

Customer Analytics Improves Banks Performance: A Descriptive Study of Analytical CRM among Private, Cooperative and Nationalised Banks

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Abstract

The goal of the research is to study the functioning of customer relationship management techniques. This paper mainly focuses on use of various analytics used in CRM that can affect business development of private, public and nationalized banks. This study also proposed an integrated model for Analytical CRM which will improve business of banks.

Keywords: Customer Relationship Management, Business Development, Customer Analytics.

I. Introduction

Over a span India has paved the way for growth in key business areas such as finance, insurance and health. The 21st century in India is described as the beginning of scientific development in the areas of technology and the enrichment of knowledge. Management of relationships with customers involves customer activity which ensures differentiation at every service level by means of a distinct experience. [8]

The main component for a Bank to improve their customer and sales capabilities is customer relationship management. For banking organizations, customer retention is a major problem which demonstrates the significance of CRM practices. CRM operations are currently underway by the banks to improve the bank's strategy, growth, productivity and competitiveness.

II. Indian Banking

In today's global world and a market-driven economy, banks have been intermediaries between the demand and supply of the capital. India is home to many banks, including the public sector, the private sector, global banks, and cooperative banks.

Banking Industry in India functions under the sunshade of Reserve Bank of India - the regulatory, central bank. Banking Industry mainly consists of:

- Commercial Banks
- Co-operative Banks

For assessment of the performance of banks, the Reserve Bank of India categorizes them as public sector banks, private sector banks, and foreign banks

a. Technical Improvement in Banking

Banks need to take several specific decisions every day. We need trustworthy information to reduce the risks associated with them. For this reason, data centers are most often used in which all the necessary data are processed of business purposes.

When banks began to grow, it was often shown that each department has a different risk management system and that customer information is not consistent. And then the banks had to create a central system that would link all the different data stores. New requirements for IT systems now emerge from the time of centralized solutions such as open architecture, the need for company implementation of customized solutions such as credits or sales systems and the need for the convergence of financial group systems

III. Customer Relationship Management

CRM is an extensive approach that aligns business strategy, corporate culture and IT support so that customer relationships are mutually helpful to both customers and organizations. Expansion in communication tools, cutting edge technology and larger stage to communicate and influence, it is the sophistication of the CRM tools that make a major difference in the brands' valuation in the minds of its customers.

CRM can be viewed as both a development and a consequence of advancement. CRM frameworks could show up available because of development in innovation; then again they too could be considered as development. In contrast to other mechanical advancements, CRM can help banks rapidly and legitimately improve consumer loyalty and increment maintenance of significant clients. [10]

b. Relative importance of CRM in Banking

Banking being a service industry provides various products and services to a variety of customers. Customers are from different types such as individual, corporate, institutions, etc. The

customer relationship management was established as a common corporate strategy with cut-throat competition within the banking business. By using CRM, a financial institution is able to recognize the most relevant clients and priorities

CRM in banking is considered as one of the marketing strategies which establish a relationship with customers. CRM is not a product or service; it is an overall business strategy that enables companies to effectively manage relationships with their customers. [5].

Due to tremendous growth in the banking sector, it is necessary to increase customer profitability and retain customers. For the banking sector, relationship management can be considered as taking appropriate actions on various operations a customer is handling related to his product, service. Banking being a financial service sector, it is based on the trust of the people. Customer care centers can be considered useful to update customers about various products and services. Customer care centers along with relationship manager/department in the banking sector can take care of customers

c. Technical benefit of CRM in banking

Scalable CRM implementation is extended with establishing good bonds with customers so that the CRM system will collect data about customers. This data must be stored in a centralized place. In the ideal case of CRM, the bank's global database would have a customer history to share with customer service representatives all over the world so the customer could receive the best service and know that they are valued.

With the support of the Customer Life Cycle system as part of CRM, banks can use information technology to improve their knowledge of customer profiles, usage habits, and individual needs. All customer information that can be shared in the banking network can be stored in a central database. By introducing such a prevalent customer database, banks can provide the greatest service to

customers and can also expect excellent customer reactions.

IV. CRM performance measurement

To fulfill its expectations, customer relationship management should perform an integrative function within the bank and guarantee that all procedures are incorporated into the global strategy of the bank, which is far from the study's truth. It also proposes certain points for the implementation of the plan for CRM inclusion.[4]

Kim, H. S., & Kim, Y.G. suggests a performance assessment framework called a Customer Relationship Management (CRM) scorecard for diagnosing and assessing the CRM activity of a company. The CRM scorecard was developed through a rigorous and step-by-step development process that collaborated with several companies in a variety of industries[6].

