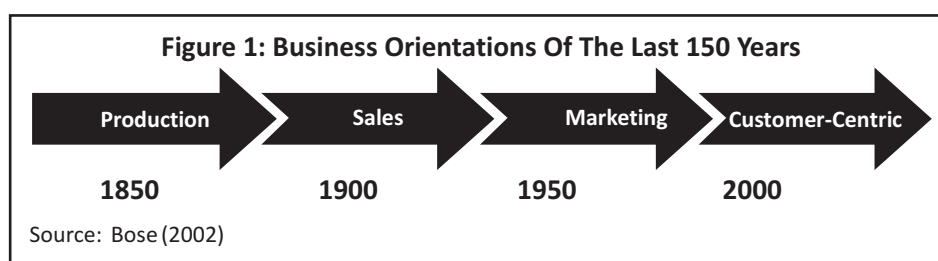# Managing Customer Relations Through Online Banking

* Vinay Kumar Nagu

RELATIONSHIP MARKETING

Marketing exchanges have shifted from transactions to relationships. Relationship marketing in retail banking is the activity done by banks to attract, interact, and retain more profitable customers because most retail banks have both profitable and unprofitable customers, and retention of a small number of customers (5 percent) yields a 95 percent increase on the net present value. To gain competitive advantage, big companies are now moving to a new orientation - which is termed as customer-centric orientation. The Figure 1 shows the direction business orientations have taken over the last 150 years.

Figure 1: Business Orientations Of The Last 150 Years

Production	Sales	Marketing	Customer-Centric
1850	1900	1950	2000

Source: Bose (2002)

A customer-centric firm is considered one, which has the capability to treat every customer individually and uniquely. The core of relationship marketing is to develop and maintain long-term relationship with customers rather than simply a series of discrete transactions. They noted that the guiding principle for the management is the customer's lifetime value; firms must consider the entire relationship with the customers rather than calculate discrete transactions.

❖ **Online Banking :** Electronic banking refers to Internet banking. The Internet has had a great impact on electronic banking. Now, online banking can be done without any time and geographic remoteness. Consumers all over the world can easily access their accounts 24 hours a day, seven days a week. This provides many opportunities to banks as well as customers, and the person using online banking is young, well educated, and having high level of income and a good job.

CRM (CUSTOMER RELATIONSHIP MANAGEMENT)

According to Galbreath and Rogers (1999, p. 162), the definition of CRM can be described as:

Activities a business performs to identify, qualify, acquire, develop and retain increasingly loyal and profitable customers by delivering the right product or service, to the right customer, through the right channel, at the right time, and at the right cost. CRM integrates sales, marketing, service, enterprise-resource planning, and supply-chain management functions through business process automation, technology solutions, and information resources to maximize each customer contact. CRM facilitates relationship among enterprises, their customers, business partners, suppliers, and employees.

For a successful company, customers are the most important, and they must be looked after and served properly. Many big companies are investing in managing the relations through CRM. It helps a company by using correct processes and procedures to look after customers accurately. CRM is a software which gives a company valuable information at the most basic level - like remembering the birthdays and names of the children of customers. This kind of information helps sales staff to give more value to make customers feel very special (Customer Relationship Management).

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Business call centers are the biggest user of CRM software, because they contact many customers at the same time and give feedback. The strategy of CRM is not to have only installation of this software, but its starting point is to consider employees at first, the employees must be well trained to CRM theory, so they could get maximum benefits by using this tool.

It is to manage technology, information resources, processes and people to make an environment which permits a business to have a view of its customers at 360-degree. CRM's environment is complex - it needs organizational change, a new thinking and vision of the business as database in the CRM environment is considered as a resource from where the commercial benefit is generated by understanding the customer's behavior. CRM is a technology innovation with its ability to collect and make analysis of customer data by seeing the customer's patterns, predict customer behaviour, respond on time with customized communication, creates predictive models, and delivers products and services to individual customers. By using this technology, optimized interaction with customers creates a 360-degree view of customers to learn from past interaction to the future trends. The 360 degree view of customers is a person-to-person model supported by technologies in prediction of customers' buying patterns and price differentiation. The main feature of this model is that the best market performance is achieved by having superior skills in understanding the customer in a better way. The Figure 2 elucidates a 360 degree customer view.

