E-CRM GOLDEN OPPORTUNITY FOR BANKS

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ABSTRACT:

In the fast changing economic environment the success of banking depends upon technology, people and customer. The performance of a bank depends upon the satisfaction of its customers. In this competitive era, banks have to strive hard for retaining and enlarging their customer base. E-CRM which is the latest buzz word in the corporate sector, is perceived as one of effective tool in this direction by the banks. The present paper focuses on the concept of e-CRM in banks from its various dimensions covering evolution, objectives, areas, techniques and drawbacks.

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INTRODUCTION

“I know who you are, I remember you. I get you to talk to me. And then, because I know something about you, my competitors don't know, I can do something for you my competitors can't do - not for any price”

NEWELL, 2000

Over a century ago, in a small-town of India, before the advent of the super-market, the shopping mall, and the automobile, weekly haat or general, people went to their neighbourhood weekly haat or general store to purchase goods. The proprietor/owner and the small staff recognized the customers by name and knew the customer's preferences, needs, likings and wants. The customer, in turn, remained loyal to the store and made repeated purchases. This idyllic customer relationship disappeared as the nation grew, the population moved from the farming community to large urban areas, the consumer became mobile, and supermarkets and departmental stores were established to achieve economies of scale through mass marketing.

Although prices were lower and goods more uniform in quality, the relationship between the customer and the merchant became nameless and faceless. The personal relationship between merchant and customer became a thing of past. As a result, customers became fickle, moving to the supplier who provided the desired object at lowest cost or with the most features.

This is an era of company loyalty towards the customer in order to obtain customer loyalty towards the company. The customer is more knowledgeable; companies have to be faster, more agile, and more creative than they were, a few years ago (Paul Gray and Jongbok Byun, 2001).

The last several years witnessed the rise of Customer Relationship Management (abbreviated CRM) as an important business approach. Its objective is to return to the world of personal marketing. The concept itself is relatively simple. Rather than market to a mass of people or firms, market to each customer individually. The objective of this one-to-one approach is to return to the world of personal marketing (McGray 1950, 51, 53, 58).
To achieve this approach, information about a customer (e.g., previous purchases, needs, and wants) is used to frame offers that are more likely to be accepted. According to Peter Keen, the well-known author of Shaping the Future (1991) and The Process Edge (1997) defines CRM as:

“Customer relationship management is the commitment of the company to place the customer experience at the centre of its priorities and to ensure that incentive systems, processes and information resources leverage the relationship by enhancing the experience”.

**Evolution of E-CRM**

The first surf of CRM solutions came in the late 1980s and early 1990s (Exhibit No. 1.0). The providers of these products were clarify (now owned by Nortel Networks Corp.), Onyx Software, Oracle, Vantive (acquired by PeopleSoft) and Siebel Systems. These packaged solutions emphasized automating and standardizing the internal processes which related to acquiring, servicing and keeping customers. These processes ranged from capturing sales leads to creating scripts for customer service agents to enable consistent service and support across product lines and divisions. The focus for these CRM solutions were on automating and standardizing the internal processes to make the customers an asset. Although these processes addressed the companies' needs, they were very expensive and not easy to maintain.

Then in the mid-1990s the Web emerged. It changed both the CRM market and customer-related business requirements of all sizes of companies. The new CRM system meant that the existing and potential customers were now able to interact and communicate with corporations. More importantly the client/server architecture behind existing CRM applications would disappear. The big vendors such as Siebel were slow to respond to the Internet. This left more opportunities to start-ups. **A new market segment of eCRM emerged**.

| **Evolution of E-CRM** (Exhibit No. 1.0) |
|-------------------|-------------------|-------------------|-------------------|
| **Age** | **Year** | **Lesson Learned** | **Milestones** |
| Introduction | 1980s to early 1990 | Very expensive to maintain | Focusing on automating and standardizing the internal processes to make the customers an asset |
| Growing | Mid-1990 to end 1990 | Some vendors are slow to respond to the Internet | Due to the emergence of the Web, client/server architecture behind CRM applications would disappear |
| Paradigm | 2000 | Adoption of ICT | eCRM |
It is widely acceptable the information technology has a major role in CRM. (Computing 2000)\(^1\) Because of this, the approach of personal marketing base is transforming from **CRM to electronic customer relationship management** (abbreviated as e-CRM) from the last few years. e-CRM has been growing steadily from the last few years and is now seen as the way forward for any business wishing to thrive in the ‘e-future’.

