A STUDY ON BUYING BEHAVIOUR OF LG LAPTOPS BY MANAGEMENT AND ENGINEERING STUDENTS
(A CASE STUDY OF HYDERABAD CITY)

Dr. N. Ratna Kishor*; Kumba Nagamani**

*Assistant Professor,
Department of Commerce & Business Administration,
Acharya Nagarjuna University,
Nagarjuna Nagar, Andhra Pradesh, India.
**Research Scholar,
Department of Commerce & Business Administration,
Acharya Nagarjuna University,
Nagarjuna Nagar, Andhra Pradesh, India.

ABSTRACT

Nowadays, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management (CRM) and its potential to help them acquire new customers retain existing ones and maximize their lifetime value through providing need based services in the changing economic scenario. At this point, close relationship with customers will require a strong coordination between IT and marketing departments to provide a long-term retention of selected customers/segmented customers. This paper deals with the role of customer Relationship Management in banking sector and the need for Customer Relationship Management to increase customer value and customer base by using some analytical methods in CRM applications. CRM is a sound business strategy to identify the bank’s most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, repricing, discretionary decision making, and customized service – all delivered through the various sales channels that the bank uses. Customer relationship management is a broad approach for creating, maintaining and expanding customer relationships. CRM is the business strategy that aims to understand, anticipate, manages and personalizes the needs of an organization’s current and potential customers. At the heart of a perfect strategy is the creation of
mutual value for all parties involved in the business process. It is about creating a sustainable competitive advantage by being the best at understanding, communicating, and delivering and developing existing customer relationships in addition to creating and keeping new customers. So the concept of product life cycle is giving way to the concept of customer life cycle focusing on the development of products and services that anticipate the future need of the existing customers and creating additional services that extend existing customer relationships beyond transactions.

**KEYWORDS:** Customized services, Customer life cycle, customer satisfaction, client interaction.

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**INTRODUCTION**

Customers generally use banks for services such as savings and current accounts, mortgages, loans (e.g. personal, housing, auto, and educational), debit cards, credit cards, fund transfer, depository services, fixed deposits, investment advisory services etc. e.g. Mutual funds, ULIP, Insurance policies.

Before Internet era, customer largely selected their banks based on how convenient the location of bank’s branches was to their homes or offices. With the Advent of new technologies in the business of bank, such as Internet banking and ATMs, now customers can freely chose any bank for their transactions. Thus the customer base of banks has increased, and so has the choices of customers for selecting the banks.

This is just the beginning of the story. Due to globalization new generations of private sector banks and many foreign banks have also entered the market and they have brought with them several useful and innovative products. Due to forced competition, public sector banks are also becoming more technology savvy and customer centric.

Thus, Non-traditional competition, market consolidation, new technology, and the proliferation of the Internet are changing the competitive landscape of the banking industry. Today’ banking sector is characterized by following:

1. Multiple products (deposits, credit cards, insurance, investments and securities)
2. Multiple channels of distribution (call center, branch, Internet and kiosk)
3. Multiple customer groups (consumer, small business, and corporate)

Today, the customers have many expectations from bank such as

(i) Service at reduced cost
(ii) Service “Anytime Anywhere”
(iii) Personalized Service

With increased number of banks, products and services and practically nil switching costs, customers are easily switching banks whenever they find better services and products. Banks are finding it tough to get new customers and more importantly retain existing customers.

According to a research by Reichheld and Sasser in the Harvard Business Review, 5% increase in customer retention can increase profitability by 35% in banking business, 50% in insurance and brokerage, and 125% in the consumer credit card market. Therefore banks are now stressing on retaining customers and increasing market share.

WHAT DOES THE BANK NEED?

The banks now need to find out what to sell, whom to sell, when to sell, how to sell and how to be different to increase profitability. Banks need to differentiate themselves by adding value-added services, offerings and building long-term relationship with their customers through more customized products, enhanced value offerings, personalized services and increased accessibility. Banks also need to identify customers and products that would be more profitable and target customers with products that are most appropriate to their needs and serve the customers with greater cost efficiency.

Banks also need to find out the avenues for increased customer satisfaction, which leads to increased customer loyalty. This may be explained better from two initiatives bank took in the past:

1. Earlier what drove many bankers to invest in ATMs was the promise of reduced branch cost, since customers would use them instead of a branch to transact business. But what was discovered is that the financial impact of ATMs is a marginal increase in fee income substantially offset by the cost of significant increases in the number of customer transactions. The value proposition, however, was a significant increase in that intangible called customer satisfaction. The increase in customer satisfaction has translated to loyalty that resulted in higher customer retention and growing franchise value.

2. Bankers invested in Internet banking, believing that the Internet was a lower-cost delivery channel and a way to increase sales. Studies have now shown, however, that the primary value of offering Internet banking services lies in the increased retention of highly valued customer segments. Again customer satisfaction drives the value proposition.

Thus, banks need to retain existing customers with enhanced personalized services and products, which best suits their needs and satisfies them the most.

HOW CAN CRM HELP BANKS?

CRM primarily caters to all interactions with the customers or potential customers, across multiple touch points including the Internet, bank branch, call center, field organization and other distribution channels.
CRM can help banks in following ways:

1. **CAMPAIGN MANAGEMENT** - Banks need to identify customers, tailor made products and services to meet their needs and sell these products to them. CRM achieves this through Campaign Management by analyzing data from banks internal applications or by importing data from external applications to evaluate customer profitability and designing comprehensive customer profiles in terms of individual lifestyle preferences, income levels and other related criteria. Based on these profiles, banks can identify the most lucrative customers and customer segments, and execute targeted, personalized multi-channel marketing campaigns to reach these customers and maximize the lifetime value of those relationships.