A multi-item scale for measuring the customer relationship management effectiveness (CRME) in Indian retail banks was developed. It was used to examine its relationship with the key customer response variable.[7]

The rationale of the study

The rationale of the study is to investigate the working of Analytical Customer Relationship Management techniques. What is the role of analytical CRM in business development of bank? Indian banking has been facing competition after liberalization and globalization. Customer satisfaction is important in the growth of the bank. The researcher intended to find out whether there is any relationship between customer satisfaction and usage of CRM.

In the banking industry, due to the rules of the Reserve Bank of India and government policies, CBS (Core Banking Solutions) has implemented. CBS consists of software which performs core operations of banking such as recording

transactions, maintenance of passbook entries and maintaining customer records, etc.

Customer Relationship Management has shifted from CRM to e-CRM by integrating new software with CBS or using separate CRM software. Three pillars of CRM viz Collaborative, Operational and Analytical plays an important role in nurturing the customer relationship. Analytical CRM is used in back-office where a large amount of customer data is classified and analyzed systematically.

V. Objectives

The researcher has framed objectives of the present study after reviewing literature as-

- To study the working pattern of analytical CRM
- To study the impact of CRM on business development
- Comparative study of CRM in Nationalized, Cooperative, Private and Scheduled banks

VI. Research methodology

The purpose of this study is to explore the use of Customer Relationship Management methodology implemented in Private, Public and cooperative banks. Descriptive research approached the preferred methodology in this study

Research methodology must be rigorous in order to minimize errors in the collection and analysis of information. For data collection, the methods were chosen, namely surveys, telephone, structured and unstructured interviews.

The present study is focused on analytical CRM and its usage in the business development of banks. For this research, the researcher considers Nationalized, Private and Cooperative banks in Pune city.

d. Sample selection

The researcher has used a random sampling method for selection of sample i.e. target population. The researcher has attempted almost 30% of the sample

out of the total population. Random data sample of appropriate size is collected to ensure that sufficient data for all condition is obtained

Universe – Banker and Customers of banks

Sampling frame- Bank and customers of banks

Sampling unit- Employees of Private, Nationalized and Cooperative banks

Sample techniques- Simple Random Sampling

e. **Data Collection**

Primary Data Collection

A survey method is used to collect data. A pilot study was conducted for 16 banks and 50 customers. After the pilot study, the questionnaire was refined and primary data collection was done. Apart from regular questionnaire method, Experts Interviews were conducted for collecting primary data. For this research two separate structured questionnaires were designed for bank managers and customers.

- Bank Questionnaire mainly collects data about- CRM basics, Customer analytics, Service analytics, effectiveness of CRM implementation and business development
- Customer questionnaire collect information about services and products availed by customers and also overall satisfaction about banks

Secondary Data Collection

Secondary data was collected through various literatures like Research papers, Thesis, Journals, White papers/articles, Books on customer relationship management. Researcher also reviewed annual reports of banks, publications on Reserve Bank of India Website, etc.

VII. Integrated ACRM conceptual framework

After analyzing the data, the researcher identifies certain parameters for developing integrated ACRM. The proposed model will focus on three important phases of the Customer Life Cycle as Customer acquisition, customer retention, and customer expansion. It has been observed from the findings of the current study that the classification of the customer is mostly performed on a kind of transaction and frequency of transactions made by the customer. To understand customer's requirement more thoroughly and suggesting them an appropriate product, researcher identify following a list of parameters. The proposed ACRM framework will accommodate those parameters. Parameters are type of association with the bank and its duration, cognitive analysis.

f. Customer Life Cycle and CRM

The customer life cycle and CRM has a strong association with each other. Customer Life Cycle (CLC) is a process that covers the stages from customer initialization to customer satisfaction or dissatisfaction with the service provided by customers. CLC focuses on the products and services required by customers throughout the customer's life cycle. CLC can be used as the steps that the customer takes while considering, buying and using a product. It can be effectively split into various steps, such as reach, acquisition, transformation, retention, etc. It can be defined more simply by progressing from receiving a potential customer's attention, showing them what you have to offer, making them a potential customer and keeping them as a customer for life by ensuring satisfaction.

Customer acquisition—This is the method by which our customers are attracted to their first purchase. Our customer is acquired.

Retention of Customer—Our client returns and for the second moment buys from us. As a client, we hold them. The acquisition of a comparable product

or service or the next stage of the product or service is most possible.

Extension of the Customer—our clients come back from us continuously. We present our loyal customers with products and services not entirely linked to their original purchase. These are extra purchases. These are additional. Naturally, our goal

is to maintain our loyal clients as a client of the extended product or service once we have purchased them.

g. Conceptual Framework

This conceptual framework comprises of 4 different components. Following Fig.1 describes components of suggested ACRM framework.

