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E-CRM IN INDIAN BANKS
AN OVERVIEW

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*T**ECHNOLOGY,** people and customer are the three elements on which hinges the success of banking in the fast changing economic environment. The ultimate performance of a bank depends upon the satisfaction of its customers. In the emerging competitive and technological driven banking era, banks have to strive hard for retaining and enlarging their customer base. E-CRM, which is the latest buzzword in the corporate sector, is perceived as one of the effective tool in this direction by the banks. Its emphasis is on defining the customers as valuable in the long-term and on viewing customer relationships as a learning relationships. The concept of CRM, when seen in the context of e-business, it translates into e-CRM, which essentially deals with managing customer interactions over the web. The present paper attempts to analyze the concept of e-CRM in Indian banks from its various dimensions covering specifically its need, process, present status and future prospects.*

Introduction

The advancement in information and communication technology has made the new millennium, e-millennium. The dividing line between banks and non-banking financial institutions, like insurance and mutual funds, is getting blurred. Competition from players in the market has resulted into products and services traditionally offered by banks and financial institutions, are now being offered by non-banking organizations more efficiently and effectively. In India the monopoly of banks over payment systems would be broken very soon after the launching of satellite based money order services by the P & T department. Now banking activities are not confined to borrowing (collection of savings) and lending (disbursement of loans), but provides a plethora of services keeping in mind the requirement and convenience of customers. In the fast changing banking environment worldwide, banks in India will not only have to learn the new rules but also upgrade the skills as well as the tools of banking. The challenge lies in addressing these issues and at the same time keeping the wheels of growth moving.

Technology, people and customer are the three elements on which hinges the success of banking in the e-millennium. Technology will be an enabler in managing the pace and quantum of change. Success in technology can be brought about by skilled human resources. In response to these technological challenges, organizations have to evolve internal capabilities and skilled human resource management which is fundamental in generating these capabilities. However, ultimately the bank's performance depends upon the satisfaction of its customers. In the emerging competitive and technological driven banking era, banks have to strive hard for retaining and enlarging their customer base.

E-CRM, which is the latest buzzword in the corporate sector, is perceived as one of the effective tool in this direction by the banks. The present paper attempts to analyse the concept of e-CRM in

Indian banks from its various dimensions covering specifically its need, process, present status and future prospects.

Towards E-CRM

In the early 1990s, the concept of relationship marketing was formally introduced into the services marketing literature. Financial services institutions, airlines and other service providers found it profitable to retain and reward existing customers rather than run after new customers. It was established that building closer relationships with the customers resulted in better returns to organizations through the following means:

1. Increased use of services by loyal customers.
2. Charging of price premiums for customised services.
3. Referrals by satisfied customers that brought in new customers.

The concept developed for services marketing also found applications in the case of industrial and customer products. The conventional market approach based on 4 P's (Product, Price, Place and Promotion) is strongly grounded in the industrial age where goods were mass-produced, mass-distributed and mass-communicated using mass media. However, after the advent of Information era, it has become possible to target customers on a one-to-one and one-to-many basis and satisfy their individual needs.

The customer relationship management (CRM) is a well defined series of functions, skills, processes and technologies which together allow organisations to more profitably manage customers as tangible assets. The emphasis is on defining the customer as valuable in the long-term and on viewing customer relationships as learning relationships. CRM recognises that success over a period stems from customer loyalty and that long-term profitability lies in fostering unique lifetime relationships with small number of carefully chosen customers. It calls for increasing customer share, that is, retaining customers and selling them new customer made, higher-margin products over time.

The concept of CRM when seen in the context of e-business or transactions over an electronic medium, it translates in to e-CRM, which essentially deals with managing customer interactions over the web. After the adoption of the Internet and availability of electronic channels of communication, it is becoming possible to capture customer related information intelligently at the interaction stage itself. E-CRM applications are the **generic** of application systems which handle customer interactions over these new electronic channel of communications.

The whole model of CRM revolves around the customer life-cycle comprising the following four stages:

1. Customer requisition through referrals.
2. Customer development through personalisation and customisation.
3. Leveraging customer equity through cross-selling and up-selling.
4. Customer retention and referrals.

In e-CRM these four steps of CRM are managed by using electronic media.

E-CRM and its Benefits

The long-term business relationships provide many potential benefits for banks and clients. It is generally less costly for any service firm (bank) to maintain and develop an existing client relationship (Berry 1983). The customer can also make transaction cost savings by developing a long-term relationship with bank. The numerous studies carried on in USA reveals that transacting through Internet is much more economical than other channels. For instance, it has been estimated that while it costs nearly US $1.07 per transaction using the normal means, on the Net the costs comes to a mere cent. Even when compared with telephone banking (5 cents) and the ATMs (2.7 cents), the Net seems to have an edge. In addition, the strategic and social benefits may be considerable for both parties (Halinen 1989). A long-term relationship may, for instance produce strategic benefits for the bank in its marketing by generating references and credentials or it may create competitive advantage by building barriers to switching. The client on its part may enhance the quality of services offered by engaging in long-term business relationship with a bank (Berry & Parsuraman 1991).

