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Customer Relationship Management in Bhartiya Bank

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This case study has been developed on the basis of market research conducted for a commercial bank. The real name of the bank has not been disclosed to maintain confidentiality. It focuses on importance of Customer Relationship that is a must for all organizations. Customer Relationship Management is the approach of establishing a detailed understanding of the characteristics of the individual customers and using this knowledge to direct one's interaction with the customer. It is also a business strategy aimed at understanding and anticipating the needs of an organization's current and potential customers.

About Bhartiya Bank

After nationalisation of 14 commercial banks in 1969, the Reserve Bank of India (RBI) did not give license to new private banks though there was no legal ban on the entry of private sector banks. RBI issued a few guidelines in January 1993 for entry of private sector banks. It prescribed a minimum paid up capital of Rs. 100 crores for the new banks and the shares to be listed at the stock exchanges.

The new private sector banks have been very aggressive in business expansion and are also reporting higher profit levels taking the advantage of technology and skilled manpower. In certain areas, these banks have even out crossed the other group of banks including foreign banks.

Bhartiya Bank is one of the leading banks in India. The bank has presence in 17 states, with a branch network of 395 with over 3.7 million customer accounts. It has the largest ATM network in the country. It has become one of the largest private banks with total assets of over Rs. One trillion. The Bank offers a wide range of banking products and financial services to corporate and retail customers through variety of delivery channels and through its specialized

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subsidiaries and affiliates in the area of investment banking, life and non-life insurance, venture capital, asset management and information technology.

Services provided by the Bank

The wide variety of products and services offered by the Bank are divided into four categories:

(a) Deposit Products like savings accounts, current accounts and term deposits; (b) Investment products like Bonds, Mutual Fund investments, Relief Bonds; (c) Life insurance services like Demat, Webtrade Forex services; (d) Asset products like Auto Loans, Personal Loans, Credit Cares, Loans against shares and Personal loans. Among the other services provided by the Bank is Kid-e-bank, a product exclusively for children. This product teaches children banking and e-commerce through an interactive online interface. A special offer the bank provides is bank@campus, that offers independent banking services to students.

Thinking about the customer

It is one thing to take an existing enterprise from a product focus to a customer focus and another thing to start a brand new company around an entire customer-focused business. Banks in India do not concentrate on how to deliver Customer Relationship Management; they just go about their everyday customer-centric business.

Walk into the main office of Bhartiya Bank and the first thing you notice is the posters on the wall, the artwork focusing on customers. The message is "keeping the customers first and improving the customer experience." This is testimonial not only to the company's commitment to customer service but also to the very tenets on which the company was founded.

Bhartiya Bank was launched in October 2000 and it faces the same customer service challenges as faced by most online business. The rules and processes were designed from the customer's viewpoint. The Bank then automated these rules for customer service representatives as Relationship Managers through a high tech, integrated customer desktop. The Bank is trained on the organization's new wireless banking service. A Relationship Manager is required to communicate with the customer answering all his queries. The Bank is focused on online banking with a mission to simplify customer banking. Indeed the company's future product is its transparent credit card, a product that can provide the bank with rich customer information.

Taking the service culture one step ahead, the Relationship Managers were to resolve the queries of the customers on one to one basis. This made the bank move more towards being customer-centric and retain the customer and help the bank make their customer focus [1] strong. The Relationship Managers gave a constant feedback to the Bank regarding the customers so that the bank was able to serve the customers better. For example, if a customer purchases a credit card from Bhartiya Bank, the Relationship Manager will highlight the benefits of Internet banking in his welcome call, to the customer, and tentatively steer him towards a more preferred channel.

Indeed, when Bhartiya Bank communicates with its customers reminding them to pay their telephone bill that is due and offering to pay for him, the line between marketing and customer service become blurred. Thus the Bank instilled a behaviour among its employees to think even from customer's viewpoint. Customer service is asset of business processes aided by

technologies but fundamentally practised by human beings. CRM can be practised in an organization by retaining customers by just giving them an unforgettable service experience.

Understanding the Problem

Relationship marketing implies attracting, maintaining and enhancing customer relationships. It is beneficial because acquiring new customers is more costly than retaining existing ones. One of the determinants of success of relationship marketing strategy that emerged from the study was that, the service perceived by the customers was not the same as being provided by the Bank. The Bhartiya Bank, in spite of providing so many facilities to its customers faced a problem of retaining its customers and also was not able to attract many new customers. Thus to provide a solution to this problem a market research was conducted and variables related with the customer were analysed.

Motivation for Research

The Bank possessed a vast customer base, but was completely unaware of the feelings, attitudes and behaviour of these prized customers in their relation with the Bank. In more precise terms, the Bank needed to know who was a valued customer, who was unprofitable, who was on the verge of defection, or who was likely to be interested in a new product the Bank had just launched. Interaction with its present customers with an aim to understand their mind was the only solution to this problem.

Fathoming the feelings, attitudes and behaviour of the customer is an extremely difficult and complex process. One of ways of achieving this is by conducting a thorough market research and analysing the information it provides. The textbook defines marketing research as the function which links the consumer, customer, and marketer through information.

Research Objective

The present customers of the Bank held their own perception and views about different services and personnel of the Bank. The objective of this research was to get a picture of these perceptions and views both at a macro and a micro level. Based on the information extracted out of the interactions with the customers, analysing them and eventually translating statistical results to business language, strategies would then be created, implemented and automated.

