Introduction
CHAPTER I

INTRODUCTION

CUSTOMER RELATIONSHIP MARKETING (CRM)

Customer Relationship Marketing is the establishment, development, maintenance and optimization of long term mutually valuable relationships between consumers and the organizations. Successful customer relationship marketing focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes.

At the heart of a perfect CRM strategy is the creation of mutual value for all the parties involved in the business process. It is about creating a sustainable competitive advantage by being the best at understanding, communicating, delivering and developing existing customer relationship in addition to creating and keeping new customers. So the concept of product life cycle is giving way to the concept of customer life cycle focusing on the development of products and services that anticipate the future need of the existing customers and creating additional services that extend existing customer relationships beyond transactions. The customer life cycle paradigm looks at lengthening the life span of the customer with the organization rather than the endurance of a particular product or band. A good customer relationship marketing program addresses to the changing need of the customers by developing products and services that continuously seek to satisfy the lifestyle and need patterns of individual customers. Organizations tend to acquire a structure around customer segments and not on the basis of product lines to deliver customer satisfaction.
Customer relationship marketing (CRM) is a term for methodologies, technologies and ecommerce capabilities used by companies to manage customer relationships. The traditional database marketing captures customer information including demographic and psychographic data that helps the marketer to develop suitable target marketing strategy, to forecast demand, to determine type and quality of service required by customers and to build strategy for market entry, diversification and expansion. This macro marketing view has led to look at database for building strategic links for the benefit of the organization and customer in the face of rising costs and competition. The purpose of every business is to create and keep customers. It is imperative that today's corporations should view the entire business process as consisting of closely held integrated efforts to discover, create, arouse and satisfy customer needs. Customer relationship marketing is now actively considered by organizations across the globe as an integration of database marketing with technology enabled strategy.

A CRM strategy is based on the age-old idea that knowing, understanding and serving the customer is the best method of developing a sustainable competitive advantage. However building a sustainable and successful relationship with a large customer base is not the easiest thing to do and carries a direct impact on many core operational processes from development of new products to faster entry into the markets. The modern information technology allows larger organizations to individualize their products and services as per the varying degrees of the customer's needs.

In recent years customer relationship marketing is being enlarged to include an integrated perspective on marketing, sales, customer- service, channel management, logistics and technology for engaging in customer satisfaction. Practitioners are calling it Relationship Marketing and are
interested in all aspects of interactions with customers to maintain a long-term profitable relationship with them. They are very keen on learning about the programs, strategies, processes and technologies that would be applicable for effective customer relationship marketing in the new millennium. Today's businesses are facing fierce and too aggressive competition while operating in both domestic and global markets. This diverse and uncertain environment has forced organizations to restructure themselves in order to enhance their chances of survival and growth. The restructuring efforts have included, among others, the emergence of the "new paradigm" which is commonly referred to as Relationship Marketing, which is coined to reflect a variety of relationship marketing activities.

CUSTOMER RELATIONSHIP MARKETING IN SERVICE INDUSTRIES

Globalization and deregulation, combined with advances in information technology, have radically changed the managerial context of service industries. Though the origin of customer relationship marketing was initially in the industrial context, the service industry is also focussed on maintaining and enhancing customer relationships. Services are produced and delivered by the same institutions. Success of a service provider is dependent on long term relationships that develop between the provider and customer of the service. A greater emotional bond and trust between the service provider and service user develops a need of maintaining and enhancing relationship.

Berry (1983) defines customer relationship marketing as attracting, maintaining and enhancing customer relationships in multi service organizations\(^1\). Berry and Persuraman, (1991) propose that customer relationship marketing concerns attracting, developing and retaining customer
relationships. Berry stressed that the attraction of new customers should be viewed only as an intermediate step in the marketing process. Marketing should be considered as solidifying the relationships, transforming indifferent customers into loyal ones and serving customers as clients. He outlined five strategy elements for practicing customer relationship marketing: developing a core service around which to build a customer relationship, customizing the relationship to the individual, augmenting the core services with extra benefits, pricing services to encourage customer loyalty and marketing to employees so that they, in turn, will perform well for customers.

