



RELATIONSHIP MARKETING IN BANKING SECTOR: NEED OF THE HOUR

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ABSTRACT :

Relationship marketing is a process of attracting, maintain and enhancing customer relationships. It is considered to be a focal point integrating customer service and quality with a market orientation. In this context, we find special focus on individual customer profitability based on interactive marketing activities and managing these dimensions with the motto of establishing, developing and maintaining cooperative customer relationships for mutual benefits. Relationship marketing cannot be effective in all situations but is found extremely effective in the right situations. We find relationship marketing extremely effective with the right type of customers found heavily committed to a specific system and expect consistent and timely service. The banking business results are considerably influenced by the relationship marketing. The industrial customers lack



time and want quick service. They do not mind the charges paid for the specific service. The concept of relationship marketing is found much more significant to the industrial customers or profitable customers. For relationship marketing, it is not essential that customers in all the condition and for all the purposes pay special charges for the special services they get. This paper focuses on the need of relationship marketing in banking.

KEY WORDS: Banking Sector, Customer Satisfaction, Customer Retention, Relationship Marketing.

INTRODUCTION

The banking business is found sizably influenced by relationship marketing. Identification of real-time customer is found important and the relationship marketing makes it possible. Differentiating customer from the less-profitable customers is possible by relationship marketing which helps professionals in offering personalised services or minimum call-hold time. The aforesaid facts make it clear that in the banking services, the relationship marketing continues to play an incremental role. The customer satisfaction, retention and profitability can be improved with the help of relationship marketing.

Relationship management is a key skill needed by the bankers. It is found very much significant to those customers who influence the business of a branch substantially. The bankers working with key customers must develop a personal relationship with them when they think customers might be ready to invest. As for instance when most of the employees working in an organisation get arrears of their salaries, it is essential that the bankers are familiar with the time and their

schedule and make a telephonic call or meet physically. To be more specific when they need to influence the key customers investing a big amount, it is essential that they are invited on dinner and the professionals are given the responsibility of initiating a dialogue and getting a deal. It is against this background that we need a sound information management system even at the different branches of a bank.

Relationship management undoubtedly plays an increasing role in the future. An important task before the bankers is to win and keep the profitable customers and this is possible when they get a fair treatment. It is also right to mention that the bank branches should prefer to concentrate on the existing profitable or key customer instead of getting the new unprofitable customers. Of late, the banking organisations have been found recognizing the importance of cross-business opportunities. To be more specific when we talk about the industrial customers, we find relationship management occupying a place of outstanding significance since the business is only the beginning of the relationship. Against this background, we find relationship management or relationship marketing significant to almost all the organisations but in the services sector and to be more specific in the banking sector, it is found occupying a dominating position. An expert sees a growing movement toward relationships marketing. In this context we find Barbara Jackson also making an advocacy in favour of relationship marketing.

Main Steps in establishing a relationship management are:

- Identify the key profitable customers for relationship marketing. A bank branch in this context may choose a few of the key customers from both the categories- general and industrial customers and may designate them for the relationship management.
- Assigning a skilled relationship manager to each key customer for special treatment. This makes it essential that the bankers facing the customers directly are imparted the training facilities in the relationship management.
- Developing a clear job description for relationship managers who are supposed to procure important information regarding the key customers. The relationship manager is responsible for all information about the client and is considered to be mobiliser of banking services.
- Appoint an overall manager to supervise the relationship managers. This person would develop job descriptions, evaluation criteria and resource support to increase the effectiveness of the performance of relationship managers.
- Each relationship manager must develop long-range and annual customer-relationship plans. The annual relationship plan would state objectives, strategies, specific actions.

Things Affecting Relationships

Theodore Levitt is his contribution; the Marketing Imagination focuses on things affecting relationships. In the banking services, the main thing is to improve the quality of banker customer relations. The problem can be divided in two categories. The general customers of a branch in face-to-face communications specially with the front-line staff should be assured decent behaviour by bankers. The managers should evince interests in resolving their problems they, of course, are found satisfied. The professionals need not to forget that whatever they spend on them help getting much more in return. The relationship marketing helps in understanding the behavioural profile of customers.

