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Relationship marketing: The ICICI way

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Technology forms an essential component for the firms engaging in Relationship Marketing. This paper brings out the perfect blend that an organization can have between its' culture and technology. Further, it emphasizes the fact, that just employing the latest state-of -the-art-technology is not enough for an organization, it also has to be applied with the correct approach to serve the purpose for which it was employed. Finally, it brings out the fact that technology could be a great source of integration and may prove immensely useful to organizations believing and practicing the CRM.

An introduction to relationship marketing

Sheth and Parvathiyar[1] define 'Relationship Marketing as "the ongoing process of engaging in co-operative and collaborative activities and programs with the immediate and end user customers to create or enhance mutual economic value at reduced costs. The Peppers and Rogers'[2] group carried this phenomenon still further through the concept of 'One to One Marketing'

One to one marketing is a form of practicing relationship marketing by the firms. The underlying concept of this principle lies in making the most of the existing customers rather that acquiring new customers. It aims to get a greater market share by selling the products or services to the existing set of customers at reduced costs. Firms using one to one marketing generally have an account based marketing system where all special and categorized relevant information related to every single customer could yield higher returns for the

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company in any form, in the future, is maintained by the organization. The customers' account are managed in a way, that the organization goes closer to the customer, and enters into a continuous evolving and learning relationship with them. Here a very important point to be taken care of is that relationships are a continuous series of collaborative actions defined in a particular context and with reference to the participants. Also each relationship is different from other and unique in itself.

The role of information technology in relationship marketing

Information technology has made it possible for the firms to put this type of marketing in practice in a cost effective, manageable and profitable manner. It is not that the concept of one to one marketing is new; it is just that it involved huge costs and the economies of scale were not achieved. One to one marketing operates on the principle of customization, i.e., developing and marketing products and services according to the individual customer needs in a cost-effective manner.

Technology could be used in three main ways to perform Relationship Marketing (Peppers and Rogers Year):

Databases: These are computerized records of the customers of the company, which can be used afterwards to perform several marketing functions.

Interactive Technologies: These are a source of liaison between the customer and the company, helping them gets close.

Mass Customization: These are especially designed computer modules which can arrange customer data in a manner that products/services are tailor-made to suit the needs and wants of that particular customer.

But just classifying technology for the purposes and defining it is not enough unless and until it gives returns in form of increased sales and customer turnover for the organization. This brings us to a very critical point in the application of technology for CRM. It is imperative that ***integration*** be achieved amongst all the 4 Ps of the marketing mix.

CRM is a tool to fight competition in the service economies and technology helps in practicing CRM, and hence, its importance need not be emphasized again. But equally important is the fact to use technology in the right manner and in line with the company's philosophy and culture or else it would only create chaos.

ICICI Bank is an excellent example on how to use technology for CRM implementation.

The Company:

ICICI (Industrial Credit and Investment Corporation of India) was formed in the year 1955, under a special statute of the Indian Company's Act 1956. It was neither a private limited company nor a public limited one, instead it was a development bank; a bank entrusted with the responsibility of providing infrastructural facilities to a country, which had recently become independent. The main task of the bank was to assist the government and private sector to develop the country. That was the Industrial era and the infrastructural facilities for the country especially the private sector were yet to be built. These sectors were to form the backbone of the country and ICICI was supposed to help in these projects, hence an industrial development bank. In short ICICI was by function a bank for the corporate segments also commonly referred to as a financial institution. It was not a bank that transacted with common masses as the other scheduled banks of the country. Essentially it operated in a B2B (business to business) market.

The Metamorphosis:

Till the 90's, i.e., almost for four decades it continued as a development bank. It was in early 90's that the economic policies in India were changed. Till then the country had a very strong regulatory structure but then there were several economic changes and policies of liberalization, privatization and globalization were introduced in the country. The banking sector was one of the sectors put to reforms. With the policy changes this sector now had foreign and domestic private banks, apart from public sector banks. This led to various joint ventures, collaborations and new set-ups in the banking industry. The environmental factors along with change in policies led ICICI to expand its business and it now entered the retail banking segment, with the formation of ICICI Bank Limited in 1994, as a subsidiary of ICICI Limited.