It is a consensus that the relationship between the firm and its customers is critical to their firm's survival and success. As pointed by Lovesick (1983) many services by their very nature require ongoing membership. (e.g. Insurance, Banking etc). Even when membership is not required, customers may seek on-going relationships with service providers to reduce perceived risk in evaluating service characterized by intangibility and credence properties. Customers are more likely to form relationships with individuals and with organizations they represent than with goods (Berry, 1995). Put in simple terms, "Services are deeds, processes and performances". Services are performances where the employees play a major role in shaping the service experience. The service setting is especially conducive to customers forming relationships with individual service providers.

Inseparability is widely cited as one of the distinctive features of services. The fact that services are produced and consumed simultaneously means that it is common for customers to have a direct input to service provision. For service businesses, strong customer relationships are important because of their inherently interpersonal focus and relative lack of objective
measures for evaluating service quality. Previous empirical research has focused on the benefits of customer loyalty as viewed from the perspective of the firm, typically in business-to-business contexts. Loyal customers can lead to increased revenue, result in predictable sales and profit streams and are more likely to purchase additional goods and services. This typically leads to lower customer turnover and often generate new business for a firm via word-of-mouth recommendation. In addition, a loyal customer base can lead to decreased costs. Loyal and satisfied customers are likely to cost less to service, whereas sales, marketing and setup costs can be amortized over a longer customer lifetime.

Customers who have developed a relationship with a service expert expect to receive satisfactory delivery of core services. There exist different types of relational benefits through effective customer relationship marketing. Customers derive social benefits from long-term relationships with service providers. In addition to the benefits received from core service, a kind of friendship often occurs between customer and service providers. This also leads to a psychological impact and a relational benefit to the customers. Customers realize that there is often a comfortable feeling of security in having developed a relationship with a provider.

The feeling of reduced anxiety, trust and confidence in the provider appear to develop over time and only after a relationship has been established between customer and the service providing organization. The economic influence of discounts or price breaks is significant to those customers who have developed a relationship with the organization. For their regular customers many service providers may tailor their service to meet particular needs. In some cases customers may perceive this as preferential or special treatment.
Relationship marketing as a concept is widely embraced by industrial marketers, today its time for relationships, particularly in business markets (Morris, et, 1998). Dwyer (2001) explains business marketing as the marketing of products and services to other companies, institutions and other organizations. Business marketing also includes marketing of product and services that facilitate their operations. He further argues that business marketing is unique and has several characteristics including shorter and direct channel of distribution, more emphasis is on personal and direct selling, web is fully integrated, and buying processes is complex resulting in unique promotional strategies.

In contrast to consumer markets, there are very few industries and very close personal relationships between the buyer and the seller in business markets. Since it is difficult for the companies to shop around when making a purchase; they want to make sure that the product fits their requirements and will be available when required at the right cost. Therefore many organizations enter into long-term contracts with its suppliers by building long-term relationships that enable buyers and sellers to plan jointly, and work closely to secure the future for both companies (Dwyer, 2001).

Dwyer (2001) looks at business customers as organizations that buy, directly or indirectly, goods and services for their own use. Dwyer (2001) sorts out four types of business customers as firms that consume the products or services, government agencies, institutions, and firms that purchases and resells the products. Business customers that vary in size from small to large are geographically scattered and are fewer in number.
CRM – Relevance in Service Industry

Few years ago, major players in the service industry such as retailers, bankers and auto dealers had real customer relationships. They knew their customers personally, understood what they wanted, and as best they could, satisfied their needs through personalized services. As a result, they earned loyalty and a large share of their customers business. But this was a costly and inefficient system, and eventually it gave way to mass marketing. Customers traded relationships for greater variety and lower prices.