If they are well aware of the relationship management, the profitable customers would not only be influenced but would also continue for the years and years to come. You spend less but get more. You spend nothing and get nothing. The two options are in your hand. You of course, always prefer the first one.

Table 1: Factors Affecting Relationship

Adopt Good Things	Minus Bad Things
Initiate positive phone calls	Make only callbacks
Make recommendations	Make justifications
Candor in language	Accommodative language
Use phone	Use correspondence
Show appreciation	Wait for misunderstanding
Make service suggestions	Wait for service requests
Use “ We” problem solving language	Use “Owe-us” legal language
Get to problems	Only respond to problems
Use/jargon/shorthand/innovative	Use long-winded communications
Communications	Personality problems hidden
Personality problems aired	Talk about making good on the past
Talk of our future together	Fire drill/emergency responsiveness
Routines Responses	Shift blame
Accept responsibility	Rehash the past
Plan the future	

Source: Adapted from Theodore Levitt; The Marketing Imagination, (NY), 1983, p. 119

Justifications for Practising Marketing in Banks

Marketing principles if practiced in a right fashion bear the efficacy of generating enriching and tapping the business potentials, satisfying the customers and subserving the social interests. The time honoured innovation in perception becomes essential to conceptualise the modern marketing principles in the banking services. The following arguments justify the application process:

- **Understanding the Customers:** The concept of bank marketing is of late well supported by the sophisticated information technologies. In an age of information explosion, the banking services depend substantially on the marketing information system. With the help of different sub-systems and to be more specific the marketing research, the bankers get an opportunity to understand the expectations of prospects/customers. Since we segment the market and intensify research, it is easy to identify the magnitude or the emerging trends in expectations. The lifestyles, like and dislikes, hopes and aspirations or the behavioural profile all are perceived in a right fashion. This simplifies the task of formulating sensitive policies and strategies, It is against this background that the banking organisations need to practice marketing. A good number of foreign banks and a few of the Indian commercial banks, of course working in the private sector appear serious to the problem and therefore they succeed in capitalizing on the opportunities optimally. The credibility for this goes to the application of modern marketing principles.
- **Satisfying the Customers:** If we understand the prospects/customers in a right fashion and the policy makers appear interested in designing creative or time honoured policies, the success rate reaches at its peak. If the marketing processes help us in understanding the task of satisfying them is found easier. The formulation and innovation processes of the marketing mixes move in a right and desired order. The customers get the services in tune with their expectations which help banks in mobilizing savings and deposits by transforming the prospects into actual customers and the actual customers into habitual

customers. The process of excelling competition is geared and the market share is maximized. Thus, we create market potentials and tap them optimally.

- **Excelling Competition:** Of late, the intensity of competition is found at its peak. Like other organisations. Even banks have also been facing numerous problems due to fierce competition. The leading foreign banks and to some extent even the Indian commercial banks working under the private sector believe in creating and expanding the quality gap. The public sector commercial banks just attempt to bridge over the gap or even fail in doing such. The snatching of business is thus, found gaining a momentum. This makes it essential that the innovation process gest an overriding priority even in the public sector banks.

The need of the hour is to enrich the peripheral services so that the mobilization process is activated. Here it is important to mention that competitive banks have been using technology for improving the quality of services and the Indian public sector commercial banks have been facing strong opposition on that account. Thus, marketing practices would also help bank in optimizing our requirements for the use of technology.

- **Formulating and Innovating the Mixes:** The quality of mix plays a decisive role in getting the business and increasing the market share. Hence, the first mix is product in which we need to make possible an optimal blending of core and peripheral services. If we turn our eyes on the product mix of the private sector banks we find the private sector banks. The consumerism has taken a new shape and the customers needs and requirements are expanding very fast. This makes it essential that while formulating or innovating the product mix, we assign due weightage to the needs and requirements of customers. While requires professionalism and the marketing principles are found helpful in the very context. While fixing interest and commissions, we need to turn our eyes on competitors strategies and to incorporate necessary changes. We also need special emphasis on developing the human resources for banks. Since the customers are now more sensitive, the bankers behavioural management need a new look. The recruitment and training facilities, the motivational plans, the performance appraisal need a new vision. The motive is to create a quality-gap by improving the quality of our mixes.