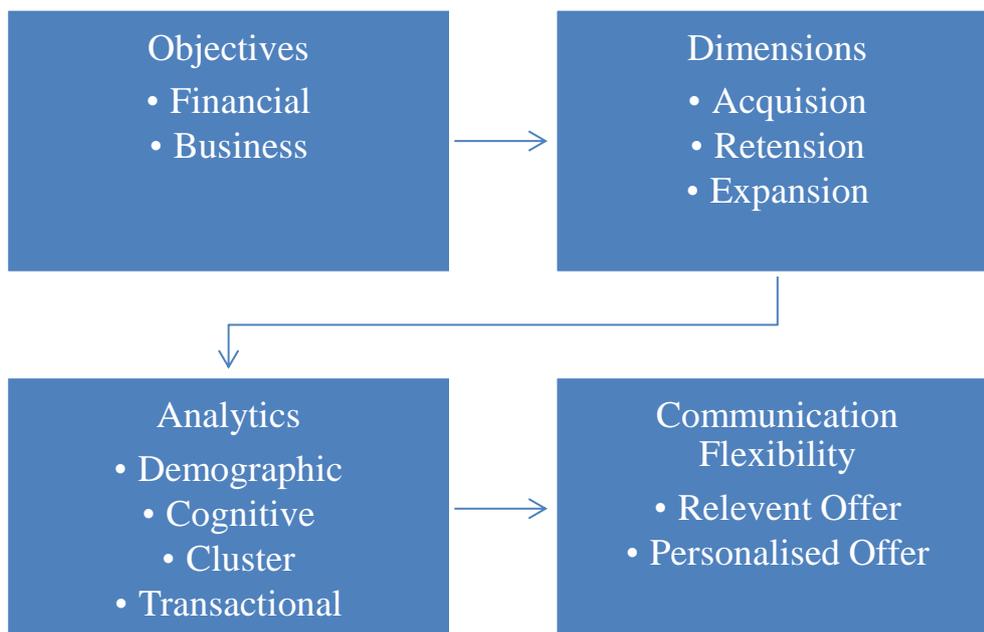


Figure 1 Conceptual Framework

Objectives are defined based on the vision of the bank. Objectives can be categorized as financial objective, customer-centric objectives or objectives set to enhance business to maximize profit. The bank is a customer-centric organization, so three dimensions of customers must be addressed viz customer acquisition, customer retention, and customer expansion. Analytical CRM models will help the bank to acquire new customers as well as helps to increase the level of customer satisfaction. To improve business development, everything about the customer must be known. We call this analysis as Customer 360. This module tries to analyze customer data in all possible dimensions. According to primary data collected from bank employees, the most commonly used segmentation

criteria are default parameters provided by CRM software. Customization in the classification parameter is not possible many times. This drawback of existing CRM is resolved in this integrated CRM. Here we are increasing depth and breadth of analyzing customer data by introducing new classification as cognitive analysis, loyalty analysis, and demographic analysis. This model performs need analysis of customers and generates reports and transferred data to interactive dashboards. This output can be used for deciding new market strategies or update existing campaign strategies. Based on this analysis bank will able to offer relevant offers and personalized offers to the customer. A customer shares their feedback based

on their experience. Such feedbacks can be used in social CRM for customer expansion.

h. Advantages of ACRM

Analytical CRM is a solid and consistent platform that offers analytical applications to help predict, scale and optimize customer relationships. The advantages of using and implementing analytical CRM are outlined below-

- This leads to making a more profitable customer base by providing high-value services.
- It helps in retaining profitable customers through sophisticated analysis and making new customers that are clones of the best of the customers.
- Helps in addressing individual customer's needs and efficiently improving the relationships with new and existing customers.
- Improves customer satisfaction and loyalty.

VIII. Conclusion

The present study concludes that nationalized and private banks are using CRM effectively but they need to explore more in customer analytics and service analytics. Whereas very few cooperative banks have implemented separate software for CRM rest of cooperative banks still using traditional data analysis.

The suggested integrated ACRM conceptual framework can be easily integrated into the existing banking system which will help to analyses and understand customers thoroughly. Customer satisfaction is very important in the current competing scenario for all types of banks. Providing the right solution at the right time is a key mantra for improving customer satisfaction which in turn reduce churn rate.

Banking sector is switching to CRM solutions for leveraging the applications to manage and grow in an effective manner. Cloud computing in banking

sector can achieve better result in developing relationship banking. A further study can be conducted on improving customer relations using sentiment analysis of social media data

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