Today, decreasing IT costs enable companies to offer both. American Airlines gate agents, whom one has never set eyes on, know that each traveler is a valuable customer and upgrades that person to first class in preference to a once-a-year holiday traveler. Auto dealers remind their customers when their car is due for service. USAA sends its client’s daughter information about learning to drive just after her fifteenth birthday, when she is about to sign up for driver’s education. Nordstrom sales reps call on their clientele when their favorite airline arrives. And Hertz takes their regular customers reservation on a dedicated line, and then presents them with a waiting rental car complete with the customer’s name in lights. Nordstrom, Disney World, McDonald’s, Amazon.com, and Marriott differentiate their retail offerings, build customer loyalty, and develop a sustainable competitive advantage by providing excellent customer services. Good service keeps customers returning to a retailer and generates positive word-of-mouth communication, which attracts new customers.5

These companies are practicing elements of a new approach to marketing that uses continuously refined information about current and potential customers to anticipate and respond to their needs. Done well, this
approach rests on a clear understanding of individual customer’s economic potential.

Yet there is hidden tension in this trend toward what is called continuous relationship marketing (CRM). Marketers can now obtain all kinds of new information about their customers, and IT makes it easy to slice and dice this data in a thousand different ways to produce a welter of marketing options. Yet, none of this is a substitute for the skills of the classic marketer and general business manager – or for simple, sound business insight. Hertz, USAA, and Nordstrom are successful because they understand their customers, competitive position, and profitability, and they have figured out practical ways to gather information and act on it quickly. This has been made possible due to the effective use of CRM tactics and correct implementations of CRM policies in all these organizations.

Today’s reality is shaped by declining market shares, caused by various factors such as deregulation, product commoditisation, heavy price competition, and smarter, more demanding consumers who are armed with more information and more buying choices than ever before. In the new economy, companies are finding it difficult to rationalize their various marketing efforts based on old economy model. Thus companies are embracing the information revolution and are maintaining customer databases to target their marketing activities to specific segments. This involves a shift from traditional marketing to Interactive marketing, and the effective use of CRM in the top players of the service industry.6

How successful a player in the service industry will be, in this new electronic environment, depends on its efficient use of customer data made available by an integrated CRM system. To implement CRM successfully,
service companies need a well-planned strategy that takes the following into account:

Knowledge of customers: Do not look at customers through different lenses. Take a holistic view. Retailers have traditionally segmented customers by geography, product/service preference, or a combination. Companies typically treated customers that fell within identical segments the same. However, two customers, live in similar areas, are bound to have distinct product preferences and, more importantly vastly different spending habits. Retailers need to break down their traditional customer segmentation into smaller compartments to better understand customer’s habits, preferences, and desires.

Understanding of information inflow: A service organization’s information flow among departments need to be mapped from the customer perspective. Service players need to eliminate departmental division of data and instead find ways to allow information to be shared throughout the company in order to deliver customer service more efficiently.

Be prepared for a cultural change: CRM is actually more of a business philosophy than a technology. The inherent culture in a service organization has to change to become customer focussed. Traditionally service companies focussed primarily on products or employees. In today’s self-service environment, service players need to concentrate more on customer requirements and offer product/services accordingly. Such an emphasis on personalized marketing has to be supported by top management.

Be proactive in anticipating customer needs: Response time to market keeps shortening, giving companies relatively little slack time. In today’s
competitive world, customer loyalty is becoming a retailer’s most valuable commodity. Implementing intelligent customer knowledge management systems to anticipate consumer requirements can be a key factor in helping companies to be proactive and retain valuable customers.

Service players who do not begin to take their customer relationships seriously could find themselves trailing behind their competitors. Managing customer relationships more effectively can help these service companies promote better customer loyalty, increased profitability and gain a competitive advantage.

CRM IN THE FINANCIAL SERVICES INDUSTRY

In today’s deregulated world, members of financial services industry are continuously forced to seek new ways to gain on their competitors and to outdo one another in terms of effectively reaching out to retail customers’ demands for increasing sophisticated financial products and services. As they have moved away from traditional broad based marketing to retail relationship service provision to attract and hold customers, to cross-sell products and most importantly to turn customers to avail of multi products and services, CRM is of utmost importance to financial services industry for survival and growth. To keep customers in today’s competitive environment, financial institutions are increasing the depth of relationship through implementation of customer relationship marketing programs.