Research Methodology

- Step 1 All the different services offered by the bank were identified.
- Step 2 With each of these services two questions were formulated.
 - Question 1 Rating the efficiency of a particular service at Bharatiya Bank
 - Question 2 Satisfaction with the service provided
- Step 3 10 Psychographic questions ([4]) were enlisted - related to behaviour and attitude of the Bank personnel at all levels of hierarchy, transparency and convenience of documentation and other transactions
- Step 4 A questionnaire was designed based on these questions.
- Step 5 From the database of the Bank a simple random sample ([5]) of size 200 was selected.
- Step 6 - Information from these respondents was collected through questionnaires.

Analysis

Each respondent provided us with vast and varied information- we were thus faced the following difficulties:

- The information was too large
- They were related among themselves in a complex manner.

This made the interpretation of the collected information very difficult.

All these problems were solved using an advanced software package, SPSS (Statistical Package for Social Sciences). The data was analysed using Principal Component Analysis ([6]), a subclass of the more general method called Factor Analysis ([7]). In the former method of analysis, the factors extracted are called principal components. Since it is more common to use the term factor, in the rest of this case study we will refer to principal components as factors.

Research Findings

The eigen solution ([8]) showed that the first four factors explained 82% of the total variability. The rest of the analysis was thus carried out using four factors. After orthogonal rotation (varimax procedure) ([9]), the factor matrix ([10]) that emerged helped in interpreting the factors.

[Nota bene: Sometimes one or more variables may load about the same on more than one factor, making the interpretation of the factors ambiguous. Ideally, the analyst would like to find that each variable loads high ($P > 1.0$) on one factor and approximately zero on all others ($P < 0.0$).]

The factors are extracted in order of relative importance. That is, the 1st factor contributes the most to the explanation of the variability among the variables, the 2nd factor lesser than that, and so on.

Interpretation of the factors

The next task is to meaningfully interpret each of these factors. Identifying the variables that have high correlation on the same factor facilitates interpretation. Although a factor itself is abstract in nature, each of them can be 'defined' in terms of these variables. In this study the four factors can be interpreted as:

- Factor 1 traditional services (account and cheque facilities) offered by the Bank
- Factor 2 auxiliary services (credit card, ATM, utility payment and channels of delivery) provided by the Bank
- Factor 3 transparency and convenience of documentation and transactions
- Factor 4 behaviour and attitude of Bank personnel

Recommendations

The Bank had a plethora of services. It is impossible to alter the entire service features, attributes and qualities. Instead, only those, which compose a particular factor, should be dealt with.

Since the factor 'traditional services' emerges as the most important one, all the services comprising this factor should be dealt with first. Factors 2, 3 and 4 follow next in order of importance.

In situations where dealing with the customers is required, the Relationship Managers would feel well informed if he knows more intricately about the feelings of the customers.

While planning future strategies about present services a detailed knowledge of the psychology of the prospective customer plays a vital role.

Devising and designing a new service every factor, the variables that comprise it and its relative importance should be kept in mind.

Key concepts

- [1] Information, organisation and communication within an organisation with respect to the customer
- [2] The customer decides whether to be or not be in business with the organisation
- [3] The customer heads the pyramid, the director is at its base, or in other words the customers manage the business of the organisation

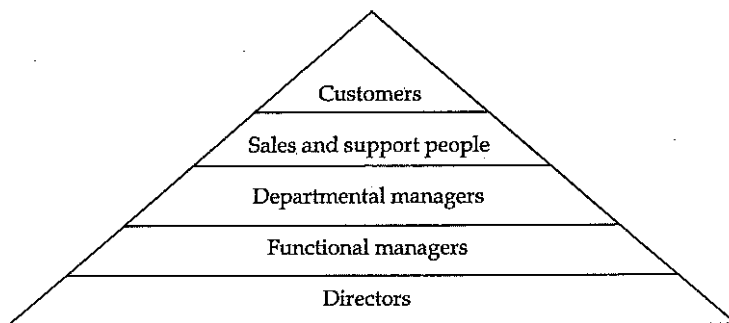


Figure Customer Pyramid

- [4] Questions related to various psychological aspects of a respondent relevant to the context
- [5] Simple Random Sampling is a form sampling design in which n distinct units are selected from N units in the population in such a way that every possible combination of n units is equally likely to be the sample selected.
- [6] Factor analysis (see [7]) where the entire variance of each of the variables are taken into account
- [7] A generic name given to a class of Multivariate Statistical Methods whose primary purpose is to define the underlying latent structure in a data matrix. Correlation (interdependence between pairs of variables) simple and partial among large number variables are analysed. Variables with very high correlation are then grouped together to form common underlying dimension, known as a Factor. The entire data

structure, which consists of a large number of correlated variables, can be thus reduced to a smaller number of factors. The correlation among these newly identified factors is either zero or negligibly small. Moreover, one can also determine the factor loadings which each variable is explained by each factor.

- [8] Eigen roots are the solution to the equation $\frac{1}{2}R^2 - I = 0$, where R is the correlation matrix of the variables.
- [9] Although the initial or unrotated factor matrix indicates the relationship between factors and individual variables, it seldom results to factors that can be interpreted. This happens because several factors tend to be highly correlated with several variables. Rotation of factors in which the axes are maintained at right angles is known as orthogonal rotation. The varimax procedure is an orthogonal method of factor rotation that minimises the number of variables with high loadings on a single factor.
- [10] A matrix displaying the factor loadings i.e. simple correlation coefficient between each factor and a variable.

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