Figure 2: 360 Degree View

Source: Kotorov (2002)
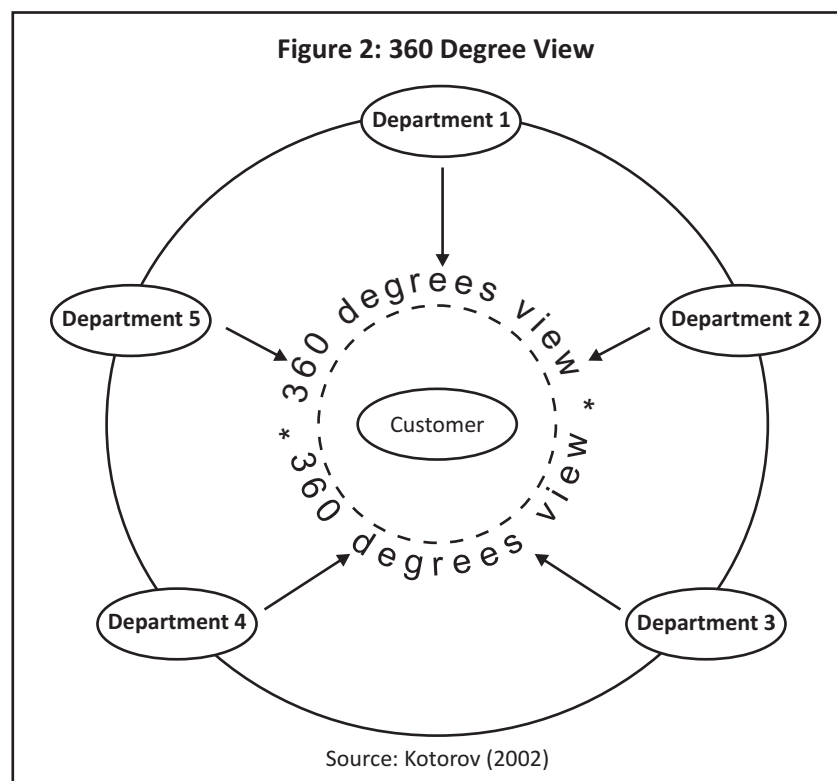
E-CRM (Electronic Customer Relationship Management) is considered as a strategic technology centric relationship marketing business framework. E-CRM is the consolidation of traditional CRM with e-business marketplace applications.

The purpose of E-CRM is to serve the customers in a better way, retain valuable customers and enhance analytical capabilities in an organization. Financial "know-how" is a very important factor in the purchase of financial products, and customers do not wish to get this know how, they only get advice. Banks (2001) pointed out "consumer financial decision making relies on a core of information...and they [consumers] must have access to this information on a timely and regular basis." To satisfy customers, companies should maintain consistency in all interaction channels like the Internet, E-mail, Telephone, Web, Fax and company areas like sales, services, marketing and other fields. Traditional CRM has limitations to support outside channels, while E-CRM supports marketing, sales and services.

This fact shows that no many empirical studies have been done in this connection. Thus, the objective of this study is to

contribute by filling this gap by exploring the dynamics of E-CRM in the financial sector. E-CRM is the use of the Internet and IT applications used to manage a relationship with customers. There are four elements in E-CRM :

1. Customer Selection   3. Customer Retention
2. Customer Acquisition 4. Customer Extension

❖ **Customer Selection :** It refers to customer targeting, segmenting, and mass customization, which offers a customized product which fulfils the individual needs and maintains a low-cost position via mass-market operations. Mass customization has been introduced into business processes, which created new developments. The Internet integration with Customer Relationship Management (CRM) gives the possibility to capture and analyze customers' click streams data, e.g., by monitoring customers' behaviour when they are online, surf websites and make purchases. There are two benefits of mass customization. First, it is done properly and with accuracy, which increases the customer satisfaction level because only those services and products are provided, which create benefit. Second, mass customization gives the potential to lock and bind the customer, which reduces the threat of switching to another website.

❖ **Customer Acquisition :** It focuses on promotion and other incentives to acquire new customers and to serve existing customers to come online. While in online channels, the firm should at least have the e-mail address of the customer. Detail customer profile includes information like age, financial status, and personal interests, and customers' role in the purchase process. To get this information, customers are offered incentives like gift certificates or free product samples. Primarily, it is done through banner advertising. Marketers are using tools like viral marketing, where the customers forward web addresses or company information to others via e-mail or by using SMS.