A successful customer relationship marketing program in financial services addresses four key areas of business: strategy, people, technology and process. The processes in the organizations are the drivers of change that give direction to the organization. The strategic direction moves the two
enablers, people and technology and their systematic interaction leads to a successful customer relationship marketing programs. Knowledge focused organizations collect data on their customers to provide them with a framework to build an understanding of their market. Innovations in technology has played the role of an enabler in capturing customer data, in developing an ability to store, share, analyze and transfer vast amount of data at low costs. Growth in the use of sophisticated databases, data warehouses and data mining software applications make it possible for organizations to analyze behavioral patterns, individual levels of profitability and life time value of their customers.

In a financial service industry it is unusual to find website interactions in one data-base, lease agreements in an administration system, call center history in another and payment history in accounting system. Though difficult to do integrating such a huge information system can provide valuable insight into financial customers' behavioral pattern, preferences and signals for intended behavior. Advanced data analysis models can provide valuable information on customer behavior and can help in projecting behavior in a more accurate way about the likelihood of purchase of specific products and services, the next best offer on information and the probability of defection to the competitor brands. These models are customized to that organization's business domain and customer behavior and are not based on any behavioral or non-behavioral correlates but are purely based on actual interactions of customers with financial institutions.

Customer relationship management delivers value to the business organizations. Finding out the type and nature of customers, their buying patterns and delivering a product of their choice increases the return on
investment and makes the marketing strategy more scientific and goal driven. The paradigm is based over assumption that creating satisfied customer always serves as a sustainable competitive advantage for the organization. Analysis of customer interaction history by using database helps in figuring out customer’s apparent need.

This allows the marketing planner to target groups of customers that have demonstrated interests in the products and services promoted by a financial service provider and subsequently to identify groups of prospects who appear similar to the first target group and might respond to the financial services positively when offered. Intelligent analysis of customer data provides the mechanism for managing meaningful relationships with customers. Data analysis can direct the strategic marketing communication, the standardization of service quality delivery, establish a basis for meaningful interaction through either personal or web based dialogues, the development of quality financial products and a large number of outcomes that can be translated in to long term profitable relationships with the sustainable source of revenue i.e. Payments by customers.

Management of customer value in financial services industry is a cyclical process, which starts with definition of customer actions. With liberalization and entry of international players, the discerning customer’s expectations has begun to change in terms of quality and service. Understanding of customer base by analyzing existing customer data can provide information about various segments either on the basis of customer usage rate or customer choice, behavioral characteristics profitability and customer attrition rates. Customer expectations are difficult to manage and so understanding of customer expectations with regard to service delivery levels and product quality is essential if a long term and symbiotic value
relationships are to be established. Banks that wish to succeed and stay ahead must systematically build a structure that aims at providing total quality customer service (TQCS)\(^8\).

In this difficult situation CRM is an opportunity that banks can avail to rise above minor advantages by developing actual relationships with their customers (Bose, 2002)\(^9\). Company committed to CRM must continuously invest in its relationship with its customers, because it is the only competitive advantage remaining to an organization (Xu, 2002)\(^10\). Often companies have to change their internal business processes, and exploit human and organizational resources (Xu, 2002), in order to manage good relationship with their customers. Institutional success lies in the secret of successfully delivering customer oriented product or service to every customer (Bose, 2002).

**CRM AND OPERATIONAL DIFFICULTIES**

The Financial Services sector has experienced many upheavals in the past decade. Most of the developing countries in the world including India are opening up their economies for globalization and liberalization and consequently reform process has been initiated. In such a market oriented economy banks have to respond to the requirements of the market. Persons marketing with the banks will also be expected to adopt a new approach to the market. They will need to re-orient themselves to cope up with the new environment. In a regulatory environment the bankers strive to satisfy regulators, whereas in a market environment they strive to satisfy customers. As a result of these changes Marketing Management is emerging as an important area in the business activities of banks. “Marketing is a management process that involves understanding and satisfying customers’
financial requirements, better than the competitors’ profitability.” Marketing is a holistic way of doing business with customers as the central focus. Marketing is all about customer- satisfaction and profit generation through customer satisfaction.