**Thus “e-CRM is the phenomenon of building relationship with customers via the internet or the relationship that is web-based is known as electronic CRM (e-CRM)”**. e-CRM focuses on electronic channels mainly on the Internet and on technologies that enable automated and electronic management of customer relations.

e-CRM’s 360 degree customer view provides a comprehensive, up to date profile that is as reliable as it is easy to create. The e-CRM is also allowing sales representative to view customer information from anywhere, anytime and has freed up customer service representatives to focus on obtaining new customer (Mc-Call, 2002)\(^2\).

e-CRM concentrates on the retention of customers by collecting all the data from every interaction, every customer makes with a company from ‘all’ access point whether they are –

*Online* : E-mail, website, call centres, online chat.
*Offline* : Phone, mobile phones, fax, face to face through sales agent.

The term **“touch points”** is used in e-CRM refers to many ways in which customers and firms interact. (Paul Gray, 2001)\(^3\) The company then use this data for specific business purposes, marketing, service, support or sales whilst concentrating on a customer service centric approach rather than a product centric (Cliff Findlay, 2000)\(^4\).
**Objectives of e-CRM**: The objectives of e-CRM are:

- To provide good customer service
- To discover new customers
- To enhance customer loyalty/retention
- To help sales staff close deals faster
- To simplify marketing and sales processes.
- To reduce the costs (like administrative)
- To increase the goodwill profitability etc. by increasing the customer satisfaction level.

**AREAS OF e-CRM**:

e-CRM is divided into three areas:

- Marketing
- Sales
- Service and support

- **MARKETING**: Marketing was the most often function associated with CRM. Ling and Yen (2001) had described the evolution of CRM from direct sales to mass marketing, target marketing and then to customer relationship. Thus marketing emphasising that marketing and CRM were inseparable.

- **SALES**: The sales function is direct interaction with customer which made up CRM (Kin caid 2003) it was important to develop sales strategies at customer level to achieve revenue goals. With technologies emerging for sales function it was possible to make the sales process more efficient and automated to increase sales.

- **SERVICE AND SUPPORT**: High quality customer service and support was the key to improve retention rates and maintaining good customer relations. In today’s competitive environment, companies pay more attention to fulfill the needs of customers. Customer service personnel providing support to customers require operational integration with field service personnel and the sales force. e-CRM can help in integrating these groups with operational organization as a whole and the sales force.
E-CRM In Banks

“A customer is the most important visitor in our premises. He is not dependent on us. We are dependent on him. He is not an interruption on our work. He is the purpose of it. He is not an outsider on our business. He is a part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so”.

Mahatma Gandhi

These words said by Mahatma Gandhi, have much importance in a service oriented industry like banking e-CRM is the marketing concept. Marketing in terms of banking can be defined as the creation and delivery of consumers satisfying products. (goods and services) at a profit to a bank.

“e-CRM in banks can be defined as the use of the web/internet and various other electronic channels, technologies that enable automated and electronic management of customer relations”. e-CRM, on the other hand refers to other factors like personalization, customization, one to many and many to many transaction. It permits business speed and real time response to customer or markets through the new tools such as e-mail, internet, telephone, chat facility etc. which reduces the cost of customer contact.

To serve more and retain customers banks in India have changed the old concept of accepting deposits and lending money. Use of technology by banks has increased the productivity very fast through automation of banking operations.

Techniques of e-CRM used by the banks :

The following techniques are used by Indian banks :-
1. Automated Teller Machines (ATMs)
2. Telex
3. Fax
4. Internet
5. Tele Banking / Phone Banking
6. Electronic Clearing Services
7. Online Banking
8. Infinet
9. Swift
10. Mobile Banking
11. Wireless Banking Services
12. Electronic Fund Transfer (EFT)
13. Total Branch Mechanization (TBM)
14. Data warehousing and data mining.

With the introduction, implementation and adoption of above techniques/instruments by the bank have totally revolutionized the functions, operations,
administration, decision making and management information system. All these techniques/instruments helped the banks in retaining the existing customers, attracting new customers, and provide lot of services with the help of these instruments to give them satisfaction. The detailed discussion of these are:

1. **Automated Teller Machines (ATMs)**:
   An ATM is a machine that can deliver cash to the customers on demand after authentication. This service is made available 24 hours a day. 7 days in a week and 365 days of the year through ATMs.

2. **Phone Banking / Tele Banking**:
   The face of banking industry has totally changed by the technology. Phone/ tele banking means carrying out of banking transaction through telephone. A customer can call up the banks help line or phone banking number to conduct transactions

3. **Internet Banking – e-Banking**:
   Net banking means carrying out banking transactions through the Internet. It comprises a variety of projects that aim to improve not only the bank’s efficiency, but customer service levels as well. E-Banking program allows customers to use the Internet for basic functions in corporate and retail banking and credit cards. Thus the technology has completed eliminated the need for branch.

