

# Most Important Factor for CRM Activity in Banks With Respect To Perceived and Expected Service Quality of Customers

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**Abstract:** Customer Relationship Management in banks mainly focuses on customer acquisition, retention and customer development through personalization and customization. The central component of a CRM solution is generally the creation of a single shared customer database – allowing information to be collected once but used many times.

Objective of the research is to identify the most important factor for CRM activity in banks with respect to perceived and expected service quality of customers and efforts made by the bank to fulfill it.

A questionnaire consisting of close ended questions, Likert scale and checklist and rank order, and dichotomous questions was designed and tested to capture the customer relationship management practices done by the different banks like, public sector banks, private banks, foreign banks and co-operative banks and to check the customer perception about service quality provided by banks.

**Keywords:** CRM solution, CRM activity in banks with respect to perceived and expected service quality of customers.

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## 1. INTRODUCTION

Banks and financial institutions are recognizing that they can no longer look at a consumer from a specific product or snapshot perspective but must encompass the entire customer relationship to fully understand a client's profitability. From a strategic standpoint, CRM mobilizes resources around customer relationships rather than product groups and fosters activities that maximize the value of lifetime relationships. From an operational standpoint, CRM links business processes across the supply chain from back-office functions through all touch points, enabling continuity and consistency across a customer relationship. From an analytical standpoint, CRM is a host of analytical data tools that enable banks to fully understand customer segments, assess and maximize lifetime value of each customer, model "what-if" scenarios, predict customer behaviours, and design and track effective marketing campaigns.

According to a RBI road-map, India will have a competitive banking market after 2009. As one of the most attractive emerging market destinations, India will see foreign banks come in, what with more freedom to come in, grow and acquire.

Therefore, it is imperative that Indian banks wake up to this reality and re-focus on their core asset — the customer. A greater focus on Customer Relationship Management (CRM) is the only way the banking industry can protect its market share and boost growth.

CRM would also make Indian bankers realise that the purpose of their business is to "create and keep a customer" and to "view the entire business process as consisting of a tightly integrated effort to discover, create, and satisfy customer needs."

CRM is variously misunderstood as a fancy sales strategy, an expensive software product, or even a new method of data collection. It is none of these.

CRM is a simple philosophy that places the customer at the heart of a business organisation's processes, activities and culture to improve his satisfaction of service and, in turn, maximise the profits for the organisation.

A successful CRM strategy aims at understanding the needs of the customer and integrating them with the organisation's strategy, people, and technology and business process.

Therefore, one of the best ways of launching a CRM initiative is to start with what the organisation is doing now and working out what should be done to improve its interface with its customers. Then and only then, should it link to an IT solution.

While this may sound quite straightforward, for large organisations it can be a mammoth task unless a gradual step-by-step process is adopted.

It does not happen simply by buying the software and installing it. For CRM to be truly effective, it requires a well-thought-out initiative involving strategy, people, technology, and processes. Above all, it requires the realisation that the CRM philosophy of doing business should be adopted incrementally with an iterative approach to learn at every stage of development.

Only time will tell how Indian banks embrace the CRM philosophy and take on the competition from foreign entities.

## **2. LITERATURE REVIEW**

“The act of taking the first step is what separates the winners from the losers” this what the crm do make a service provider different from other. It has been well accepted that CRM is a strategic initiative. The emerging Indian markets have been one of the most volatile and dynamic markets of the world with a growing disposable income shift in consumption patterns, global competition, software revolutions, and growing rates of technology adoptions. These fast growing economies and changing business environment provide the most suitable context to study the effects of dynamic capability on CRM. there are various research conducted on crm which show it arrival, need benefits and function **According KARTIK DAVE** Customer Relationship has become backbone for survival of organizations today. Effective implementation of CRM Strategies can dramatically improve relationship between banks and its customers and enhance brand value while mitigating risk and ensuring satisfactory returns. Banks should try to enhance customer experience by providing right information and services. The outcome of the research shows that organizations are understanding and embracing the concept of customization in a customer service context. In addition, the importance of customer service and relationship management is highlighted as a requisite for business success along with the use of information held on customers within an organization. It is an approach that will be of value to any bank seeking to build enduring customer loyalty<sup>1</sup>. Not only this **Kallol das, Jitesh Prammar, Vijay Kumar Sadanand have done research on “Customer Relationship Management (CRM) Best Practices and Customer Loyalty A Study of Indian Retail Banking”** concluded that there are 29 best practices which may be useful to the organizations towards achieving comprehensive crm deployment. The deployment was done on 3 banks types. While, the conclusion discloses the fact that no banks is perfect, short coming do remains in each banks with respect to the deployment of the crm best practices though degree varies, particularly pus banks like SBI and bob are much legging then others also, they revealed by their case study that implementation of crm retail banks did not result in the increase in loyalty levels of the profitable customer segment, this fact was ear supported by leven and ciljander in (2006<sup>2</sup>)

