E-CRM & BANKING

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Abstract

Many companies today are racing to re-establish their connections to new as well as existing customers to boost long-term customer loyalty. Some companies are competing effectively and winning this race through the implementation of relationship marketing principles using strategic and technology-based customer relationship management (CRM) applications. Today marketing is not just developing, delivering and selling, it is moving towards developing and maintaining mutually long term relationships with customers. Relationship marketing is becoming important in financial service. If a bank develops and sustains a solid relationship with its customers, its competitors cannot easily replace them and therefore this relationship provides for a sustained competitive advantage.

Since the early 1990s, the computer, the Internet, and information technology have been merged to become a viable substitute for labour and paper-intensive banking processes between banks and their customers. This has been seen in the widespread use of the ATM, credit cards, debit cards, smart cards, and lending through e-CRM via the Internet. However e-CRM initiatives have resulted in increased competitiveness for many banks as witnessed by higher revenues and lower operational costs. Banks have clearly understood that managing customer relationships effectively and efficiently would boost customer satisfaction and retention rates and with the increasing knowledge of the customers banks are now trying to woo the customer by determining the aspects, which are really vital for them. The aspects may include facilities, reputations, service, operation hours, interest on savings as well as on loan, location of the bank, convenience, friendliness, responsiveness, efficiency of employees, ambience of the banks, etc.

This paper is the outcome of a research which has the primary objective of investigating the customer relationship management activities that exist in e-banking activities in five private banks namely ICICI Bank, HDFC Bank, IDBI Bank, Axis Bank and Yes Bank. The other objectives would be to highlight the differentiation in e-CRM activities as undertaken by these five banks which give them an edge over the other, to identify customer preferences and to know what makes one bank more preferred over another.

Keywords : E-CRM, Banks, Customers, Competition.

INTRODUCTION

Many companies today are racing to re-establish their connections to new as well as existing customers to boost long-term customer loyalty. Some companies are competing effectively and winning this race through the implementation of relationship marketing principles using strategic and technology-based customer relationship management (CRM) applications. Today marketing is not just developing, delivering and selling, it is moving towards developing and maintaining mutually long term relationships with customers. Relationship marketing is becoming important in financial service. If a bank develops and sustains a solid relationship with its customers, its competitors cannot easily replace them and therefore this relationship provides for a sustained competitive advantage.

Customer relationship management (CRM) is one of the fastest growing management approaches being adopted across many organizations. Ovum (Bradshaw andBrash, 2001), an independent research and consulting company, define CRM as: A management approach that enables organizations to identify, attract and increase retention of profitable customers, by managing relationships with them.

According to Light (2001), CRM evolved from business processes such as relationship marketing and the increased emphasis on improved customer retention through the effective management of customer relationships. Relationship marketing emphasizes that customer retention affects company profitability in that it is more efficient to maintain an existing relationship with a customer than create a new one (Payne et al., 1999; Reichheld, 1996).

Customer Relationship Management (CRM) has become a leading business strategy in highly competitive business environment. CRM can be viewed as 'Managerialefforts to manage business interactions with customers by combining business processes and technologies that seek to understand a company's customers' (Kim, Suh, & Hwang, 2003). Companies are becoming increasingly aware of the many potential benefits provided by CRM. Some potential benefits of

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CRM are as follows: (1) Increased customer retention and loyalty, (2) Higher customer profitability, (3) Creation value for the customer, (4) Customization of products and services, (5) Lower process, higher quality products and services (Jutla, Craig, & Bodorik, 2001).When evaluating customer profitability, marketers are often reminded of the 80/20 rule (80% of the profits are produced by top 20% of profitable customers and 80% of the costs are produced by top 20% of unprofitable customers).

The core parts of CRM activities are understanding customers' profitability and retain profitable customers (Hawkes, 2000). To cultivate the full profit potentials of customers, many companies already try to measure and use customer value in their management activities (Rosset, Neumann, Eick, Vatnik, & Idan, 2002). Therefore, many firms are needed to assess their customers' value and build strategies to retain profitable customers.

In some organizations, CRM is simply a technology solution that extends separate databases and sales force automation tools to bridge sales and marketing functions in order to improve targeting efforts. Other organizations consider CRM as a tool specifically designed for one-to-one (Peppers and Rogers, 1999) customer communications, a sole responsibility of sales/service, call centers, or marketing departments. But CRM is not merely technology applications for marketing, sales and service, but rather, when fully and successfully implemented, a cross-functional, customer-driven, technology-integrated business process management strategy that maximizes relationships and encompasses the entire organization (Goldenberg, 2000).

