

## CRM Practices in Oriental Bank of Commerce and HDFC Bank – A Comparative Study

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### **Abstract:**

*The idea of Customer Relationship Management (CRM) is that it helps businesses use technology and human resources gain insight into the behaviour of customers and the value of those customers. If it works as hoped, a business can: provide better customer service, make call centers more efficient, cross sell products more effectively, help sales staff close deals faster, simplify marketing and sales processes, discover new customers, and increase customer revenues. It doesn't happen by simply buying software and installing it. For CRM to be truly effective an organization must first decide what kind of customer information it is looking for and it must decide what it intends to do with that information. The Indian banking sector is trying to survive this dynamic challenge of winning more and more customers and retaining them by giving customised services. Now, more and more banks are increasingly getting customer-focused by implementation of CRM. This paper presents a research study on status of the adoption and use of CRM in banking sector as a comparative study in Hyderabad city. For this a sample of 100 (50 each from select private and public sector banks) were considered in this study to understand the multi-dimensional setup of customer relationships and its effects in competitive banking environment.*

### **Keywords:**

*Customer Relationship Management, Banking Sector, Banking Competition.*

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## INTRODUCTION

Businesses have always been customer centric and more and more efforts were made in all times to achieve the customer satisfaction for better business outcomes. The Customer Relationship Management (CRM) has emerged as a key business strategy in the current competitive environment. This is the philosophy under which the businesses identify and target their most loyal and profitable customers. CRM involves new and advanced marketing strategies, which not only retain the existing customers but also acquire new ones. The strategy was discovered as a unique technique capable of generating more business to the companies. CRM in banks starts right from the understanding and properly defining the difficult customer expectations to avoid their dissatisfaction and eventually losing them. Hence, considering the customer expectations regarding product quality and the overall support and service is essential for establishing a long term banker-customer relationship.

Thus, CRM is a managerial philosophy that seeks to build long term relationships with customers. CRM can be defined as the development and maintenance of mutually beneficial long-term relationships with strategically significant customers (Bhaduri, 2005). It is the establishment, development, maintenance and optimisation of long term mutually valuable relationships between consumers and the banks. A perfect CRM strategy focuses on understanding the needs and expectations of the customers and is implemented by placing these needs at the core of the business by incorporating them in the bank's overall strategy, staff culture, technology and business processes.

### CRM in Banking Sector

Over the last few decades, technical evolution has highly affected the banking industry. For more than 200 years, banks were using branch based operations. Since the 1980s, things have been really changing with the advent of multiple technologies and applications. Different organisations got affected from this revolution; the banking industry is one of it. In this technology revolution, technology based remote access delivery channels and payment systems surfaced. ATM displaced cashier tellers, telephone represented by call centres replaced the bank branch, internet replaced the mail, credit cards and electronic cash replaced traditional cash transactions, and interactive television will replace face-to-face transactions. In recent years, banks have moved towards marketing orientation and the adoption of relationship banking principles. The key motivators for embracing marketing principles were the competitive pressure that arose from the deregulation of the financial services market particularly in India. This essentially exposed clearing banks and the retail banking market to increased competition and led to a blurring of boundaries in many traditional product markets (Day, 2000).

The bank would need a complete view of its customers across the various systems that contain their data. If the bank could track customer behaviour, executives can have a better understanding, a predicated future behaviour and customer preferences. The data and applications can help the bank to manage its customer relationship to continue to grow and evolve. According to Stone et al. (2002) most sectors of the financial services industry are trying to use CRM techniques to achieve a variety of outcomes. In the area of strategy, they are trying to: (i) Create consumer-centric culture and organisation; (ii) Secure customer relationships; (iii) Maximize customer profitability; (iv) Integrate communications and supplier – customer interactions across channels; (v) Identify sales prospects and opportunities; (vi) Support cross and up-selling initiatives; (vii) Manage customer value by developing propositions aimed at different customer segments; and (viii) Support channel management, pricing and migration.

CRM is a sound business strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationship with those customers through individualised marketing, repricing, discretionary decision making, and customised service through the various sales channels that the bank uses. Any financial institution seeking to adopt a customer relationship model should

consider six key business requirements (Chary & Ramesh, 2012), they are: (i) Create a customer-focused organisation and infrastructure; (ii) Gaining accurate picture of customer categories; (iii) Assess the lifetime value of customers; (iv) Maximise the profitability of each customer relationship; (v) Understand how to attract and keep the best customers and (vi) Maximise rate of return on marketing campaigns.