As per the research note by **Popli,G.S And Rao,D.N** analyzing the CRM Implementation in both the sectors, it was found that the Private Sector Banks have been able to implement the CRM practices more effectively when compared to their Public Sector counterparts. This indicates that strategically speaking, the Private Sector Banks have been more innovative in understanding their customers and in building good relations with them provided by these banks. These suggest that in case of the Private Sector Banks, all the five dimensions of service quality have scored higher values when compared to the Public Sector Banks. It also points towards the same fact that these banks have been able to enhance the service quality levels for their customers making them more customer-oriented. They have observed by analyzing the service quality dimensions that responsiveness and empathy of both the Public as well as the Private Sector Banks, scored the least. However, a micro analysis reveals that the Public Sector Banks have highest scores in terms of reliability and

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<sup>1</sup> Relationship Marketing Strategies and Customer Perceived...The Indian Journal of Commerce Vol. 62, No. 1, January-March 2009

<sup>2</sup> European Journal of Social Sciences – Volume 11, Number 1 (2009)

assurance whereas the Private Sector Banks have fared better in terms of tangibility, reliability and assurance. This indicates that the banks are in a dire need to make proper strategies to improve their working. This will make the banks more efficient in serving the customers and in maintaining the long term relations with them<sup>3</sup>.

Pooja Mengi (2009) in the emerging competitive environment and IT era, with little or no distinction in the product offering, it is the quality of service that sets one bank apart from another. The banks need to focus on other dimensions of SERVPERF such as responsiveness, assurance and empathy which play an important role in service quality. Superior SERVQUAL performance will ensure maximum customer satisfaction and also help in attaining customer's loyalty. Improved customer satisfaction through SERVQUAL would result in a positive word-of-mouth and consequently better customer acquisition and retention<sup>4</sup>.

As per **John Mylonakis** (2009) Customers are the key to maintain a competitive advantage in today's market. Customers affect a bank's success and the winners will be those institutions that succeed in managing their relationship with customers in an effective manner and in quick time. The establishment of a customer-cantered attitude with the implementation of CRM applications and the recognition of customers' strategies role in all banking activities constitute the best weapons of banking institutions within a strongly competitive environment. This study reveals that a majority of the customers are satisfied with their banks. Most believe that the use of new technologies helps their communication with banks, while those who object to this means of communication are mostly older in age. There are also many satisfied customers who consider that banking products and services offered do not covered their needs and, therefore, need to be approached differently by banks, in order to be able to meet their personalized needs. Customers belonging to younger age groups, with high educational qualifications, who use new technologies, appear to be more satisfied by their banks. Only those banking institutions that know the targets customer base for their products and services will be able to achieve significantly better results, provided they use the proper channels to promote them<sup>5</sup>.

### **3. OBJECTIVE OF STUDY**

#### **❖ Research objectives:**

##### **Objective:**

To identify the most important factor for CRM activity in banks with respect to perceived and expected service quality of customers and efforts made by the bank to fulfil it.

##### **Research methodology:**

We have collected primary data through close ended questionnaire method, filled by consumers. Secondary data means the data which are readily available from different sources. We have gathered these data from the websites, books and magazines.

#### **❖ Research Approach:**

➤ For gathering primary data, we have used survey approach, which is widely used method for data collection and best suited for quantitative descriptive type of research survey.