CRM technology applications link front office (e.g. sales, marketing and customerservice) and back office (e.g. financial, operations, logistics and human resources) functions with the company's customer "touch points" (Fickel, 1999). A company's touch points can include the Internet, e-mail, sales, direct mail, telemarketing operations, call centers, advertising, fax, pagers, stores, and kiosks. Often, these touch points are controlled by separate information systems. CRM integrates touch points around a common view of the customer (Eckerson and Watson, 2001).

The primary objective of this study is to investigate the customer relationship management activities that are already exist in e-banking activities in five private banks namely ICICI Bank, HDFC Bank, IDBI Bank, Axis Bank and Yes Bank.The secondary objectives of this study are to highlight the differentiation in e-CRM activities as undertaken by these five banks which give them an edge over the other, identify customer preferences and to know what makes one bank better over another.

Need for the Study
These five banks are already adapting themselves through this mindset more or less. The banks proceed to this important issue differently with different rates of success in customer satisfaction and customer relationship management. So, with a comparative approach their attitudes toward e-CRM will reveal and embrace their success and failure factors.

Research Deisgn
The research design followed for this study has been descriptive in nature where the aim would be to make a relative study about the advantages accruing to the 5 private banks – ICICI Bank, HDFC Bank, IDB bank, Axis bank and Yes Bank from the perspective of its customers and its employees with respect to e-CRM.. The information sources used for this study could be grouped into two categories as primary data and secondary data. The tool used for collecting primary data was a questionnaire and the respondents were 125 customers belong to the various banks covered by the study.

Analysis
Demographics of the Sample

Table -1

Gender	Percentage
Male	69.6
Female	30.4
Age	**Percentage**
< 25	50.4
25 - 35	32.0
35 - 45	12.8
> 45	4.8
Educational Qualification	Percentage
UG	55.2

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PG	30.4
Professional	11.2
Others	3.2
Banking with	**Percentage**
ICICI Bank	60.8
HDFC	22.4
Axis Bank	6.4
IDBI Bank	8.0
Yes Bank	2.4

69.6% of the respondents are males and the remaining are females as covered by the study. Majority of the respondents belong to the age group of less than 25 followed by those in the age bracket of 25 – 35 years of age. It is to be noted that this age group is more inclined to online banking than the other age groups. 55.2% of the respondents possess UG qualification whereas 30.4% are Post graduates. . 60.8% of the respondents covered by this study are customers of ICICI Banks which is accepted to be the biggest public sector bank. About 22.4% are customers of HDFC Bank and the other banks have shown a low level of customer base as compared to these two giant banks.

Opinion on concept and various aspects of e-CRM
The responses pertaining to the above are summarised below :

Table -2

Meaning of e-CRM	Percentage
Profitable Product Life Cycle Management	49.6
Client Value and Loyalty	24.0
Customer Retention	16.8
Better Customer Knowledge in order to cross-sell	9.6
Objective	
Increase Revenue	44.0
Focus on right and Best customers	33.6
Increase Efficiency and Effectiveness of Sales	12.8
Multi-Channel Approach	9.6
Activities	
Better Customer Preference Identification through channels	62.4
Client Differentiation and thus better client segmentation	37.6
Influence of e-CRM on different channels	**Percentage**
Better Identification Of Client's Preference Regarding Distribution Channels	36.0
Identification of Eventual Incompatibility Between The Channels	64.0
Measures of Strong Client-Bank Relationships	
Client Satisfaction	57.6
Providing Appropriate Customer Information	27.2
Understanding Customer Needs	10.4
Improving Skills of Employees	4.8
Measures of Customer Interaction	
Appropriate Response to Customer Request	52.8
Integration of business processes	27.2
Improving Channel Management	14.4
Maximizing Effectiveness and Efficiency of Operations	5.6

According to 49.6% of the customers, e-CRM is about the profitable product life cycle management. 24% of respondents perceives e-CRM is about realizing the client value and loyal to them whereas 16.8% of the respondents see e-CRM as the tool to retain the customers.

44% of the customers interpret objective of e-CRM of bank is to increase the revenue, whereas 33.6% of respondents believe that the bank e-CRM is to focus on right and best customers. 12.8% of customers infer that Bank e-CRM helps to increase

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efficiency and effectiveness of Sales. According 62.4% of customers, Bank e-CRM facilitates to identify the CustomerPreference in a better means through different channels. Rest deems that Bank e-CRM is to Client Segmentation through Client Differentiation. Bank e-CRM influences on different channels and products of the bank and it identifies the eventual incompatibility between the channels of the bank. This is agreed by 64% of the customers. Rest agrees that e-CRM influence the identification of client's preference about the distributing channels in a dependable manner.

57.6 % of customers believe Client Satisfaction factor as a measure of Strong Client-Bank Relationships. 27.2% of respondents believe that Provision appropriate Information to the Client plays an important role in measuring the relationship of Client and the bank.