CRM is developing into a major element of corporate strategy for many organisations (Rangarajan, 2010). In the present scenario of intensifying competition, declining market share, deregulations, smarter and more demanding customers; a greater focus on CRM is the only way the banking industry can safeguard its market share and boost growth. Also, CRM is the most trusted way to withstand the competition between the banks to attain a competitive advantage over one another or for sustaining the survival in competition. In current scenario of Indian banking sector, the falling interest rates and tough competition among banks has made Indian bankers to realise that the purpose of their business is to create and retain a customer and to achieve that the whole business process has to be customer oriented. In India, the financial services are in getting through a structural change wherein the competition and customer demands are increasing.

## **REVIEW OF LITERATURE**

Atul Parvatiyar et al. (2001) explored that CRM implementation challenges as well as CRM's potential to become a distinct discipline of marketing. Our belief is that it certainly has the potential, and we wish that it would happen because marketing will benefit enormously from it. Lau et al., (2003) Explored that the challenge before the banks is not only to obtain updated information for each customer, but also to use the information to determine the best time to offer the most relevant products. Sachdev et al., (2004) The article attempted that in today's competitive banking industry, customers have to make a choice among various service providers by making a trade-off between relationships and economies, trust and products, or service and efficiency.

Lambert, (2010) Examined CRM as one of the strategies to manage customer as it focuses on understanding customers as individuals instead of as part of a group. Tanakorn Limsarun et al., (2010) explored that CRM system utilization and organization's CRM mindset are the most important factors to the success of the CRM practice. Ganesamurthy et al., (2011) they conclude that CRM perceives as a technique of banking companies in order to explore, retain and also increase the loyal customers in the competitive business era. Jitesh et al. (2011) explored the association between deployment of CRM best practices and loyalty of profitable customers in Indian retail banking sector. Lin Shengdong and Ke Xue (2011) Explored CRM practice in an emerging economy. While still in its infancy and with many deficiencies, China mobile adapted its CRM practice to China market successfully. It does focus on key customers, but never gives up unprofitable customers. Shibu, (2011) Concluded that CRM is intensifying competition, declining market share, deregulations, smarter and more demanding customers, there is competition between the banks to attain a competitive advantage over one another or for sustaining the survival in competition.

Malla Reddy, G and Suresh, A (2012) Explored that customer relationship management (CRM) practices provides interactive, personalized and relevant communication with customers to develop and maintain relationships. Sanjay Kanti Das (2012) reveals that the lack of understanding on CRM is always a concern among the service providers especially banks. Banks have their own way of managing their relationships with the customers. Anu Putney and Puney (2013) Concluded that customer relationship management (CRM) Practices with each and every interaction with customer can give opportunity to build a lifelong relationship. Rameeza Ejaz, et al (2013) the study reveals that customer experience also has a direct impact on customer satisfaction. Although, CRM don't have direct impact on Word of Mouth (WOM), it is a very influential contributor in convincing the satisfied and loyal customers to guarantee.

Yatish Joshi et al. (2013) focussed on the basic concepts, strategies used in managing customer relationship by using the branch service, ATMs, electronic banking, call centers, etc. Phone banking and other customer touch points. Balakrishnan & Krishnaveni (2014) The study reveals that the proper CRM practices will increases the customer satisfaction and builds relationship with present and prospective customers by managing information and improves performance of delivering products and services at a great speed that facilitates customer creation and retention. Mayur Kumar. A (2014) stated that CRM involves shopping malls enabled business processes that identify, develop, integrate and focus a business' competencies on forging valuable long-term relationships that deliver superior value to its customers. Ruchi (2014) explores the advantage of the model of CRM in getting, keeping & growing strategy. However, there is a tremendous amount of confusion regarding its domain and meaning.

## **SIGNIFICANCE OF THE STUDY**

The banking sector is entering a new world and existing developments are changing the face of banking. The globalization of banking operations along with high competition, continuing deregulation and technological advancements has significantly altered the face and scope of banking. The process of economic liberalization and financial sector reforms has brought the issue of customer focus to the forefront. Therefore there exists a strong need for maintaining CRM in the banks to understand the customers and to meet their expectations. CRM practices in commercial banks as a comparative study on Oriental Bank of Commerce and HDFC Bank

## **OBJECTIVES OF THE STUDY**

The objectives of the study are:

1. To present the importance of CRM in commercial banks in India;
2. To analyse the perception of customers on CRM practices and their effectiveness in commercial banks as a comparative study on Oriental Bank of Commerce and HDFC Bank in Hyderabad city; and
3. To find out the relationship between the gender and the type of bank and the customer preference for selecting the banks are independent.

## **HYPOTHESES (NULL)**

1. The Type and preference for selecting the banks are independent.
2. The Gender and preference for selecting the banks are independent.