#### **❖ Research Instrument:**

➤ For our research we have used questionnaire, which is the most, common instrument used to collect the primary data. A questionnaire consists of the set of questions presented to the respondents for their answers.

#### **❖ Questionnaire design:**

The questionnaire has been designed using a blend of close ended and open ended questions.

➤ Close ended Questions: Facilitate prompt replies where it is perceived that the respondents would need choices retort over.

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<sup>3</sup> [www.dmnews.com/Datamonitor-suggests-orcle-SAP-likely-to-remain-atop-CRM\\_market/article/98266](http://www.dmnews.com/Datamonitor-suggests-orcle-SAP-likely-to-remain-atop-CRM_market/article/98266).

<sup>4</sup> Icaian journal of management research, vol.VIII, No.9, 2009

<sup>5</sup> Icfai university journal of bank management, vol.VIII, No 2, 2009

- Dichotomous: Yes / No
- Checklist : Multiple answer
- Likert scale:

Ranking used: The various ranks

**SAMPLING:**

The sampling units are the banks customers. Customers are taken from each sector (i.e. public sector bank, private banks, foreign banks and co-operative bank. Customers are from Ahmedabad, Baroda and Rajkot. The sampling units are the banks customers. Customers are taken from each sector (i.e. public sector bank, private banks, foreign banks and co-operative bank. Customers are from Ahmedabad, Baroda and Rajkot

For the purpose of research **360 customers** from different places have been surveyed.

We have taken 90 customers from each sector and equal number (120) of customers is taken from each city.

**Service Quality Model:**

Please rate/rank following aspect related with your perceived importance.

(1=Very Important, 7=Not At All Important)

