration and a forward looking model for customer retention that incorporates both expected future use and anticipated regret on consumers' decisions should be build. In **2003 Malhotra & Mukherjee,**

concluded that the three components of service quality (affective, continuance and normative) in banks are equally important to maintain relationship with the customers. The study further enumerates that both affective and continuance commitment lead to service quality in bank branches, while only the affective commitment has a significant relationship with service quality in call centres. **Panda (2003)** stated that CRM has its origin in the basic paradigm of marketing i.e. to satisfy customers with the best possible alternative in the market through a relational exchange process. This is possible through the integration of four important components i.e. people, process, technology and data. It was also put forth that CRM also improving customer life time value. **Berndt et al (2005)** stated that Customer service and relationship management, in particular, are crucial to attaining a sustainable competitive advantage in the marketplace. The implementation of a one-to-one programme within an emerging economy is the focus of this paper. In the same year i.e. **2005 Lindgreen** addressed CRM by adopting case study method and conducted a study in one European bank recently designed and implemented and, in doing so, the article adds empirical evidence to what constitutes good CRM practice. The study revealed that the bank faced many challenges in relation to how customers be contacted and how their behavior can be changed towards distribution channel. In this context the author does not aspire a completely formalized deduction. **Payne & Frow in 2005** developed a conceptual framework for CRM that helps broaden the understanding of CRM and its role in enhancing customer value and, as a result, shareholder value. They identified five key cross-functional CRM processes: a strategy development process, a value creation process, a multi channel integration process, an information management process, and a performance assessment process. The research gave insight into the development and implementation of CRM strategies. **Blery & Michalakopoulos (2006),** took up a single descriptive case study of one major Greek bank that has implemented CRM. The findings suggest that the bank fully recognizes the value of CRM system for its development and success in the market and for the same it has established a strategic analysis and CRM department which has guided to the successful implementation of CRM.

**Payne & Frow** again conducted a study in **2006** reviewing the origins and role of CRM and stressed the importance of adopting a cross-functional approach to CRM strategy formulation. They further examined the alternative approaches

to CRM strategy development and, by using an 'interaction research' approach, proposed a model that addressed both CRM strategy and implementation programme. The study concludes that BPR and organizational learning promote success in CRM system implementation, which can lead to improved customer relationship quality, smoother business processes, a better understanding of customer requirements, and customer loyalty. Also **Kim & Kim in 2007** suggested a performance measurement framework called CRM scorecard as an integrative organizational artifact to diagnose and assess a firm's CRM practice. The CRM scorecard was developed through comprehensive literature review and in-depth interviews with CRM practitioners and was tested with a Korean bank which has well established CRM strategy and was found appropriate. In the same year **Liu & Yuh** in their study stated that Taiwan is highest beneficiary of CRM but the support provided is not sufficient. On the basis of the analysis of this paper, it is realised that if an analysis of customer behavior is unable to provide relevant information or if staff in the bank are not able to respond to that information, then the banks will lose customers. Training is the most important requirement if CRM is to be effectively implemented and deployed. For this reason bank staff should be trained to collect and understand all relevant customer information.

**Sarлак & Fard in 2009** conducted a descriptive survey in order to study about how customer relationship management can increase customer satisfaction. The study was conducted on agriculture banks in QOM Providence. As per the result it was concluded that customer relationship management has a positive relationship with the customer satisfaction. Hussain et al also gave their study in 2009 which explored and analyzed the strategic implementation of CRM in selected banks of Pakistan, identify the benefits, the problems, as well as the success and failure factor and develop a better understanding of CRM impact on banking competitiveness. As a result it was found that all the banks have implemented CRM but it is Citibank which is more customer centric as compared to other banks. In the same year **Krasnikov et al** examined the

impact of CRM implementation on two metrics of firm performance operational (cost) efficiency and the ability of firms to generate profits (profit efficiency) using a large sample of U.S. commercial banks. The researchers concluded that CRM implementation is associated with a decline in cost efficiency but an increase in profit efficiency. The results show that CRM implementation enhances the profit efficiency of firms, regardless of its impact on cost efficiency as over time, firms learn how to use CRM effectively to manage their customer data and develop one-to-one relationships. In **2010 Ahmad et al** examined the perception of bank customers regarding service quality of the Islamic banks as well as conventional banks in Pakistan. It is found that the perception of customers of Islamic banks adopting CRM regarding service quality is higher than the perception of customers of conventional banks. In **2011 Renavikar & Joshi** revealed that approximately 65% of the financial institutions have failed in getting expected benefits from huge investments in CRM technology. Findings indicate that the firm size does not moderate these relationships. Therefore, process orientation should not be branded as an organizational approach only for large firms as the positive relationship between process orientation and firm performance also holds for medium-sized firms.

### Conclusion

Taking stock of various empirical studies it can be clearly concluded that Customer Relationship Management has a direct linkage with the service quality in banking industry. If implemented appropriately Customer Relationship Management can lead to increase in customer retention and hence increase in profitability. Moreover it was also realized that Customer Relationship Management implementation is generally looked up as implementation of software systems while the human factor is altogether ignored, which has ultimately lead to failure of CRM in various banks. Although, it is evitable that banks with CRM are more profitable than the banks with no CRM. So in modern era to gain competitive advantage banks will ultimately have to adopt CRM and the implementation of CRM must be looked into with full force.

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