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Customer Relationship and Marketing of Banking Services through Internet in India

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Abstract-This paper is attempted to understand the customer relationship and marketing of services in banking services. It is purely a review paper where the researcher is interested to know how far the customer relationship is maintained in banking sector including public and private. Based on the study from various researchers, it is observed that many of the bankers have taken steps to maintain customer relationship through customized service, excellent ambience, different schemes to invest and get hassle-free loan according to the customers’ preference. Similarly the bankers try to market their products by using the electronic services apart from pamphlet and word of mouth communication such as mobile banking, internet banking, ATM and money transfer through RTGS and NEFT.

Index Terms: Customer, relationship, services, internet, and technology

INTRODUCTION

A bank is a financial institution that is licensed to deal with money and its substitutes by accepting time and demand deposits, making loans, and investing in securities. The bank generates profits from the difference in the interest rates charged and paid. Banks play an important role for the economic development of our nation.

EMERGENCE OF BANKING SERVICES

Marketing of banking services has emerged after 1980 in India. Many bankers started to differentiate their banks through their services than their interest rate. The bankers can differentiate their interest rate in a minimum variation. So the banking industry has faced various challenges in service quality, quality customer satisfaction, customer perception, customer retention, customer loyalty and addressing customer grievances.

NATIONALIZED BANKS IN INDIA

The major nationalization of banks happened in 1969 by the then-Prime Minister Indira Gandhi. The major objective behind nationalization was to spread banking infrastructure in rural areas and make cheap finance available to Indian farmers. The nationalized 14 major commercial banks were Allahabad Bank, Andhra Bank, Bank of Baroda, Bank of India, Bank of Maharashtra, Canara Bank, Central Bank of India, Corporation Bank, Dena Bank, Indian Bank, Indian Overseas Bank, Oriental Bank of Commerce (OBC), Punjab and Sind Bank, Punjab National Bank (PNB), Syndicate Bank, UCO Bank, Union Bank of India, United Bank of India (UBI), and Vijaya Bank.

In the year 1980, the second phase of nationalisation of Indian banks took place, in which 7 more banks were nationalised with deposits over 200 crores. With this, the Government of India held a control over 91% of the banking industry in India. After the nationalisation of banks there was a huge jump in the deposits and advances with the banks. At present, the State Bank of India is the largest commercial bank of India and is ranked one of the top five banks worldwide. It serves 90 million customers through a network of 9,000 branches.
BANKING SERVICES

Banks' systems should be oriented towards providing better customer service and they should periodically study their systems and their impact on customer service. Banks should have a Board approved policy for general management of the branches which may include the following aspects:-

(a) Providing infrastructure facilities by branches by bestowing particular attention to providing adequate space, proper furniture, drinking water facilities, with specific emphasis on pensioners, senior citizens, disabled persons, etc.

(b) Providing entirely separate enquiry counters at their large / bigger branches in addition to a regular reception counter.

(c) Displaying indicator boards at all the counters in English, Hindi as well as in the concerned regional language. Business posters at semi-urban and rural branches of banks should also be in the concerned regional languages.

(d) Posting roving officials to ensure employees' response to customers and for helping out customers in putting in their transactions.

(e) Providing customers with booklets consisting of all details of service and facilities available at the bank in Hindi, English and the concerned regional languages.

(f) Use of Hindi and regional languages in transacting business by banks with customers, including communications to customers.

(g) Reviewing and improving upon the existing security system in branches so as to instil confidence amongst the employees and the public.

(h) Wearing on person an identification badge displaying photo and name thereon by the employees.

(i) Periodic change of desk and entrustment of elementary supervisory jobs.

(j) Training of staff in line with customer service orientation. Training in Technical areas of banking to the staff at delivery points. Adopting innovative ways of training / delivery ranging from job cards to roving faculty to video conferencing.

(k) Visit by senior officials from Controlling Offices and Head Office to branches at periodical intervals for on the spot study of the quality of service rendered by the branches.

(l) Rewarding the best branches from customer service point of view by annual awards/running shield.

(m) Customer service audit, Customer surveys.

(n) Holding Customer relation programmes and periodical meetings to interact with different cross sections of customers for identifying action points to upgrade the customer service with customers.