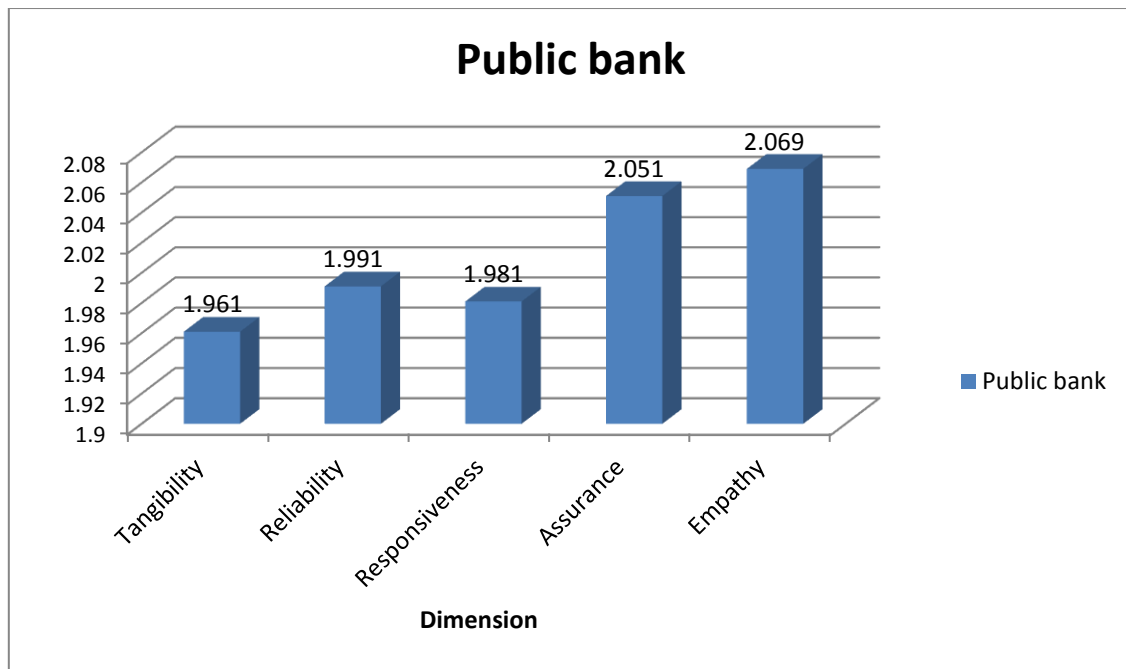
	Public Bank	Private Bank	Foreign Bank	Co-operative Bank	Public - Private	Public - Foreign	Public - Cooperative	Private - Foreign	Private - Cooperative	Foreign - Cooperative
<b>Tangibles</b>	<b>1.961</b>	<b>1.700</b>	<b>1.397</b>	<b>1.967</b>	<b>0.261</b>	<b>0.563</b>	<b>-0.006</b>	<b>0.303</b>	<b>-0.267</b>	<b>-0.570</b>
Up-to-date equipment	1.944	1.689	1.4	1.989	0.255	0.544	-0.045	0.289	-0.300	-0.589
Visually appealing facilities	1.976	1.722	1.389	1.978	0.254	0.587	-0.002	0.333	-0.256	-0.589
Employees have a neat professional appearance	2.044	1.744	1.333	2.1	0.300	0.711	-0.056	0.411	-0.356	-0.767
Materials visualizing appealing	1.878	1.644	1.467	1.8	0.234	0.411	0.078	0.177	-0.156	-0.333
<b>Reliability</b>	<b>1.991</b>	<b>1.671</b>	<b>1.5536</b>	<b>1.8334</b>	<b>0.320</b>	<b>0.437</b>	<b>0.158</b>	<b>0.117</b>	<b>-0.162</b>	<b>-0.280</b>
Providing service as promise	1.9	1.611	1.567	1.856	0.289	0.333	0.044	0.044	-0.245	-0.289
Sincere in solving the problem	2.044	1.656	1.533	1.833	0.388	0.511	0.211	0.123	-0.177	-0.300
Performing service right the first time	1.989	1.744	1.556	1.778	0.245	0.433	0.211	0.188	-0.034	-0.222
Providing service at the promised time	2	1.633	1.556	1.811	0.367	0.444	0.189	0.077	-0.178	-0.255
Maintaining error free record	2.022	1.711	1.556	1.889	0.311	0.466	0.133	0.155	-0.178	-0.333
<b>Responsiveness</b>	<b>1.981</b>	<b>1.697</b>	<b>1.525</b>	<b>1.967</b>	<b>0.284</b>	<b>0.456</b>	<b>0.014</b>	<b>0.172</b>	<b>-0.270</b>	<b>-0.442</b>
Keeping customers informed about when	1.944	1.722	1.578	2.022	0.222	0.366	-0.078	0.144	-0.300	-0.444

services will be performed										
Providing prompt services	2.056	1.744	1.678	2.1	0.312	0.378	-0.044	0.066	-0.356	-0.422
Willingness to help	1.922	1.633	1.411	1.944	0.289	0.511	-0.022	0.222	-0.311	-0.533
Always ready to respond to request	2	1.689	1.433	1.8	0.311	0.567	0.200	0.256	-0.111	-0.367
<b>Assurance</b>	<b>2.051</b>	<b>1.662</b>	<b>1.722</b>	<b>1.945</b>	<b>0.389</b>	<b>0.329</b>	<b>0.107</b>	<b>-0.060</b>	<b>-0.282</b>	<b>-0.222</b>
Employees instills confidence in customers	2.211	1.767	1.811	2	0.444	0.400	0.211	-0.044	-0.233	-0.189
Comfortable interaction with employee	2.178	1.744	1.767	2.078	0.434	0.411	0.100	-0.023	-0.334	-0.311
Courteous employee approach	2.078	1.689	1.833	1.956	0.389	0.245	0.122	-0.144	-0.267	-0.123
Employee have the product knowledge to answer the queries	1.956	1.633	1.722	1.878	0.323	0.234	0.078	-0.089	-0.245	-0.156
Feel safe in your transaction with bank	1.833	1.478	1.478	1.811	0.355	0.355	0.022	0.000	-0.333	-0.333
<b>Empathy</b>	<b>2.069</b>	<b>1.671</b>	<b>1.5154</b>	<b>2.0754</b>	<b>0.398</b>	<b>0.554</b>	<b>-0.006</b>	<b>0.156</b>	<b>-0.404</b>	<b>-0.560</b>
Individual attention by employee	2.078	1.6	1.644	2.089	0.478	0.434	-0.011	-0.044	-0.489	-0.445
Personal attention by Employees	2.211	1.644	1.622	2.244	0.567	0.589	-0.033	0.022	-0.600	-0.622
Employees have the customer's best interest at heart	2.067	1.833	1.611	2.2	0.234	0.456	-0.133	0.222	-0.367	-0.589
Employees understand the needs of customer	2.2	1.789	1.544	2.244	0.411	0.656	-0.044	0.245	-0.455	-0.700
Convenient business hours	1.789	1.489	1.156	1.6	0.300	0.633	0.189	0.333	-0.111	-0.444