In Net banking the financial statement can be viewed, printed or down-loaded in any format for ease of analysis. Thus, Internet as a service-delivery channel shifts the control of transactions from the bank staff to the customer. Net bank customers find better information through web-sites than from the unwilling, less knowledgeable and non-cooperative banking staff.

Thus high level of customer control that translates into customer satisfaction and repeat purchase is the most critical advantage of e-CRM in banks. Other related benefits include decreased cost of sales and promotion, high supply-chain management integration and improved logistics management.

Current Status of e-CRM in Indian Banks

Internet have enabled banking at the click of the mouse. At present there are five functional categories for online banking sites – on line brochure center, interactive bank, e-mails, calculations and cyberbanks, which offer customers access to account information, inter-branch funds transfer and utility bill payments. Banks have tied up with service providers in telecom and power sectors like MTNL, BSES and cellular service providers for allowing their customers to make bill payments online. In India, new private sector banks like ICICI Bank, HDFC Bank, Global Trust Bank and UTI Bank, have taken the lead in e-banking. Among the foreign banks, Citibank, has noticeable presence, while others like Federal Bank, HSBC Bank, Deutsche Bank and ABN Amro Bank, are moving towards becoming big players in e-banking. Even the state run banks like SBI and Union Bank of India have realised the advantages of such services.

ICICI Bank, the first bank to offer e-banking services in India has more than one lakh regular internet user accounts, of which more than 25 percent are of NRIs. The bank has viewed advanced information technology as a managerial and competitive tool and has tried to harness technology to the maximum possible extent to deliver superior customer services.

The Bank has emerged leader in B2B and B2C initiatives. B2B solutions (i-payments) aims at facilitating online supply-chain management to it corporate clients by linking them with their suppliers and dealers in a closed business loop. All members in this loop are required to maintain the account with the bank. This product has gained considerable market acceptance and the bank has already entered into memorandum of understanding with over 100 large Indian companies.

The Bank became the first bank in India to introduce utility bill payment through Internet. Bank has entered into tie-ups with leading telecom companies such as MTNL, Tata teleservices , VSNL and cellular operators such as BPL Mobile, Airtel and Usha Martin. Tie-ups have been established with BEST & BSES for electricity payment in Mumbai. The bank with its net banking service called 'Infinity' goes a step forward by allowing the account holder to transfer fund into another person's account with the bank. Also one can intimate about the loss of an ATM card over the net when using Infinity. Corporate sector can issue letter of credit and make inquiries regarding bills sent for collection via this service. It also provides facility for nicknaming all accounts to avoid remarking lengthy accounts number.

UTI bank, has tied up with Cosmat Max, to create a communication network for its customers. The network will have 50 VSAT terminals at strategic locations, which will help in ATM servicing and internal management information system. The bank has signed a memorandum of understanding with equitymaster.com for e-brokering activities of the site. This will enable the bank to leverage its database for e-commerce and other initiatives with data-warehousing and data-mining, where information of the customer spending habits will be used to sell other co-related products like credit cards.

HDFC Bank has, for the first time in India made the e-shopping experience secure online and real time with the launch of its payment gateway. This will allow any Visa/Master credit card holder anywhere in the world to make payments for global services over the Internet. The bank has tied up with 15 portals and is in talk with several others to offer secure business to customer e-com. transactions. The first secure, on-line and real-time e-com. credit card transaction in the country was done on the Easy.2 shoppe.com shopping mall, enabled by HDFC bank on a Visa card, heralding the launch of the payment gateway. HDFC Bank also offers a direct debit option whereby its customer can pay for the goods or services by a secure password enabled transfer of funds from their account to the merchant account.

The state run public sector bank, the State Bank of India (SBI) made a quiet foray into netbanking. The country's largest commercial bank launched on-line SBI - an account browsing facility over the Net for customers in eight select branches including four NRI branches.

E-CRM Techniques used by Banks in India

Banks leveraging technology can develop innovative customer solutions to attain growth with profitability within the framework of sound risk-management practices. Techno-savvy banks are tapping into online services to initiate a new era in relationship management to create one to one relationships as well as one to many relationships to enhance their competitive advantage.

Recent developments in critical areas of IT, have changed the way banks are managing their customer relationships. The following are some of the latest e-CRM techniques used by banks in offering new products and services to its customers.

1. **Internet banking:** Internet is being used by banks to disseminate information to customers about bank's products and services through their websites. The banking services are provided through Net with convenience of ease and accessibility. Internet banking offers many benefits to the banks viz. Vast reach, reduced transaction costs, direct marketing and cross selling, build bank's brand, etc. It also offers benefits to customers' viz. reduced cost, convenience, banking with the bank and not the branch, speed, better cash management, etc. The new private sector banks – ICICI Bank, HDFC Bank, UTI Bank and the Global Trust Bank have taken the lead in Net Banking. The state run public sector banks are lagging behind in Net banking, although modest beginning has been made by the State Bank of India.