CUSTOMER RETENTION IMPROVEMENT PLAN

Organisations could go for a customer retention improvement framework. This could be carried out as a particular process in the form of steps. It should take into consideration the various dimensions to be addressed for ensuring customer retention and for that the relevant segmentation analysis is essential. This will include measurement of customer retention rates-over time by market segments and by product/service offered. Few customers may develop preference for purchasing all the products or services from one organisation only whereas other customers may prefer to avail the services of many suppliers. Thus rises the need to measure and weigh customers by the amount they spend. Or else high customer retention rates can hide a serious problem. For instance, various banks may claim to have a high level of customer retention. But in reality, this may not be so. This is because customers may have defected to other banks but not closed their accounts with the previous bank. So this could amount to high level of account dormancy.

SEGMENT PROFITABILITY ANALYSIS

The first step requires to undertake a segment wise profitability analysis. This is because some customers may actually be too costly to serve whereas the returns may not be worthwhile and profitable. Thus, investment in such customers may seem to be undesirable.

It is necessary on the part of the organisation to do a profitability analysis and identify and retain the customers from whom they are likely to earn most profitable returns. This method can also be used to identify the type and frequency of the marketing activity which have to be directed at the different market segments.

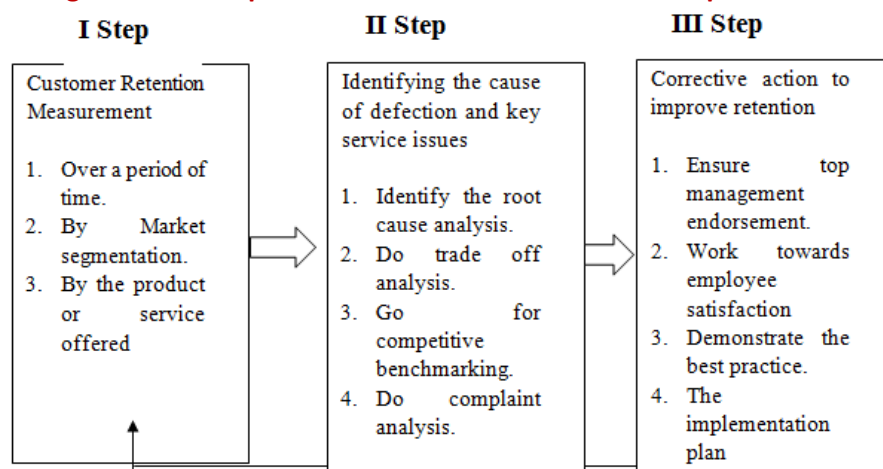
IDENTIFY CAUSES OF DEFECTION AND KEY SERVICE ISSUES

The second step involves identifying the underlying causes of customer defection. For analytical approaches can be used for this purpose-root cause of defection analysis, trade analysis, competitive benchmarking and complaints analysis.

Identify Root Causes of Defection: Organisations can seek help of specially trained researchers who may be able to probe in detail and ascertain the reasons behind customer defection. The questionnaire should be framed such that it will help them identify the underlying causes for the customers switching their loyalty to another brand. For instance, a customer may say that she no longer patronises a particular retail outlet because of the high prices quoted there. However, the root cause may be unhelpful sales staff, products not displayed properly non availability of all the products and so on.

Trade off Analysis: It is also important to undertake research to identify the key issues which have retained customers. This can be done through a trade-off analysis. Such an exercise enables the organisation to evaluate the implicit importance customers attach to the various and specific aspects of customer service. For instance, many of the financial institutions such as HDFC Bank, HSBC bank etc. have a large database and customer retention because of specific elements like helpful staff, convenience time facility and so on.