The table suggests that foreign banks are highest performing banks. This comparison among public sector banks, private sector banks and co-operative banks with further narrowing it down to Private and Foreign banks offers several competitive insights. Foreign banks highly perceived service quality in terms of tangibility, reliability, responsiveness and empathy, while assurance perceived high in private banks. Public sector and co-operative banks are lacking in all these dimensions.

Rank received by each dimension of SERVQUAL Model for Public Sector Banks, Private Banks and Foreign Banks and co-operative banks.

**Public sector bank:**



The most important dimension was “Tangibility “.

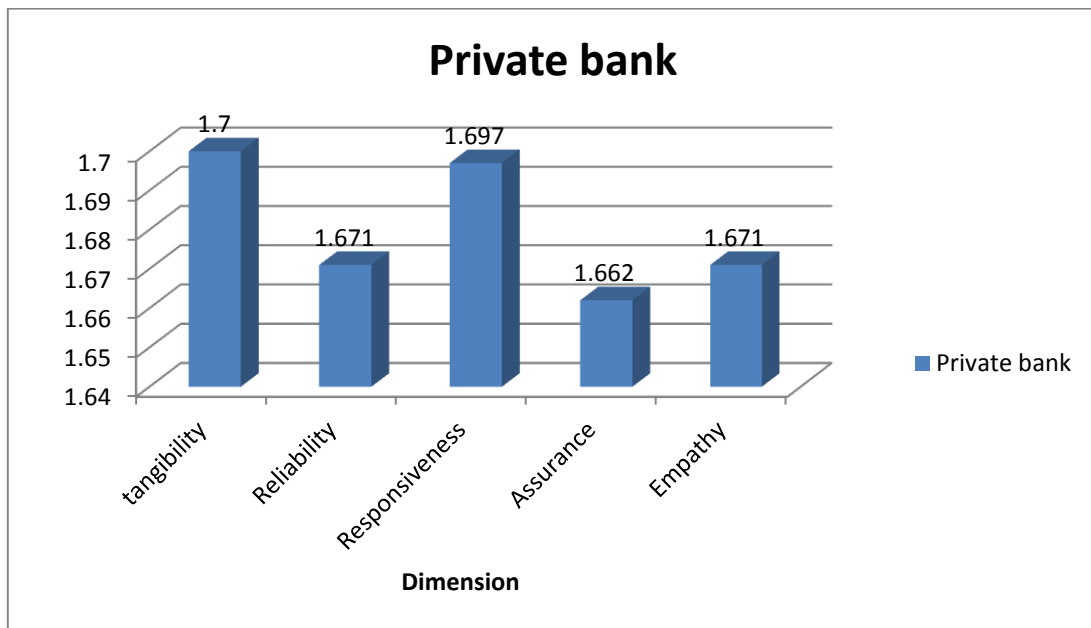
The second most important dimension was “responsiveness”.

The third most important dimension was “reliability”.

The forth important dimension was “Assurance”.

The least important dimension was “Empathy”.