(o) Clearly establishing a New Product and Services Approval Process which should require approval by the Board especially on issues which compromise the rights of the Common Person.

(p) Appointing Quality Assurance Officers who will ensure that the intent of policy is translated into the content and its eventual translation into proper procedures.

CUSTOMER SERVICES IS THE FOCAL POINT

In today increasingly competitive environment, quality service and customer satisfaction are critical to corporate organizations. Delivering high quality service is linked to increased profits, cost savings and corporate image. Customer satisfaction is the route to sustained high performance. Organizations should be aware of the fact that customer dissatisfaction leads to defection and long term losses. Ensuring quality customer service is everybody’s
business in the organization. However, it is the top management responsibility of creating an environment that fosters customer driven services in a customer oriented organization (Lovelock 1984). A customer is the only key focal point for business in the world. A customer is anybody who buys goods and services for his or her own use or for selling (Lesley & Malcom, 1992).

Indeed Customer service is the ability to identify the needs of customers and meeting those needs beyond their expectation within the shortest possible time. In this light the focus of marketing is to address the customers’ needs, wants, preference and attitudes. Arguably, marketing concepts posit that the right avenue to start the search for new products ideas are the customers’ needs and wants Kotler (1991). According to Tumi (2005), in any customer service interaction, the perception of customers is crucial to one’s ability to ensure that they are satisfied beyond expectation. This helps to give customers not what is obvious but also fulfill a multitude of less obvious customer needs (Tumi 2005).

Siles et al. (1994) argued that though customers have always been reluctant to switch banks, impersonal and unfriendly service will still drive them away. Customers are the most important resources for commercial banks. It is therefore crucial to develop customer-focused strategy and build up loyal customer relationships.

CUSTOMER RELATIONSHIP MANAGEMENT IN BANKING

CRM is defined by (Couldwell 1998) as “a combination of business process and technology that seeks to understand a company’s customers from the perspective of who they are, what they do, and what they are like”. (Yli Renko et al. 2001) have focused on the management of the exchange relationships and the implications of such management for the performance and development of technology-based firms and their customers. Specifically the customer relationships of new technology-based firms has been studied.

Parasuraman et al. (1985) also hold the view that high quality service gives credibility to the field sales force and advertising, stimulates favourable word-of-mouth communications, enhances customers’ perception of value, and boosts the morale and loyalty of employees’ and customers alike. Anbuoli & Thiruvenkataraj (2013) concluded in their research that the customer relationship management to deliver to its expectations, it should play an integrative role within the bank and ensure that all processes are integrated in the bank global strategy, which is far from reality in the study. CRM is a key to create a superior customer experience. It manages the customer relationship by creating a clear understanding (Know), by developing services and products based on the added value for target groups (Target), then enabling the actual sale and delivery of services and products through the selected channels (Sell), and developing long term profitable relationships with customers after sales services (Service) (Hussain, et.al., 2009).

Tapan, (2003) in his article “creating customer lifetime-value through effective CRM in financial services industry”, has stressed the importance of the CRM in financial services industry. Customer relationship management goes beyond the transactional exchange and enables the marketer to estimate the customer’s sentiments and buying intentions so that the customer can be provided with products and services before he starts demanding. This is possible through the integration of four important components i.e. people, process, technology and data.

CUSTOMERS RESPONSIVENESS

According to Snehalkumar H Mistry (2013) found in his study that banks should give more focus on increasing reliability, responsiveness and assurance. For that they can give training to their employee which will help them to give personalized service. It will also help to implement empathetic approach. Dutta and Dutta (2009), for Indian banking services evaluation, there is not much differentiation in the price (due to regulations by RBI). Therefore, the main differentiator for banking service evaluation would be ServQual dimensions, systematization of services, servicescape and social responsibility.

Marketing services are of great emphasis on both customer and bank. The quality and quantity of banking products increased and a result of this, recent developments in marketing thoughts in services such as internal marketing, network marketing, data base marketing and relationship marketing became more favorable (Gunal Once). Motivated staffs are capable of giving the customers personalized service and attention and that leads to customer satisfaction (Lawrence N.Kimando & Grace Wachera Njogu 2012).
Shurabi Singh & Renu Arora (2011) the charges levied by the bank on different services were perceived higher by the customers in private and foreign banks in comparison to nationalized banks.