According to 52.8% of respondents, Customer Interaction could be measured from the approach of response to the customers' request in the appropriate way. 27.2% respondents think the act of business processes integration could be a measure of Customer Interaction. Only least number of respondents considers that if the Effectiveness and Efficiency of Operations are maximized, it could a measure of customer interaction.

Chi-Square Testing
Bank Vs Objectives of bank e-CRM
Null Hypothesis (H₀) : There is no association between the bank and the opinion on Objectivesof Bank e-CRM

Table - 3

Interpretation
Since P-value is less than 0.05, it is seen that irrespective of bank, majority of respondents have expressed that the bank e-CRM objectives are for increasing the revenue.

		Objectives of Bank e-CRM				Total	Chi-Square Value	P-value
		Increase Revenue	Focus on Right and Best Customers	Increase Efficiency and Effectiveness of Sales	Multi-Channel Approach			
Name of Bank	ICICI Bank	31	29	10	6	76	42.64	0.041
	HDFC	13	9	3	3	28		
	Axis Bank	3	4	0	1	8		
	IDBI Bank	6	0	3	1	10		
	Yes Bank	2	0	0	1	3		
	Total	55	42	16	12	125		

Bank Vs Meaning of e-CRM
Null Hypothesis (H0) : There is no association between bank and opinion on meaning e-CRM
Table -4

		Meaning of e-CRM				Total	Chi Square Value	P-value
		Profitable Product Life Cycle Management	Client Value and Loyalty	Customer Retention	Better Customer Knowledge in order to cross-sell			
Name of Bank	ICICI Bank	39	16	12	9	76	25.20	0.032
	HDFC	12	5	8	3	28		
	Axis Bank	4	4	0	0	8		
	IDBI Bank	5	4	1	0	10		
	Yes Bank	2	1	0	0	3		
	Total	62	30	21	12	125		

Interpretation
 Since P-value is less than 0.05, it is seen that irrespective of bank, majority of respondents have understood the meaning of e-CRM as profitable product life cycle management.

Bank Vs Activities of Bank e-CRM

Null Hypothesis (H_0) : There is no association between bank and the activities of Bank e-CRM

Table - 5

		Activities of Bank e-CRM		Total	Chi-Square Value	P-value
		Better Customer Preference Identification through Distribution Channel	Client Differentiation and thus Better Client Segmentation			
Name of Bank	ICICI Bank	49	27	76	33.39	0.028
	HDFC	16	12	28		
	Axis Bank	4	4	8		
	IDBI Bank	8	2	10		
	Yes Bank	1	2	3		
	Total	78	47	125		

Interpretation

Since P-value is less than 0.05, the null hypothesis is accepted at 5% level of significance. Chi square value (33.39) represents the percentage of relationship shared between the bank and the activities of bank e-CRM. Irrespective of the bank, majority of respondents have conveyed that Bank e-CRM's activities involve identification of Customer preference through distribution channel of the bank

Bank Vs Influence of e-CRM on Different Channels and Products

Null Hypothesis (H0) : There is no association between bank and the opinion about influence of e-CRM on different channels and products

Table- 6

		Influence of e-CRM on Different Channels and Products		Total	Chi-Square Value	P-value
		Better Identification of Client's Preference Regarding Distribution Channels	Identification of Eventual Incompatibility Between The Channel			
Name of Bank	ICICI Bank	31	45	76	52.48	0.021
	HDFC	5	23	28		
	Axis Bank	3	5	8		
	IDBI Bank	4	6	10		
	Yes Bank	2	1	3		
	Total	45	80	125		

Interpretation

Since P-value is less than 0.05, it is inferred that irrespective of bank, majority of respondents have expressed that e-CRM has better influence on identification of eventual incompatibility between the distribution channels

Table -7,Bank Vs Measures of Strong Client-Bank Relationships

		Measures of Strong Client-Bank Relationships				Total	Chi-Square Value	P-value
		Client Satisfaction	Providing Appropriate Customer Information	Understanding Customers' needs	Improving skills of Employees			
Name of Bank	ICICI Bank	43	24	6	3	76	38.07	0.036
	HDFC	18	6	3	1	28		
	Axis Bank	3	2	2	1	8		
	IDBI Bank	6	1	2	1	10		
	Yes Bank	2	1	0	0	3		
	Total	72	34	13	6	125		

Null Hypothesis (H0): There is no association between the bank and the opinion on measures of strong client-bank relationship.

Interpretation
Since P-value is less than 0.05, the null hypothesis is accepted at 5% level of significance. Chi square value (38.07) represents the percentage of relationship shared between the bank and the opinion on measures of strong client-bank

relationship. Majority of them believes that if the bank satisfies the client then it becomes the strong deciding factor for Client Bank relationship.