**Private bank:**



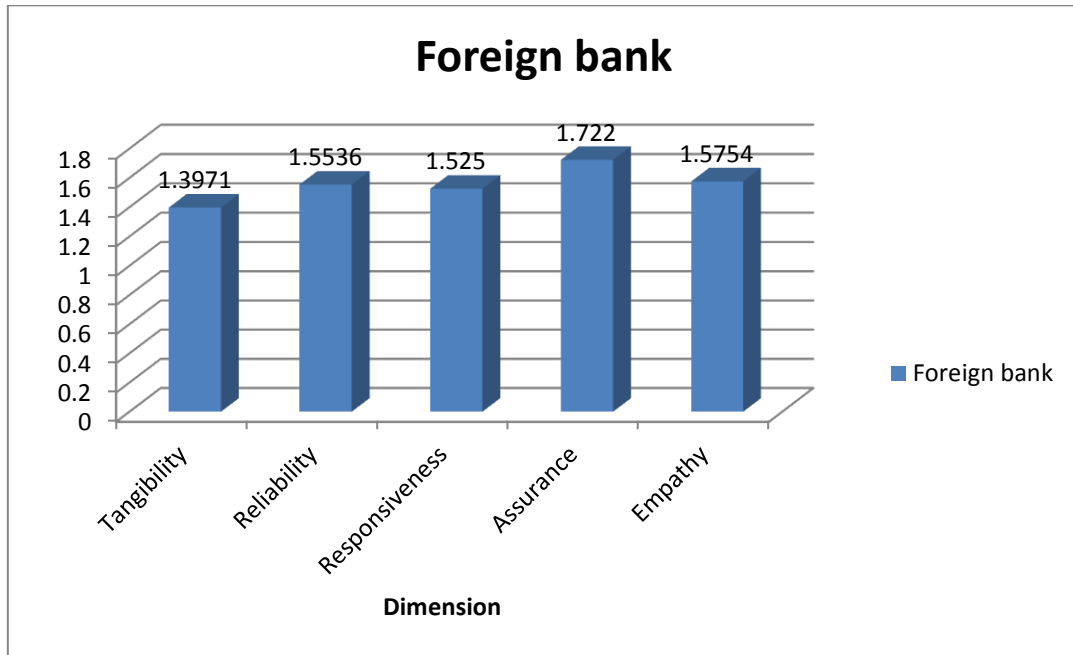
The most important dimension was “Assurance”.

The second most important dimension was “Reliability& Empathy”.

The third most important dimension was “Responsiveness”.

The forth important dimension was “Tangibility”

**.Foreign Bank:**



The most important dimension was “Tangibility”.

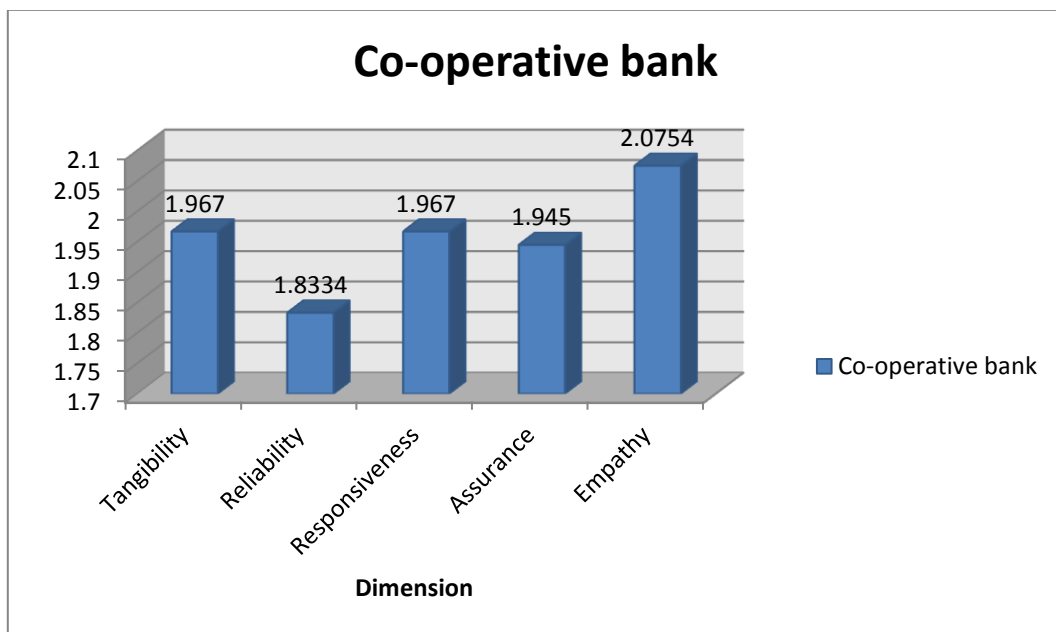
The second most important dimension was “Responsiveness”.