❖ **Customer Retention :** It turns one-time customers to regular customers and keeps them as long as possible in an online environment. It is achieved from two dimensions: personalization and communities. While personalization of the website is done by considering the needs of the customer, it makes it possible for him to stick to a particular website. While online communities create a network effect, which are followed up by the sales department, data mining regarding customer data helps to analyze and create a marketing campaign. Dot com companies are using traditional media too, which includes newspaper, radio and television. Customer data warehouse is used for effective marketing campaign. This technique permits personalization and one-to-one marketing. History of sales order may be used for personalization, and gives more customer service by allowing the customer to view his past transaction history.

❖ **Customer Extension:** A customer makes selection and commitment to purchase a product. During customer interaction with the business, there is no distinction between the departments in the eyes of a customer - it does not make any difference in dealing with marketing, sales or support service. He\she is dealing with the business. In the dot com environment, a customer views the business all at once. Here, real-time shopping environment gives an overall view of price, shipping, and availability and tax rules for product or service. The customer ordering is linked with enterprise resource planning (ERP) or back office system. It creates more customer expectations because they are more accurate and are presented with accurate delivery date and order status information. Customers can make a regular change in their orders and until the time of shipment, they want to view their past order transactions. For these reasons, the order system should facilitate not capturing orders, but create real value for the customer. It must be real time supply-chain management data, which consists of demand planning and forecasting, manufacturing planning and scheduling, distribution and deployment planning, and transportation planning and scheduling data. In B2C commerce, the payment system is mostly done via credit cards, micro payments and electronic fund transfer, and non cash settlements like contracts and invoices.

BENEFITS OF E-CRM

❖ **General Benefits of E-CRM :** The aim of E-CRM is to:

1) Create long-term relationship with customers with minimum cost.
2) Reduce the customer defection rate.
3) Increase the profitability from low-profit customers.
4) Focuses on high-value customers.

E-CRM is an approach in relationship management. It benefits all its stakeholders who include employees, customers, suppliers, and channel partners. E-CRM takes many forms and depends on the objectives of every organization, it is not only technology or software; this tool is used to align the business processes with the customers in a strategic way.

❖ E-CRM increases customer loyalty because information stored in this software helps a company to look at the actual cost of winning and retaining the customers. By using this information, a company can use its time and resources for most profitable customers. In this way, a company can find the best customers by managing them as a premium group. This shows that it is not advisable to treat all customers in the same way.

❖ E-CRM gives more effective marketing because this information is used to predict what kind of product a customer likes to buy and timing of the purchase. It allows to make the campaign targeted and to track it in a more effective way. This customer data is used to analyze it in a more effective way - like which marketing campaign is the best and effective and its impact on sales and profitability.

❖ E-CRM improves customer service and support because it helps to receive, update, and fulfill orders remotely and this is the finest tool used to complete this service in the best practical way.

❖ E-CRM is an efficient and cost reduction tool, which integrates all customers' data into a single database; it permits marketing teams, sales forces, and all departments within the company to exchange information and to achieve the common objectives of the corporation by using the available statistics.

❖ **Specific Benefits of E-CRM**
1) Enhanced Customer Interactions and Relationships
2) Managing Customer Touch Points
3) Personalization and E-Loyalty
4) Source of Competitive Advantage

E-CRM IN ONLINE BANKING
The ICICI Bank was provided a list of variables information, which are relevant for the study, and which were investigated in detail. According to ICICI, a new strategy was outlined at the bank, which includes a large number of steps to change in new customer relation channels like www, self-service, etc.

❖ **The Use Of Electronic Customer Relationship Management (E-CRM) At ICICI Banking:** For more than 15 years, ICICI had its IT strategy based on a single, centralized IT platform. All its divisions and subsidiaries are operating on that shared platform. Its website provides bank information, product information, brochures, country information where ICICI is operating, events, e-mail support, news and search. When a customer avails the ICICI eBanking facility, it is available for 24 hours a day, 7 days a week. It is a Web-based system, and it even enables companies to conduct routine banking transactions. It gives a company quick access to its accounts, create and approve payments, and also gives the current liquidity situation of the firm. A customer company can also integrate its accounting data with ICICI's online system. Its website is one of the main interaction points with its customers. A customer receives automatic e-mail of transactions. The first part of the CRM tool at ICICI is the customer portal set up - this portal helps the bank advisers to see the overall view of individual customer's files, their history and facilities provided to them, this portal also has the products and solutions which are relevant to the customer's history. This service gives a lot of information about customer behaviour. Initially, at the first step, personalized banners were forwarded to individual customers, and the next step is product presentation, which is based on customer score models and behaviours and by considering these score models, matching is done to provide individual needs.