Due to the liberalization of the economy, the competitive climate has been changing in the Indian Financial markets. Far-reaching changes have been taking place in government regulations and technologies.

Information technologies like Internet, e-mail, telephone, interactive TV etc, are going to change the way of doing banking business in the future. At the same time, the awareness and expectations of customers are also changing. As the banking industry continues its transition from a regulated to a deregulated environment, all types of changes are required. The most important change is focusing on the customers. The major change which is difficult to understand is that in the regulated environment banks have to satisfy the regulations and in the deregulated environment banks have to satisfy customers.

In response to the changing market, good marketing refers to managing change. To put it more specifically, initiating change that is within the control of the bank and adapting to change that is beyond the control of the bank. Internal adaptation to external changes is the only viable option open to banks that desire better economic success in a constantly changing market. Market which consists of customers is constantly changing. The speed of changes may differ from country to country or in a vast country like India from region to region. With changing market requirements the bank has to change its offering to its customers. Bank’s culture, organizational - attitudes, systems &
procedures & technology are required to change as per the requirement of the world.

In response to the changing market scenario the whole bank has to respond with,

- new products
- modification of old products
- new system and procedures
- new technology
- new organizational attitudes

A bank has to identify the future requirements of their customers. In the changing market the customers require better, faster, cheaper and newer products and services. The real challenge is that the banks have to satisfy their customers better than the competitors. Successful organizations place primary importance upon their customer’s requirements. From the business point of view a bank cannot exist without their customers. Every bank that wishes to stay in business needs to attract and retain enough customers, no matter how efficiently it operates. This means that the customer should be the central focus of all activities of the bank.

A customer focused organization looks at all its activities and output from the point of view of the customer and aligns all its activities to maximise customer satisfaction. Customer focus is one of the most important characteristics of a successful organization.

The most important aspect of a customer-focused organization is related to the organizational attitude. Customer focus is an attitude that
permeates the whole organization. Customer focus depends on the actions of everyone working within the organization. Bureaucratic attitude should be out and customer focus should be in. This brings us to corporate culture. An organization with corporate culture that focuses on meeting customer needs in a rapidly changing market place will deliver quality solutions to its customers. Customer focus is the key to best business practices enhanced by a touch of management humility. Lobue & Berliner (1997) found when they studied the best business practices in banking around the globe that “customer focus” -not level of technology – is the tie that binds those business practices around the globe.

**Changing the way of banking in India: CRM in Indian Banks**

During the nineties and thereafter, Indian banks have been subjected to financial sector reforms on line with many developed and developing countries. As a corollary, they have been attuned to international practices and standards. These include international accounting standards, RTGS (Real Time Gross Settlement), Basel Accords, risk management, e-payments, Internet and mobile banking etc. As a response to the demanding situation, they have adopted a variety of measures like transformation in structure, systems, people, processes and technology. The technology has been the main facilitator in this process of transformation. This is because of financial integration of banking, insurance, and capital market on one hand and globalization of financial sector on the other.

The information technology revolution has brought about a fundamental transformation ushering in, as Alvin Toffler describes it, the fourth wave. Perhaps no other sector has been affected by advances in technology as much as banking and finance. It has become the most important
factor for dealing with the intensifying competition and the rapid proliferation of financial innovations. It has enabled, in general, raising the efficiency of financial intermediation in the face of ever-rising volumes of transactions, falling margins and more empowered customer expectations. In particular, there are four or five key areas in which the financial system has experienced the benefits of the technology revolution: product development, market infrastructure, risk control, and expansion of financial market beyond national borders heralding the end of geography. In the process technology has changed the contours of three major functions of financial intermediaries: access to liquidity, transformation of assets and monitoring of risks.

We have come a long way from brick banking to click banking. Gone are the days when the customers stood in long queue with anxiety for their turn to come for their various banking needs. We have now moved slowly towards anywhere, anytime and anyplace banking.