## **METHODOLOGY**

The present study is a comparative and analytical one through the perceptions of the customers of the select commercial banks which include Oriental Bank of Commerce (OBC) (from Public Sector) and HDFC a private bank. Primary data were collected through a well structured qualitative questionnaire from the selected banks. A sample of 100 customers of the select banks (50 each), from Hyderabad city of Telangana, were selected for the purpose of the study. Data so collected were processed, tabulated and analysed by using simple percentages and Chi-square (a non-parametric) test has been used to validate the results.

**Scope and limitations of the study:** This study CRM in commercial banks is confined to select private and public sector banks from Hyderabad city only. It is pertaining to Oriental Bank of Commerce (OBC) from Public Sector and HDFC a private bank operating their business in Hyderabad city. These two banks were considered because most neglected one by earlier studies on CRM. The findings of this study cannot be generalized to the entire sector and with a sample of 100 respondents and most of them are male customers. Hence, the perceptions of female customers of these banks are another limitation to this study.

## RESULTS AND DISCUSSION

CRM has become the most adopted business strategy by the profit oriented organisations in the market today. Under this philosophy, companies go all out identifying and targeting their potentially most profitable customers. CRM deploys new and advanced marketing strategies aimed at retaining the existing customers and also at attracting the new ones. It has been found as a special technique which can bring sizeable gains in overall business of companies. Through the literature survey and data analysis, it is observed that under CRM, banks try to study the customers' perceptions and design strategies so as to win their commitment and loyalty by giving them satisfaction. Earlier, the customers used to mainly select their banks closer to their homes or offices but with the introduction of new technologies in the business of banking, such as internet banking and ATM's, now customers freely choose banks based on the products and facilities available. Further, customers are not interested in knowing the ownership of bank for their financial transaction but look for their commitment to serve and credibility. As banks continue to seek a unified understanding of customer relationships through different channels, the importance and penetration of CRM is expected to grow like anything.

The opinions of the selected private and public sector bank customers on various aspects of CRM are shown in table-1 which presents the perception of customers from both private and public sector banks chosen for this study reveals the following: Majority of the respondents (50% and 71%) have agreed that the CRM implementation found good in both select banks an average inference accounted for 63 percent in case of Public sector and 80 percent in case of private sector banks. It indicates the level of customer perception towards their services in terms of CRM. Whereas 73 percent in case of public sector bank and 86 percent of them are belong to private sector bank have been successful in implementing CRM in the study area. Hence, it can be concluded that private sector banks are far ahead of public sector banks in effective implementation of CRM in order to improve banking business and enhance customer loyalty and satisfaction.

**Table-1 Customers' perception on CRM Practices OBC &HDFC Banks (N=100)**

CRM in Commercial Banks	Public Sector Banks			Private Sector Banks		
	Agree	UD	Disagree	Agree	UD	Disagree
CRM an alternative to marketing	62	21	17	71	16	13
Customer Retention is a challenge for the bank	50	19	31	72	13	15
CRM enforces banks to design and provide products and services as per customer needs	65	22	13	80	9	11
CRM enhances customer loyalty	73	15	12	85	7	8
CRM creates customer awareness about different services offered	63	13	24	84	9	7
CRM objective is to increase bank customer relationship	65	17	18	81	10	9
CRM objective is to frame customer data base	62	13	25	80	7	13
CRM attract new customers	67	24	9	84	10	6
CRM benefits banks performance and productivity	61	21	18	73	8	19
CRM boosts customer's confidence	70	19	11	86	7	7
CRM create all round friendly environment	59	23	18	83	8	9
<b>Average Response</b>	<b>63</b>	<b>19</b>	<b>18</b>	<b>80</b>	<b>9</b>	<b>11</b>

H0= Gender and preference for selecting the banks are independent. H1= Gender and preference for selecting the banks are dependent.

**Table -2 Preferences Redefined Vs Gender Redefined (Cross Tabulation)**

Preference Redefined	Expected Count	Gender Redefined		Total
		Male Respondent	Female Respondent	
Not Preferred	Count	24	30	54
	Expected Count	31.9	22.1	54
Preferred	Count	35	11	46
	Expected Count	27.1	18.9	46.0
Total	Count	59	41	100
	Expected Count	59.0	41.0	100.0

**Chi-square Test**

	Value	df	Asymp. Sig. (2-sided)	Exact. Sig. (2-sided)	Exact. Sig. (1-sided)
Pearson Chi-square	10.282 <sup>a</sup>	1	0.001		
Continuity Correction	9.015	1	0.003		
Likelihood Ratio	10.573	1	0.001		
Fisher's Exact Test				0.002	0.001
Linear-by-linear Association	10.179	1	0.001		
N of Valid Cases	100				

a. Computed only for a 2 x 2 table

b. 0 Cells (.0 percent) have expected count less than 5. The minimum expected count is 18.86.