ICICI helps to overview tasks, files, and customer leads generated from customers' behaviour. ICICI is in a position to introduce automatic limits for all customers, and it is based on the overall overview of score models and customers' credit history. It helps the bank advisers to offer more effective advisory services and sales. ICICI introduced more items related to the CRM tool, one of them was the Financial Planner. This tool made it possible for the customers to create and maintain their own financial budget via the eBanking facility. By using this tool, customers can share their financial information with a bank advisor; this has helped advisory service to make decisions based on actual facts, while previously, it was based on manual entries.

Here is the list of all the features of ICICI eBanking system. Certain features are not available in all countries. To have some features available, it is the requirement for customers to have Markets Online module of eBanking on their computer.

❖ **Essential Functions**

1) View balances and entries **2)** Make payments to creditors & order cheques **3)** Securities trading **4)** View custody accounts

❖ **Accounts/Payment Types**

1) Domestic accounts (both rupees & foreign currency) **2)** Domestic payments **3)** International payments from India **4)** Local payments from outside of India

❖ **No. of users :** One agreement - multiple users: **1)** Variable authorizations **2)** Variable permissions **3)** Personal Passwords

❖ **Connections**

1) Direct connection to ICICI Bank/via ISP **2)** Access to ICICI Bank's Group Website

❖ **Flexible Payments**

1) Store and re-use creditor information **2)** Execute payments in a file **3)** Execute payments online

❖ **Other Options**

1) Restriction of funds available for transactions **2)** Various securities & forex modules **3)** Trade Finance module

❖ **Benefits of E-CRM Technology In ICICI's Online Banking:** ICICI offers competitive financial products and advisory services, like by having online banking facility and cash management services in North Europe, a customer can have a real-time overview of its liquidity and currency position; it can make local payments and across the border transactions, in that way, cost and administrative work is minimized. Similarly, ICICI has a large staff at back-office operations; in case of any problem, this staff can be accessed. Through the ICICI website, a customer can pay his bills, have an alert of his/her cash balance via email or SMS, can get electronic account statement, order foreign currency, be able to access financial markets, monitor investments, trade securities by using ICICI investment tools. A customer can use a PC or a Mac, the ICICI security system is of the highest standard. A customer can see online information available for help, see products, services, jobs, organizational structure, browse through the website to get inside information of bank services; a customer can email, call for instant help to customer support office, or make an appointment with bank staff. Their enquiry is forwarded to the concerned branch, so a customer does not need to contact other channels. On its website, a customer can see financial results of many years, profits, speeches of management, bank announcements, and this is available online and can be accessed instantly. With the market online module, a customer can have all information related to securities prices, interest rates and foreign exchange rates. A customer can choose his own price profile. Similarly, with Trade Finance module at ICICI, a customer can create and process these facilities, like export and import documentary credits, export and import collections, and international guarantees, and can see current their status. It is a user friendly overview and can be seen quickly to transactions.

CONCLUSION

The findings show that the ICICI Bank is using E-CRM tool for mass customization, customer profiling, self-service and time saving as their primary goal. Then, the second priority is for mass market operation, accuracy in order management, personalization, and one to one marketing as their secondary task. And low importance is given to the marketing campaign. While monitoring customer behavior, market segmentation and enhanced customer service, right product to right customer, customer promotion and retention, one bank gives more importance, while the other gives low importance. On the basis of the findings of the study, the following objectives are considered to be the most important for the banks participating in the E-CRM activity :

❖ Mass customization
❖ Customer profiling

- ❖ Self service
- ❖ One-to-One and Personalization service

It was found that primary benefit of E-CRM in the banking sector is the reduced cost of operation, locks in target prices, and increases in customer loyalty. While secondary importance is given to customer recognition, competitive products, and a high - security system, low priority is given to different contact options for customers to contact and minimize the administrative work. While in overview of transactions, localization of transactions, real time overview of liquidity position, organizational activity and one point of contact, one bank is giving less importance to some factors, while the other is giving more importance.

The findings show that definite benefits which are derived from a bank's perspective by using E-CRM are :

Reduced cost of operation; Locks in target prices ; Increased customer loyalty; Staff training; Evaluation of Customer feedback.

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