The third most important dimension was “Reliability”.

The forth important dimension was “Empathy”.

The least important dimension was “Assurance”.

**Co-Operative Bank:**



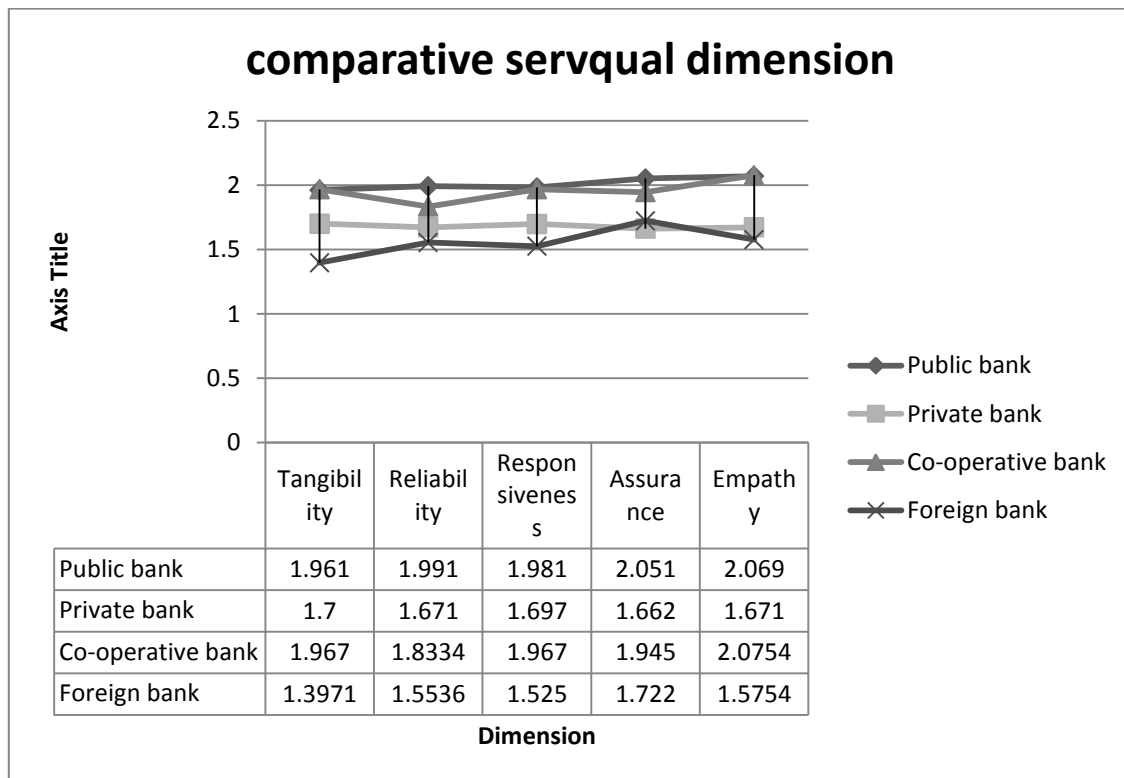
The most important dimension was “Reliability”.

The second most important dimension was “Assurance”.

The third most important dimension was “Responsiveness& Tangibility”

The forth important dimension was “Empathy”.

If the industry persists in measuring and monitoring the perceptual aspects of banking service quality, the complementary aspects of basic outcome must be tracked as well to ensure an appropriate and satisfactory customer experience.



Above table shows the comparative service quality dimension of public sector bank, private sector bank, co-operative banks and foreign banks. From above graph it can be concluded that there is a highly gap between foreign banks and public banks in dimension like tangibility and empathy. Foreign banks and private banks are better in all dimensions than public and cooperative banks perceived by the customers.

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