Figure 1: The Steps Involved in Customer Retention Improvement



Competitive Benchmarking: Competitive benchmarking will help organisations to rate their performance with that of the competitors on certain vital elements of customer service and the order of their perceived importance. Through this it would be possible to establish standards or the service to be offered to customers. Some of the aspects which need to be probed could be ideally for how long should the customer be left waiting in a queue? What is the level of product knowledge which employees are expected to have while serving customers? Are there any additional services being provided to customer and so on.

Customer Complaint Analysis: Another very important aspect is to identify the key issues adding to customer complaints. This will not only help organisations to identify the causes of customer defection but also act as an early warning system for the organisation and enable to resolve a problem with the customer before it becomes too late. Simply said, such analysis will be beneficial to the organisation to identify the real causes of complaint and identify it before they become costly errors.

CORRECTIVE ACTION TO IMPROVE RETENTION

The third and final step is concerned with taking the necessary corrective action so as to prove customer loyalty. The whole exercise involved in the customer retention programmes involved around the concerned organisation. The organisation can keep in touch with their regular customers. For this they will have to find answers to the following questions:

- Has the organisation made an attempt at identifying the most loyal amongst their customer?
- Has the organisation tried to provide additional services to their loyal customers?
- Is the organisation working at designing special recognition and reward schemes for them?
- How to make use of these schemes to establish long term relationship with their customers?

The answers to the above questions can be obtained if it is addressed to the top management and also involve them in generating employee satisfaction and commitment to build long term relationships, utilising best demonstrated practice techniques to improve performance and finally the development of an implementation plan.

If the top management is able to communicate and inspire their employees about their involvement, the customer retention programmes will be effective. Organisations have to involve their employees also in the process of ensuring customer loyalty. That is if an organisation wants to become customer focused it has to first customize its internal customer (its employees). Employee satisfaction will result in each employee interacting directly with the customer and the end user. This means organisations must realise and appreciate that- given greater latitude and encouragement-their employees can become a significant source of competitive advantage. A competent employee- who is committed to delivering customer satisfaction is a valuable asset for any organisation.

When employee satisfaction is there it will result in lower turnover, less absenteeism and fewer union organizing drives. Customers want employees to appear concerned with their needs. Moreover, customer's perceptions of service quality are measured by the courtesy, empathy and responsiveness of service employees. Customer intimacy/ retention has to be built by employees across the organisation.

For instance, at Wipro Corp. newcomers when inducted into senior management, are required to spend the first couple of days visiting customers with their bosses, sometimes the Chairman of the conglomerate, Azim Premji, personally takes them around meeting the groups, customers dealers and stockists. From the above example we can see that customer centric organisations involve employees across hierarchies and functions to talk to and listen to customers. Such employee customer interactions will not only increase the operational efficiency but also help in implementing a system where-in self managed and self directed employees are working towards ensuring customer satisfaction and delight.

CONCLUSION

To formulate the effective CRM it is necessary that to make good relations by focus on customization services. The company can interact with their customer and learn about them-who they are what do they want,

how much they buy, and how much it cost to serve these customers. The CRM process is the most effective customer oriented strategy. Despite its humble origins it has evolved into a relatively complex strategy. The essentials of a CRM program include focus, commitment to CRM goals and above all a desire to be customer focused. As companies move from a product centric to a customer-centric orientation, and as they add new e-business channels to traditional customer interactions, they need the tools to analyse and optimize their efforts. Transitionally, performing analysis across the many different systems and information sources about the customer has been a difficult task, involving significant data integration, data mart implementation, and extensive IT support for analysis and reporting.

Customer relationship complexity which is caused not only by the new continuously evolving technology but also because of greater mobility in the field and faster development of new products. Firms must keep increasing the relationship complexity function between these customers and themselves. They must swiftly move away from the old paradigm of mass production to the new paradigm of mass customization to meet the exact demands of the customer. By building a detailed understanding of common customer scenarios, a company often finds creative more effectively, and fulfil supplementary needs that may not involve the company's offerings at all. In delivering such benefits, the company becomes a vastly more important and much indispensable supplier to its customers.

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