Mills and Moberg (1982) highlighted that in service transactions, the raw material to be converted to service output depends, to a great extent, on the facts and information furnished by the customer. Milligan (1997) suggests that banks with an extensive branch office system and ATM network would have the opportunity to attract customers who are in convenience segment. The typical customer satisfaction index is directly related to perceived ability of individual service organization to meet the service time requirement. Customers leave dissatisfied when they feel have spent too much time on something which would take less long. Quality is perceived objectively and subjectively (Blummberg, 1991).

CUSTOMER RETENTION

Gan et al. (2006) indicate that retaining a customer becomes a priority for most enterprises and there are compelling arguments for managers to carefully consider the factor that might increase customer’s retention rate. In any case, the cost of creating a new customer has been estimated to be five times the cost of retaining an existing customer (Reichheld, 1996).

EMPLOYEES’ BEHAVIOR PLAYS MAJOR ROLE IN BANKING SUCCESS

According to Armando (2005), successful service providers can satisfy customer's banking requirements through human element, particularly ‘face-to-face’ interaction with the customer. It is worthwhile to mention that employees' behaviour plays an important role in differentiating banking services. Welcoming the customer with smiling face, friendliness, politeness, understanding customers' problems, etc. have positive impact on customer perception.

When employees communicate well with customers and provide the high quality service they want, there is rarely a need to redo procedures to please customers. Organizations that make specific efforts to meet customers needs retain the old customers and gain new customers (Martin 1989). In banking services price fairness and transparency, distributing banking services in convenient way, behavior of employees, customers’ education, tangibility and process through technology play important role in differentiating services from competitors (Vinita Kaura 2013).

INTERNET BANKING

As per the last available data, as on 1 July 2014, there are 243,198,922 Indians who are using internet and it is increasing approximately 3.5 crores every year on an average. It is also shows the rate of growth which is 168 percent since 2010. It is very much evident through the data provided by IAMAI (The Internet and Mobile Association of India) (Business Line). Internet banking is a cause of concern to majority of the offline banks who should be ready for an unprecedented competition from the modern banking institutions offering banking and financial services over the internet (Rajagopalan, 2001). More and more banks have adopted latest technological tools to deliver their services and this has resulted in reduced costs, creation of value-added services for customers (Zhu et al. 2002).

Banks are making sincere efforts to popularize the e-banking services and products. Younger generation is beginning to see the convenience and benefits of e-banking. In years to come, e-banking will not only be acceptable mode of banking but will be preferred mode of banking (Roshan Lal & Rajni Saluja 2012).

Commercial banks are aware that internet opens up new horizons for them and enables them to expand from local to global frontiers within a short span of time. Online banking enables bank customers to get access to their accounts and general information on bank products and services through the medium of bank’s website without the intervention of sending letters, faxes, original signatures and telephonic confirmation (Thulani et al., 2009). Pallab Sikdar & Munish Makkad (2013) Commercial banking operations in the long-run can be majorly optimized by minimizing the branch based interactions with the customers, enabling the banks to focus on direct selling and other activities requiring higher focus on the part of commercial banks. The use of internet as a delivery channel for banking services is increasing widely in banking sector. Internet banking facilities enable financial institution and customers to access their accounts, transactions and getting information on financial products & services (Prakash A and Malik G 2008).
According to the ComScore Report, 2013 India is now world’s third largest Internet user after U.S. and China (The Hindu). The computer literacy has gone upward in the last decade. Those with higher IT literacy may have a more positive perception towards e-banking in general and May thus, be more likely to accept e-banking services (Saraswathy Amma & Panicker 2013).

Technology-enabled services provide constant, reliable and quality service. Technology invasion in Indian banks started with the introduction of magnetic ink character reader, currency note counting machine and automation of front-and-back-office operations of the branches (Lenka et al., 2009).

CONCLUSION

An excellent relationship leads the banks to grow into new heights. (Beckett-Camarata et al. 1998) have noted that managing relationships with their customers (especially with employees, channel partners and strategic alliance partners) was critical to the firm’s long-term success. It was also emphasized that customer relationship management based on social exchange and equity significantly assists the firm in developing collaborative, cooperative and profitable long-term relationships.

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