It means that, today, banking has no time or place constraint resulting in timeless and placeless banking – ultimately, the banking at convenience. The new instruments like debit cards, credit cards and electronic purse are slowly replacing the traditional financial instruments (Cheque, Demand Draft etc.) increasingly. The electronic cards may replace the currencies in the coming days.

Since the liberalization of the banking business, the competition has been increasing than ever before. The entry of new generation Indian Banks and the foreign banks has totally changed the situation. As the adage goes “necessity is the mother of inventions” everyone is trying out with innovative products and services to lure the customers. It all started when some banks tried to distinguish and position themselves with innovative technology in
various banking functions. Going down the memory lane one would recall about 15 to 20 years back it used to be a Herculean task for an average individual customer to get either a personal loan or a consumer loan sanctioned from a Public Sector Bank (PSB). A few enterprising branch managers of the Government owned banks at that time used to virtually sweat it out to get these type of loans sanctioned from their senior officers as a special case by linking them to mobilization of high value deposits or big ticket institutional business. Quiet contrary to this picture, last four or five years witnessed a sea change in the approach of every PSB towards the area of financing individuals and consumers for a variety of purposes. This phenomenon can be termed as a major “Paradigm Shift” in the annals of Indian Banking\textsuperscript{14}. When a paradigm shift occurs there is a necessity of adapting to the change in order to remain in business. On the other hand, resistance to change may be disastrous certain times, resulting in business empires getting buried fathoms deep as experienced by Swiss watch industry which failed to accept innovative suggestions of their own staff and switch over to quartz watches.

CRM is the latest catchword across the banking industry all over the world. Special CRM foundations are being set up to provide a platform for organizations to share CRM practices. The new mantra of CRM is that it provides complete solutions to the institutions. It includes technology, processes, systems and most important human resources. CRM provides solutions in terms of quality, cost & delivery while bringing together the man and the machine. The name of the game is “Have a strong customer base or perish”. Banks are willing to go to any extent to achieve this. Some interesting CRM practices are listed below.

Interiors are a part of marketing efforts of banks these days to bring in retail customers and hold on to them. There is a bit of lifestyle in banking these
days. Plush air-conditioned interiors with soft sofas to sink into creating warm interiors make banking a pleasant experience. Since the focus on banks has shifted to retail customers, from corporate customers, the good interiors are aimed at loan services, seeking savings account holders and creating a far more personalized relationship. The customer loyalty increases when they are treated in a warm exclusive anteroom rather than over the counter.

The Vice President and Head of a Gulf based foreign bank in India feels that banks have to follow the basics of a hotel/airline industry to put customers at ease and in an environment he/she relates to. Some of the countries oldest Private Sector Banks have made revolutionary change and launched products just to offer quality service to customers.

Executive Vice President of old Private Banks says it is “the age of value addition.”

There is a new challenge for banks to get innovative with their products such as:

- Barrister coffee being served to customers of some banks. With the advent of Information Technology, ATM and Net Banking is becoming a reality. Many Indian Banks have introduced AAA - Anywhere Anyplace Anytime Banking. An account holder can transact business anywhere in the country in select branches.

- Some foreign banks have started displaying works of Art of famous artists just to create a difference.
• The loan seekers need not make trips to the bank. Today the bank is going to the doorstep of prospective loan seekers and offers him different repayment options.

• No more going to banks and referring files for all transactions because today banking is literally made paperless and banks are becoming building-less\textsuperscript{15}.

In the backdrop of the CRM influence of banking in India it can be seen that major changes await Indian banks. The remarkable growth story of the Indian banking market is appreciated globally now\textsuperscript{16}. Between 2000 and 2005, the total assets of the industry grew from $265 billion to $520 billion; profits grew from $1.7 billion to $5 billion. Current projections suggest that in 2010, industry assets would exceed $1 trillion, with total profits pegged over $10-$12 billion.\textsuperscript{17}

This growth has been on the back of retail assets that have grown from $9 billion in 2000, to $66 billion today, and are projected to grow to a staggering $320 billion in 2010. The market share shifts that are likely to result are not as well appreciated; these share shifts need to inform banking policy much more. The graphic captures a fairly dramatic shift in bank asset shares in the Indian market. The new private sector banks have stolen shares not just from nationalized banks including the State Bank of India, but equally from foreign banks and old private banks.