4. **Mobile Banking**:
   Now banks help the customers to conduct certain transactions through mobile phone with the help of technologies like WAP, SMS etc. This helps a bank to combine the Internet and telephone and leverage it to cut costs and at the same time provide its customer the convenience.

5. **Total Branch Mechanization (TBM)**:
   Dr. Rangrajan Committee – II in 1988 had suggested TBM. Local Area Network has installed by banks at the major centres of the country to make all banking services available at single window to their customers.

6. **Electronic Funds Transfer (EFT)**:
   The RBI has introduced Electronic fund transfer technique for public sector banks to help them offer their customer money transfer service from any bank’s branch to any other bank’s branch. EFT system presently covers more than 4800 branches of PSB’s at four metro cities.

7. **Communication Technology (SWIFT)**:
   International banks and foreign investors has forms a cooperative organization SWIFT. It stands for Society for Worldwide Inter Bank Financial Tele Communication (SWIFT). It provides a computerized network for stage transmission amongst international banks in the member countries. This technology made available the fastest banking services/facilities to customers who are engaged in international business.

8. **INFINET and VAST Network**:
RBI has initiated Indian Financial Network (INFINET), a closer user group (CUG) to upgrade the country’s payment and settlement system in banking and financial sector. INFINET uses VSAT (very small aperture terminal) technology. Some of the major applications of INFINET in banking services/operation are listed below:

(i) e-Mail  
(ii) Any branch banking  
(iii) Treasury management  
(iv) EFT  
(v) Clearing and settlement system for securities – delivery/payment

9. Wireless Banking Services:

Wireless banking services is an imaging trend in banking. Wireless banking service enables one to manage their accounts with GSM/GPPS WAP (Wireless application protocol) technology to allow access to accounts more convenient, secure and flexible.

With wireless banking service the following operations can be performed:

- Check account balance and transaction details
- Make fund transfer to self or third party accounts
- Buy and sell foreign currency
- Trade securities
- Inquire mutual funds and securities trading a/c portfolio and account balance
- Personalized stock watch list to monitor stock price performance
- Inquire free real time stock quotes
- Inquire deposits / exchange / loan rate.

10. Electronic Clearing Services:

Electronic clearing service is a simple, reliable and cost effective solution for bulk and repetitive payment transactions like salary, pension, interest, commission, dividend etc. by public or private companies and government departments through banks.

11. Point of Sale Terminal:

It consists of two key components a computer terminal that is linked on line to computerized customer information file in a bank and a plastic magnetically encoded transaction card that identify the customer’s account is debited and the retailer’s account is credited by the computer for the amount of purchase.

12. Data Warehousing and Data Mining:

This technique is used to develop and use customer data to check their profile, retention and loyalty patterns. They provide valuable inputs for retaining customers and developing products and services for the future.

Thus from the above we found that the technology in banking has been used in four major ways:

- To handle a greatly expanded customer base
- To reduce substantially the real cost of handling payment
To liberate the banks from the traditional constraints on time and place
To introduce new products and services

Thus with the introduction of electronic banking banks are moving their focus of payment from the physical presence of money to the use of electronic money. Customer can perform banking transactions without having to step into the office of the branch. The bank which provides value added services and satisfaction to customers is bound to become winners in the market. By way of launching new products the banks are trying to make the “near” customer to “dear” ones.

Conclusion

e-CRM in banks has enabled banks to get a global presence. They become customer focused organizations by using the various electronic channels. These channels help the banks in understanding their needs and wants and providing them various services. All this make the customers loyal and happy. In this way with the utilization of various electronic, automated channels banks are making long term relationship with their customers and gets various benefits.
Thus e-CRM benefited us through:
  • Increased sales revenues
  • Increased convenience
  • Improved customer service rating
  • Decreased administrative costs
  • Ability to introduce new schemes at a faster rate.
  • Facility to the customer in his mobile business life
  • Improved speed of dissemination of information
  • Reduced subjectivity in operations

However there are some drawbacks which are common to all e-CRM dependent businesses. There is no personal interaction between the customer and the supplier. Businesses have become impersonalized with vary powerful means of communication like body language and judgement skills becoming non-existent. Banks are not able to gauge their customers at all since the complete process has become over the computer screen.

REFERENCES

2. Computing (2000), ‘IT playing only a minor role in CRM’ accessed on