Now ICICI Limited took care of corporate term loans and ICICI Bank Ltd. offered working capital loans, term loans, in addition to the other usual banking functions, such as deposits, withdrawals, and remittances etc. Thus ICICI entered the B2C market (i.e., business to consumer market). Earlier India was a fiercely regulated market and country, but now with so much of deregulation, the opportunities that came up were endless, not only in the banking sector but also insurance and home loans etc. More over the retail segment provided quicker returns at lower costs compared to the corporate dealings. ICICI captured these one by one. After its' foray into banking services it cashed upon the retail finance segment, i.e., different types of various consumer loans, bonds, mutual funds, deposits, credit cards and insurance policies. A new company called ICICI PFS Limited was formed to take care of the retail finance segment in 1998.

As far as retail banking was concerned, till the year 2000 the things worked well for the company. The market was responding and the major focus of the company was on customer acquisition to establish itself. The company was working towards becoming a one stop financial institution, i.e., taking care of all the needs related to investment and savings, and money of the consumer. In the process its service quality took a beating in the market, because of the number of intermediaries involved and specification of roles within the various subsidiaries of the company. Also with the increase in competition the focus had to be shifted towards customer retention along with acquisition.

The company was till then occupied in achieving greater sales targets by increasing the customer base but it soon realized its flaw in service quality and the serious repercussions involved for the future thereby. It realized that acquiring customers was not enough but retaining them was equally or to a degree more important, as it offered other advantages such as cross selling, up selling, lower costs and free advertisements.

The company took immediate actions to rectify the two problems that had led to downgrade in service quality. It realized that in order to fulfill its commitment of one stop financial institution it had to have a seamless and single integrated view of each and every customer across the organization. Now ICICI decided that in no case was the customer to suffer the brunt of the mistakes of intermediaries and the structure of the organization. He was in no way to be bothered about the way the organization worked. This meant that for the end consumer, the number of companies or the problems with the channel agents should not be there at all, instead he should think of ICICI as one single entity, and not as an amalgam of specialized sub groups. A customer should not get the inside view of the organization at all and neither was he concerned with the same. Whatever his problem was, till he remained a customer of ICICI each and every employee was liable to him and it was their responsibility to find a solution to his problem.. The customer could simply walk and ask any person whom he had access to. He was not to be directed or given instructions, instead his convenience, ease, and comfort should be given priority by the officiating personnel.

Thus in the year 2000-2001, another strategic step was taken, with the reverse merger of ICICI Limited into ICICI Bank Limited. The other group companies were either merged within the new entity or were made subsidiaries of ICIC Bank, which was now the parent company. This change was carried out with the vision to become the first UNIVERSAL BANK in India. Universal banking is an ingenious concept and it will take care of all the possible financial needs of the country's people; whether corporate or retail, banking or insurance, loans or deposits and even debit or credit card.

Working on this philosophy ICICI analyzed its' strengths and weaknesses, in the context of the environment and found that **technology** was its' major strength. In fact ICICI had been a leader in technology in the country and matched the international standards for the same. The company thought of utilizing its' strength to solve the problem of integrating people, processes, and data. In short it could be used for building **enterprise wide integration**, which would help it in building relationships with the customers.

But technology alone could not solve the problem. Earlier the company's strategy was product centric with more emphasis on achieving higher sales targets. Now the circumstances were different and this strategy would not work. Instead a customer-centric strategy with major focus on customer retention was the need of the hour. Sales was still an important function and could not be taken lightly too. Thus the strategy was to be such that it helped in customer retention and increase in sales. Again for this enterprise wide integration was needed so that everyone knows the status of every customer and the every product and thereby he could **cross-sell and up-sell** other products.

Another thing to be focused upon was the front office operation or the customer access points. A number of these access points would make things easier for the customer, provided there was **integration** across these points. Along with this the front office was to be thoroughly integrated with the back office operations. The front office or the access points were only liaison points between the customer and the company. The actual operations and work was done by the people in the company via the back office.

Thus integration was needed in the organization:

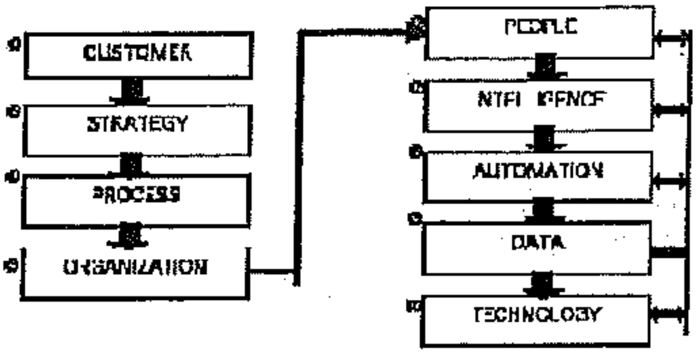
- Across the front office.
- Across front office and back office.
- Enterprise wide integration to provide a single view of the customer across the whole organization.