Today, they collectively hold 13 per cent of the market. Should they maintain their 2000-05 growth rates, they will have about 28 per cent share of the market by 2010. The three top players would have grown at about the same speed as the much-celebrated IT industry in India. The equity markets have also recognized and rewarded these players and currently have the
highest-priced earnings multiples amongst banks globally. If one were to project future growth of private sector banks at the same pace as the past five years, ICICI Bank will overtake SBI as the largest bank in India. They have assumed only a 41 per cent CAGR for ICICI and not the 70 per cent rate it had grown at over the past five years. At that growth, it would have a market share of over 18 per cent of the market. What is even more startling is that there would then be three private sector banks in the top six banks in India by asset size in 2010. Such a remarkable, largely organically-based market share shift would require policy attention from the powers that be. The two biggest foreign banks - CitiBank and Standard Chartered - and the foreign bank segment as a whole, have bagged the market in terms of growth.\textsuperscript{18} Indeed, with lower technology and factor costs, lower profit aspirations and easier distribution licensing, Indian private sector banks have taken a share away from foreign banks, too.

Hence it is clear that the battle for the consumer which started twenty years ago is effectively being fought by effective implementation of CRM. Thus the CRM Journey helps financial services companies get closer to customers. Central to its thinking is that CRM is not merely a technology concern but a people one. Profound change in the structure of the financial services market will bring many organizations closer to customers.

**Justification of the study:**

Indian business houses have realized that customer focus holds the key for survival and growth. This has turned out to be mandatory in organizations delivering service. That is, from the days of making customers to reach the point of delivery, today service organizations have to reach the customers to deliver. This necessity has brought about a significant shift in the delivery
process and the mechanism relating to the same, warranting uncompromising and critical evaluation of the process and the mechanism on a continuous basis.

One of the high customer contact business is banking. Traditionally banks were merely accepting deposits and lending loans and advances, without examining the delivery process. As a result the customers’ response to banking services was not supportive. As banks in Indian context remained mainly in the government fold [i.e., nationalized banks], quantitative banking was given importance and not qualitative banking. With foreign banks and private sector banks entering the scene, they added a new dimension to banking services. These banks realized from the beginning, that they have to be customer-centered, to survive the competition from the nationalized banking segment. Customer focus has turned out to be a compulsion and not an option for these banks. One of the important ‘unique selling propositions’ that they have to device is customer relationship based marketing initiatives. Once the liberalization has happened, the nationalized banks in India faced a compulsion to be customer oriented to survive and maintain growth.

Another major factor which made customer relationship marketing a mandate is the technology. As technology could make a significant difference in service delivery process adding strength to the banks, every bank had to reposition itself with technology driven delivery process. In the post-liberalization era, customers preferred banks which could offer them facilities to access their accounts and do banking throughout the day. Though this shifted the banking environment from ‘personalized banking operations to remote banking operations,’ yet the new delivery mechanism has gained universal acceptance. In this context, customers sought the banking services as a matter of right rather than an obligation. Hence, each bank had to offer customer support service on a round-the-clock basis. In all these, banks have
to fulfill customers' expectations and deliver highest possible quality services. Hence the shift from 'quantitative banking to qualitative banking' happened. Hence banks had to analyse the business situation and understand the real requirements for automation (Xu, 2002).

In this difficult situation, as Xu pointed out CRM is an opportunity that banks could avail to develop actual relationships with their customers. A banking company committed to CRM must continuously invest in its relationship with its customers, because it is the only competitive advantage remaining to the bank. Often banks have to change their internal business processes, and exploit human and organizational resources, in order to manage good relationship with their customers. Institutional success lies in the secret of successfully delivering customer oriented product or service to every customer.

In the light of the changing banking environment explained above, study of relationship marketing in the banking industry is well justified.