2. **Data Warehousing and Data Mining:** This technique is used to develop and use customer data to check their profile, retention and loyalty patterns. They provide valuable inputs for retaining customers and developing products and services for the future.

3. **ATMs:** At present installed number of ATMs in the country is 1800, which is likely to be more than 4000 by next year. Most of the demand for this technology is coming from State owned banks. Until now, ATM services have been confined to deposits and withdrawal from bank accounts by customers. The growth in ATMs has been fuelled by a race among banks to expand their customer base by going in for more value added services (bill payments and ticketing services) on these machines.

4. **Telebanking or Mobile banking:** These services empower the customer with an instant access to routine queries and transaction or check bank balances.

5. **Computerized decision support system:** This helps the banks in applying optimization techniques in functional areas such as, asset–liability management, optimization of investment portfolios and asset portfolios through linear programming. This is a practical tool which helps the bank managers and customers in optimizing investment decisions.

6. **E-mail:** Banks can maintain the list of its best customers and inform these members through e-mail the various services and schemes offered by the bank. These days this is considered as one of the cheapest and effective means of communication.

7. **Computer networking:** Networking between the branches of divisional, regional, zonal and head office of banks provide access to customer data base from the executive desk. This will integrate the front-office applications with back-office requirements, thus generating MIS for branch managers and executives at the different controlling offices including Head office for accurate, speedy and cost-effective customer services.

8. **Customer smart cards:** These cards are issued to key customers which carries all the relevant information, details of previous and repeat purchases, to make it convenient for the customers to recall and for the banks to keep a track of the behavioral and purchase trends. Utilities like BEST in Mumbai are already using smart cards for ticketing in its luxury buses.

E-CRM Future Prospects

McKinsey survey reveals that the global market for IT-enabled services would be $140 billions by 2008, of which $17 billions could belongs to India. Out of this, India has about $450 millions e-CRM market. To take advantage of this growing market, global giants like PeopleSoft, SAP, Baan, Nortel, Talisma Corporation, Oracle Corp., Pivotal, and Siebel Systems are planning to invest in India so as to provide e-CRM softwares and services to Indian companies including banks. This will facilitate the e-CRM in Indian banks.

On account of factors such as rise in the depositor base of banks and an increasing tendency among the new generation banks to diversify into web-enabled services, the number of net bank registrations has sky-rocketed. World-wide trend shows that net banking is perceived as a convenient and fast way of doing banking business and is fast gaining grounds. In Australia, the banks that do not provide net banking facility and do not share information over the net are considered 'dead ducks'. In spite of all these advantages, IT-enabled banking is subject to severe constraints and limitations. Firstly, the use of web banking by customers has been by and large limited to balance enquiries and making utility bill payments. Secondly, for online banking to reach a critical mark, we need requisite infrastructure in terms of availability of personal computers, adequate bandwidth and uninterrupted power supply, which presently is lacking in India. Thirdly, the awareness about the online banking even among the upper echelons of society is very poor. Lastly people are insecure about the security offered by online banking. Hackers have managed to crack into even the Pentagon and NASA web servers, besides a host of other high security sites.

Once these issues relating to infrastructure and security are resolved IT-related services will get a big boost in Indian Banks. Indian government, being aware of the problems relating to e-transaction has already passed a bill on IT on May 17, 2000. The bill involves legal provisions relating to piracy, defamation, advertising, taxation, digital signatures, copyrights and trade secrets in the cyber-world. The bill intends to facilitate e-business by removing legal uncertainties created by new technologies.

Conclusion

In an e-world where, business is done at the speed of thought, the real challenge for the future lies in anticipating the demands of the new age and providing sustainable solutions. E-CRM strategy must cover all the market segments such as retail customers, Indian corporate sector, trade and agricultural sector for their banking requirements. The banks must adopt e-CRM 'Customer-centric' focus approach, as it is believed that products should be devised for the customers and not the other way around. Banks must build their brand image in assuring customers about the safety of their money and security of transaction on the Net. Moreover, e-CRM based alone on Internet will seems to be a wrong strategy for banks in India. Jose Fonellosa of Spain BBVA, which acquired first e-CRM, says internet is at best a zero sum game for banks. For high end products, customer cannot only rely on e-banking. For social interactions, people would like to visit their traditional brick and mortar branches. At the same time history has shown that no channel has completely replaced another channel and Internet is just one such channel which helps in CRM. Click and brick seems to be the right model which ultimately will succeed in India. Banks in India are on the learning curve of e-CRM and are trying to meet the latent needs of the customers. The success of e-CRM will depend upon the development of robust & flexible infrastructure, e-commerce capabilities, reduction of costs through higher productivity, lower complexity and automation of administrative functions.

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