Apart from integration the technology was also needed to help in **Business**

Intelligence; i.e. there had to be soft-wares which after integrating the needed could also draw relevant and useful information and queries, and generate reports which could be used by the company to help in knowing and serving the customer better.

The Implementation:

To begin with the company adopted the following conceptual model of CRM:



Source: "Creating the Enterprise CRM Strategy" by Ashun Haney, Chief Technology Officer, [illegible]

EXHIBIT 1

For implementation of the CRM program at ICICI was divided into two parts:

a. Analytical CRM
b. Operational CRM

a. Analytical CRM:

One thing was very clear right from the beginning of the program that the customer was the centre point of everything in the company, and the focus was on attracting and/or retaining them. The organization's needs were matched to the customers through thorough analysis and a strategy was devised which would offer maximum value to both the parties. The first point to concentrate upon was as to how to make the *Communication* between the company and the customer better; better in terms of convenience speed, ease, and accessibility. For this it introduced multiple channels of communication between the company and the customer such as call centre, ATM, web, telephone, kiosk, bank, branch, face to face and sales associates.

The second thing was *Coordination* amongst these channels, which was done through a computer software. Each product line had its' own backend operations and the data gathered through and across the front desk was directed to the relevant product back end .For this, a very sophisticated tool was used, again a computer driven software, which essentially performed the function of an 'Intelligent Middleware'. It was used as a medium of transfer between the front end and back end and also scrutinized the data, and saw that it was in the prescribed format. The data contained the demographic facts, the information related to the customer accounts and the transaction records.

The next step was *Tabulation* of data. The data collected was to be organized and tabulated in a form so that the errors were minimized. For this first the data was de-duplicated. This de-duplication enhanced the quality of the data as now the data was more productive with least number of errors. Again this was done through the technology, i.e. specialized software was used for this process. After the de-duplication of data the ETL tool took over. ETL was actually the short form of the 'Extraction Transformation and Loading Tool'. This tool scanned and edited the data and then transferred the data to a central data depository. The central data depository was actually a customer database which was used across the whole organization as required. The data was continuously upgraded and the depository was centrally managed.

Then came the process of *Data Mining*. Now the data from the central data depository was classified and divided into small groups and subgroups known as data cubes. Another business intelligence tool called the OLAP was then used to generate reports from the data cubes, according to the business rules or the queries posed. This tool generated reports which defined the prospects, the targets, the regrets, and various other variables required for the company's business from amongst the existing and new users. The OLAP tool or the 'Online Assessing and Processing Tool', solved many problems that came in human and manual forms, during operations on the earlier software(s). This tool was very easy to operate and could generate customized reports (customized according to the queries) without any complications, which were generally found in such software(s).

On the basis of these reports, *Personalized campaigns were generated* by a 'Campaign Management Tool'. That is depending upon the result of the report say a person formed a prospect for a particular product of the company then a campaign was generated on how to deal with that customer and market the product ultimately aiming at turning him into a customer, by selling him that product. The campaign also guided as to how was the customer to be treated keeping in mind the stage in life cycle and his level of needs.

The analytical CRM part ended at this stage i.e. till the generation of personalized campaigns.

b. Operational CRM:

After this the operational CRM took over. Here again the whole process was automated and integrated through technology. It was broadly divided into two parts,

1. The sales automation and

2. The customer support and service automation.

A leading software company was employed to develop specialized software for this purpose, exclusively for ICICI. The operational CRM helped the managers to take intelligent actions and interactions as per the situation, thereby ensuring improved responsiveness, effectiveness and competitive advantage for the company.

The CRM program at ICICI was completely automated and integrated. It was similar to the human brain while the operational part was like the human limbs. The main thrust of the analytical part was that the company wanted its' customer to have the same experience throughout the organization. The business strategy which was more customer centric now employed personnel and technology that would do market research, analyze the consumers, identify their needs and see as to what product could meet their need. This helped in greater satisfaction and an increase in sales volume. For instance a woman 25 years old, unmarried with just a savings bank account at the ICICI bank, called at the call center to check the balance in her account. She was now married. While the conversation between the lady and the call center agent took place her profile was continuously being scanned and the data upgraded. Immediately and simultaneously the data underwent processing and a report was generated in the company that she could be a prospect for the two wheeler loans consumer durable loans. A personalized campaign was also generated and immediately the sales force takes over. The analytical CRM and the operational CRM were integrated in such a way that they could generate reports and campaign in real time efficiently. This greatly helped in generating more campaigns in less time. The personalized marketing campaigns offered two major advantages to the company.