Table -8Bank Vs Measures of Customer Interaction

		Gender of respondents		Total	Chi-Square Value	P-value
		Male	Female			
Name of Bank	ICICI Bank	54	22	76	28.34	0.042
	HDFC	17	11	28		
	Axis Bank	6	2	8		
	IDBI Bank	8	2	10		
	Yes Bank	2	1	3		
	Total	87	38	125		

Interpretation
Since P-value is less than 0.05, it is inferred that that there is relationship between bank and opinion on measures of customer interaction.

Table 9

		Gender of respondents		Total	Chi-Square Value	P-value
		Male	Female			
Name of Bank	ICICI Bank	54	22	76	28.34	0.042
	HDFC	17	11	28		
	Axis Bank	6	2	8		
	IDBI Bank	8	2	10		
	Yes Bank	2	1	3		
	Total	87	38	125		

Interpretation
Since P-value is less than 0.05, it is inferred that gender of the respondents influences choice of bank..

Bank Vs Age of Respondents
Null Hypothesis (H₀): There is no association between the account holding bank and the age of the respondents

Table- 10

		Age of Respondents				Total	Chi-Square Value	P-value
		< 25	25 - 35	35 - 45	> 45			
Name of Bank	ICICI Bank	39	24	10	3	76	34.45	0.038
	HDFC	12	12	4	0	28		
	Axis Bank	4	1	2	1	8		
	IDBI Bank	7	2	0	1	10		
	Yes Bank	1	1	0	1	3		
	Total	63	40	16	6	125		

Interpretation
Since P-value is less than 0.05, it is inferred that age of the respondents has influence on the choice of the bank to hold an account.

Bank Vs Educational Qualification of Respondents
Null Hypothesis (H₀): There is no association between bank and the education qualification of the respondents

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Table- 11

		Educational Qualification of Respondents				Total	Chi-Square Value	P-value
		UG	PG	Professional	Others	Total	Chi-Square Value	P-value
Name of Bank	ICICI Bank	40	27	8	1	76		
	HDFC	19	3	4	2	28		
	Axis Bank	4	2	1	1	8	46.70	0.045
	IDBI Bank	3	6	1	0	10		
	Yes Bank	3	0	0	0	3		
Total		69	38	14	4	125		

Interpretation

Since P-value is less than 0.05, it is inferred that education Qualification of the respondents has 47% of persuasion on the preference of the bank to hold an account.

Age of Respondents Vs Activities of Bank with respect to e- CRM

Null Hypothesis (H_0): There is no association between the age of the respondents and opinion on activities of bank e-CRM

Table- 12

		Activities of Bank CRM		Total	Chi-Square Value	P-value
		Better Customer Preference Identification through Distribution Channels	Client Differentiation and thus better Client Segmentation	Total	Chi-Square Value	P-value
Age of Respondents	< 25	48	15	63		
	25 - 35	19	21	40		
	35 - 45	8	8	16	50.33	0.016
	> 45	3	3	6		
Total		78	47	125		

Interpretation

Since P-value is less than 0.05, it is seen that age of the respondents affect the opinion about the activities in Bank e-CRM.

Age of Respondents Vs Influence of e-CRM on Different Channels and Products

Null Hypothesis (H_0) : There is no association between the age of the respondents and the opinion about influence of CRM on different channels and products

Table -13

		Influence of CRM on Different Channels and Products		Total	Chi-Square Value	P-value
		Better Identification of Client's Preference Regarding Distribution Channels	Identification of Eventual Incompatibility between the Channels	Total	Chi-Square Value	P-value
Age of Respondents	< 25	30	33	63		
	25 - 35	8	32	40		
	35 - 45	5	11	16	18.31	0.04
	> 45	2	4	6		
Total		45	80	125		

Interpretation

Since P-value is less than 0.05, age of the respondents affects the opinion of respondents about influence of CRM on different channels and products.

Overall Ranking of Banks Based on Their E-CRM Initiatives

Ranking of banks as per the survey details and observations made with respect to e-CRM in the private banking industry is as follows :

NAME OF BANK	RANKING
ICICI BANK	I
HDFC BANK	II
IDBI BANK	III
AXIS BANK	IV
YES BANK	V

Without an exception on every facility and option given to banking customer, the above ranking holds good.

Conclusion
Customer Relationship management marketing (CRM) is about introducing the right product to the right customer at the right time through the right channel to satisfy the customer's evolving demands. E-CRM is not just customer service, self-service web applications, tools or the analysis of customers' purchasing behaviors on the internet; E-CRM is all of these initiatives working together to enable an organization to more effectively respond to its customers' needs and to market to them on a one-to-one basis

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