The chi-square test has been applied to test the value of the computed chi-square is 10.282 which is highly significant at 5% level of significant. It is because the p-value for this analysis is 0.001 as shown in the significance (2-sided) which is below 0.05, the assumed level of significance. Since the Chi-square value is significant it means that we can reject the null hypothesis and hence, it is concluded that the Gender and preference for selecting the banks are dependent.

H0= Type and preference for selecting the banks are independent. H1= Type and preference for selecting the banks are dependent.

**Table -3 Preferences Redefined Vs Type Redefined (Cross Tabulation)**

Preference Redefined	Expected Count	Type Redefined		Total
		OBC	HDFC	
Not Preferred	Count	21	33	54
	Expected Count	29.1	24.9	54
Preferred	Count	25	21	46
	Expected Count	21.3	24.7	46.0
Total	Count	49	51	100
	Expected Count	49.0	51.0	100.0

**Chi-square Test**

	Value	df	Asymp. Sig. (2- sided)	Exact. Sig. (2- sided)	Exact. Sig. (1- sided)
Pearson Chi-square	5.881 <sup>a</sup>	1	0.001		
Continuity Correction	9.015	1	0.003		
Likelihood Ratio	10.271	1	0.001		
Fisher's Exact Test				0.002	0.001
Linear-by-linear Association	11.797	1	0.001		
N of Valid Cases	100				

a. Computed only for a 2 x 2 table

b. 0 Cells (.0 percent) have expected count less than 5. The minimum expected count is 18.86.

The chi-square test has been applied to test the value of the computed chi-square is 5.881 which is highly significant at 5% level of significant. It is because the p-value for this analysis is 0.001 as shown in the significance (2-sided) which is below 0.05, the assumed level of significance. Since the Chi-square value is significant it means that we can reject the null hypothesis and hence, it is concluded that the type and preference for selecting the banks are dependent.

## SUGGESTIONS

This study suggests that the banks still have a long way to go to develop a CRM strategy very well in synchronisation with their overall strategy of marketing the product and services. The banks need to reconsider their overall marketing strategy design to place CRM at the core and for this the following suggestions can be adopted:

1. The Indian Banking Sector has so many different banks of almost the same kind. In such a competitive environment, the Banks should adopt suitable marketing skills rather than depending on the trading skills. Hence, new services should be constantly introduced to ensure the growth of the Banks and to be competitive in the market and to keep up the enthusiasm of the employees and customers etc.
2. Implement a Customer Centric Process in all types including commercial Banks. There has to be a good Employee Relationship Management within the banks before they go in for implementing CRM.
3. Increase customer's online experience by developing modern, user-friendly websites. The bank's website need be so comprehensive and detailed that all the customer queries must be answered there only. The portal might have online interactive customer support utility (online chat) so that the customer can clear all his doubts sitting at home or office only.
4. The customer information collected from different channels must be integrated for best knowledge about the customer expectations and for an effective CRM. Proper training should be given to the bank personnel regarding how to behave with the customers before they come and work in the field.
5. A modern, well-designed and user-friendly online transaction portal has to be in place for e-commerce and mobile banking. It should be realised that customer relationship cannot be built overnight. CRM should be considered as Continuous practice and strategy.
6. Complaints lodged by the customers should be given proper value and utilise them as an important issue. Decision making authority should be extended to field force and some resources should be given for faster implementation.

## CONCLUSION

The customers' perception of private sector, their banks take the CRM as an alternative to marketing seriously, whereas less number of public sector customers found their banks treating CRM as an alternative of marketing. Customer retention is getting to be a big challenge to Banks as per the opinions of customers of public sector banks whereas the private sector customers were seemed well supporting their banks in this regard. A similar trend was found in case of CRM enforcing the designing of products and services as per customer needs. Under CRM, the products and services, designed as per the customer needs, achieve the banks customers' loyalty and a strong bank-customer relationship naturally establishes. The private sector bank customers feel that their banks have achieved quite well in this regards, whereas the public sector customers rated their banks a little less for these practices. Regarding customer awareness and framing customer database through CRM, the customers of public sector bank seemed less convinced with the CRM strategy, whereas as private sector bank customers were found highly satisfied. As, these activities are generally deployed to find and attract new customers, the respondents were of the same views for this CRM activity of their banks.

The more and more private sector bank customers were of the view that their banks seemed to be self motivated to implement CRM, whereas less number of the public sector bank customers had this view about their banks in this regard. A similar was expressed by the customers with regard to the implementation of CRM on demand. The greater number of private sector bank customers had the view that with the effective implementation of CRM in their banks would increase the productivity and performance of the banks and boost up the confidence of the customers. Also, most of them were of the opinion that an effective implementation of CRM creates a friendly environment in the bank.

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