It enabled the personnel to practice one to one marketing.

Increased customer satisfaction and reduced number of complaints which resulted in an increased customer and sales turnover, which provided a competitive advantage to the company.

EXHIBIT 2

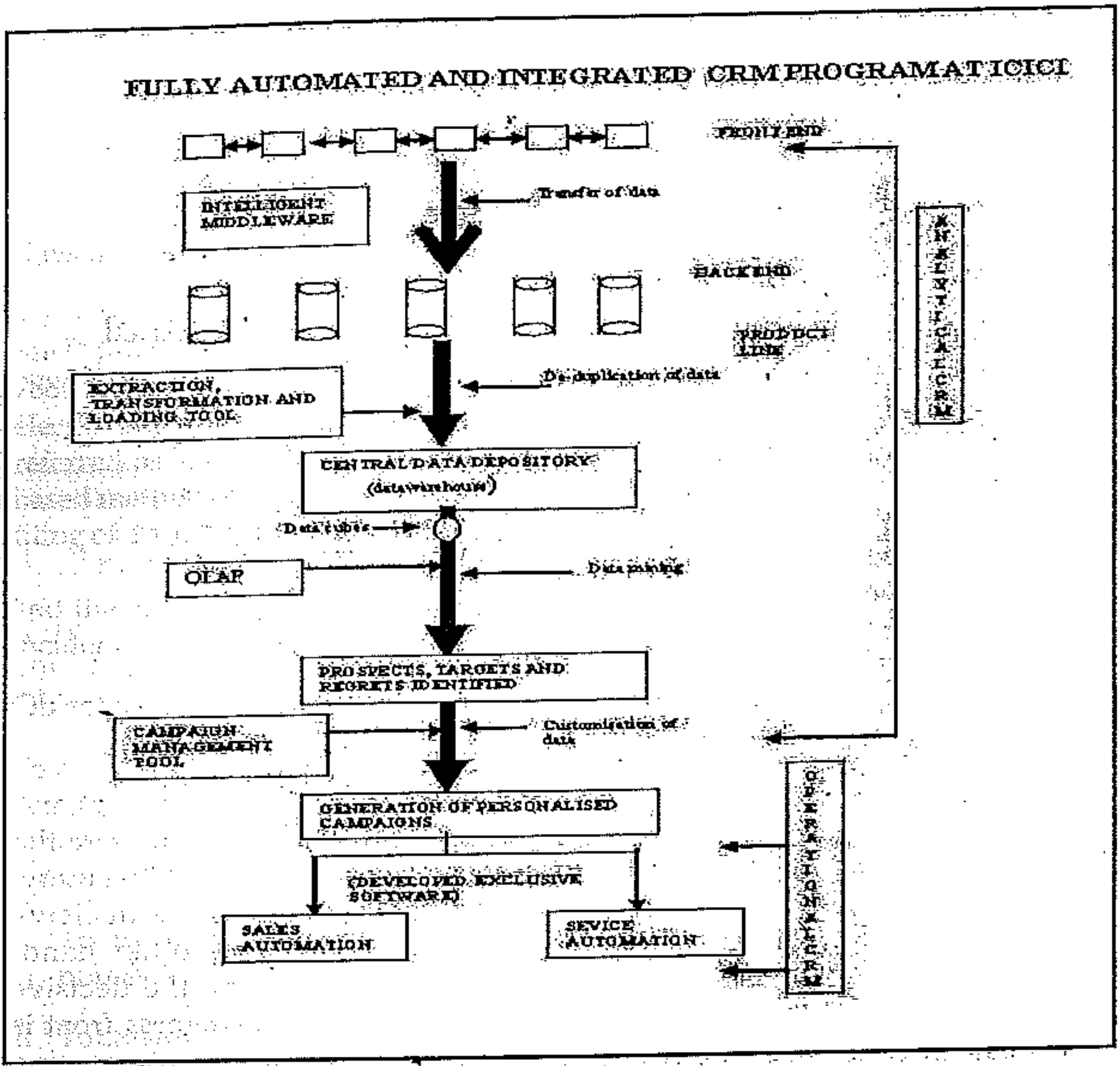


EXHIBIT 2

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