This study is focused on the strategy for managing ever-increasing challenge of achieving customer satisfaction and through that retaining the customer base. In India the banking industry has multiple categories, relevant and timely customer relationship marketing efforts initiated and pursued by the banking institutions is the very essence of survival of these varied players. The challenges and opportunities related to a banking operation or transaction, faced by the common man who is also a bank account holder / customer has to be analyzed at length. In this context, the status of customer relationship marketing in different categories of banks differs which has to be assessed at periodical interval. This would facilitate the banking institutions to review their approach to make it more effective and help to retain customers. Hence, this study was undertaken to assess the status of customer
relationship marketing and indicate the direction in which the banking institution has to position itself to remain competitive and grow.

**Justification for the area selected for the study**

The metropolis region of Chennai City, the capital of the state of Tamilnadu, was taken as the area of the study in order to get an insight into the factors and challenges faced in the CRM ventures adopted by the banking industry. Chennai is truly representative of the potentials and challenges of banking faced by the rest of the country. The demographic, social and economic complexities of Tamilnadu with its vast population of different classes of people, economic status and literacy rates is representative of the general banking class of customers in the Indian context.

Tamilnadu has seen the growth and success of many banking enterprises for all categories of banks and especially those chosen for the study. Each of the nine banks chosen for the study, from among the three categories of Public, Private and Foreign banks have more than three branches and Regional Head Office in Chennai.

**Objectives:**

This study aims at assessing the relationship marketing strategies followed by banks and to determine the effect of these strategies on service quality as perceived by the banks customers.

Research (questions) objectives of the study

- To identify the factors influencing customer relationship marketing strategies adopted by the banks
- To determine the levels of customer satisfaction relating to the quality of service rendered by the banks
• To examine the extent of customer retention in banks and to determine the factors affecting the same.

• And based on the above to suggest policy-options for improving customer relationship marketing efforts.

The above objectives are measurable in terms of: a] analyzing and mapping the components of strategies and relating them to the customer relationship marketing outcome in selected banks, b] measuring the customer satisfaction about the quality of service delivery, through satisfaction index and c] analyzing the size of customer database to measure the customer retention rate.

**Limitations of the study**

• The study was confined to the geographical area of Chennai metropolitan region and included only the respondents drawn from in and around Chennai.

• The respondents were drawn from various backgrounds, age groups and income level, and the responses are subjected to recall bias.

• The policies suggested based on findings and conclusions of this study need to be placed in proper perspective before being applied elsewhere.
Structure of the Thesis

This study is divided into the following chapters:

Chapter I: Introduction. This Chapter provides the focus, objectives, scope and limitations of the study. It introduces the global scenario of CRM in banking highlighting the relevance and need for CRM in modern banking business.

Chapter II: Review of Literature: This Chapter explains the research previously undertaken along with the concepts, experiences and tools adopted as CRM initiatives and challenges faced by the Financial Sectors Market in the context of Banking.

Chapter III: Profile of the selected banks: This chapter highlights the profile of the banks selected for the study. It throws focus on the strengths and capabilities of the ten banks adopted for the study.

Chapter IV: Methodology: In this Chapter the Methodology adopted for the study, the details of sampling and data collection undertaken for the purpose. It also spells out the justification for the study and the objectives as well as the limitations of the study.

Chapter V: The Results and Discussions: The discussion on various results emerging out of the analysis of the data collected for the research is presented in this Chapter.

Chapter VI: Summary, Conclusions and Policy Options: The summary of findings, conclusions based on the results of analysis and the policy options stemming out of such analyses are presented in this Chapter.
END-NOTE REFERENCES


6 Jagdish N.Sheth & Atul Parvatiyar, “Handbook of Relationship Marketing” (Evolution of Relationship Marketing) pg. 199 (Dec 22,1999)


14 Kalyan Swarup & Mukta Kamplikar-“Managing Innovations in Indian Banking; Process Re-Engineering for Competitive Advantage”, Compendium of Conference Presentation and Published Papers by NIBM Faculty, Vol. 1, April- Dec2002.
15 Dr. Sharada Kumar & Dr. Ramachandra S.T. - CRM- Emerging Strategies, IBA CH BHABHA, Research Scholarship and Award Scheme, 2001-2002.