2. **CUSTOMER INFORMATION CONSOLIDATION** - Instead of customer information being stored in product centric silos, (for e.g. separate databases of savings account & credit card customers), with CRM the information is stored in a customer centric manner covering all the products of the bank. CRM integrates various channels to deliver a host of services to customers, while aiding the functioning of the bank.

3. **MARKETING ENCYCLOPEDIA** - Central repository for products, pricing and competitive information, as well as internal training material, sales presentations, proposal templates and marketing collateral.

4. **360-DEGREE VIEW OF COMPANY** – This means whoever the bank speaks to, irrespective of whether the communication is from sales, finance or support, the bank is aware of the interaction. Removal of inconsistencies of data makes the client interaction processes smooth and efficient, thus leading to enhanced customer satisfaction.

5. **PERSONALIZED SALES HOME PAGE** – CRM can provide a single view where Sales Managers and agents can get all the most up-to-date information in one place, including opportunity, account, news, and expense report information. This would make sales decision fast and consistent.

6. **LEAD AND OPPORTUNITY MANAGEMENT** - These enable organizations to effectively manage leads and opportunities and track the leads through deal closure, the required follow-up and interaction with the prospects.

7. **ACTIVITY MANAGEMENT** – It helps managers to assign and track the activities of various members. Thus improved transparency leads to improved efficiency.

8. **CONTACT CENTER** – It enables customer service agent to provide uniform service across multiple channels such as phone, Internet, email, Fax.

9. **OPERATIONAL INEFFICIENCY REMOVAL** – CRM can help in Strategy Formulation to eliminate current operational inefficiencies. An effective CRM solution supports all channels of customer interaction including telephone, fax, e-mail, the online portals, wireless devices, ATMs, and face-to-face contacts with bank personnel. It also
links these customer touch points to an operations center and connects the operations center with the relevant internal and external business partners.

10. **ENHANCED PRODUCTIVITY** – CRM can help in enhanced productivity of customers, partners and employees.

11. **CRM WITH BUSINESS INTELLIGENCE** - Banks need to analyze the performance of customer relationships, uncover trends in customer behavior, and understand the true business value of their customers. CRM with business intelligence allows banks to assess customer segments, which help them calculate the net present value (NPV) of a customer segment over a given period to derive customer lifetime value. Customers can be evaluated within a scoring framework. Combining the behavior key figure and frequency to monetary acquisition analysis with a marketing revenue quota can optimize acquisition costs and cut the number of inefficient activities. With such knowledge, banks can efficiently allocate resources to the most profitable customers and reengineer the unprofitable ones. Data warehousing solutions have been implemented in Citibank, ReserveBank of India, and State Bank of India, IDBI, ICICI, MaxTouch, ACC, National Stock Exchange and PepsiCo. And Business Intelligence players hope many more will follow suit.

**A WORD OF CAUTION!**

Customers may not want what they get: A CRM system apart from improving front office operations and customer servicing also helps in coping with many services that do not need manual intervention. These are serviced by channels like IVR, Internet and ATM. Customers can get account information, information on credit balance, issue instructions for drafts or even transact through these. At the same time there may be a few customers who still prefer the traditional methods of banking. Banks need to be flexible enough to continue to extend the "personal touch" that such customers prefer.

**MAKE CHANGES INTERNALLY BEFORE GOING FOR CRM:** Many banks have spent a lot of money on CRM, finding it easier to buy CRM technology than to make the major internal changes necessary to really make CRM work for them. Unfortunately for these banks, the software has often failed to deliver goods.

**CRM IS BUSINESS TRANSFORMATION:** Too often banks have focused on the wrong areas of CRM. CRM is really about business transformation—changing the business from services-centric to customer-centric.

**HAVE DEFINED OBJECTIVES:** Many CRM implementations have been approved without examining aspects like profitability, turnover etc. CRM implementations should have well defined objectives, such as ROI, Sales etc.

**CONSIDER COMPLETE LIFE CYCLE COSTS WHILE BUDGETING:** Measurements of profit are often constructed to embrace only the initial cost of sale. This is of little use if the ongoing cost of servicing a customer outweigh the margin of profit that customer is generating. It
is critical that banks have recognized and embraced the importance of the trend towards customer development, and that this is reflected in actual marketing budget allocation.

CRM IMPLEMENTATION IN BANKS IN INDIA

According to Nasscom report “Strategic Review 2004”, Indian CRM market was estimated at US $ 14 million and is forecast to grow to US $ 26 million in 2005. Banking and financial services segment has a high growth potential and accounts for 22 percent of CRM license revenue. There are many banks such as ICICI Bank, HDFC Bank and Citibank, which are using CRM products.

Disciplined work along four dimensions can significantly improve results from CRM initiatives:

CUSTOMER SEGMENTATION – Do intensive data analysis and value-based segmentation to highlight the value of different customer segments and the underlying drivers of that value.

DESIGN PROGRAMS - Design innovative programs focusing on customer acquisition, cross-sell, retention, loyalty, and customer service, based on customer insights, experience and industry best practices.

DESIGN PROCESSES - Design internal and external processes to support and sustain successful programs.

GOOD DECISIONS BASED ON RIGHT INFORMATION - The information from a CRM program can often guide better operational business decisions at many levels of the organization. Gather customer information at a broader set of touch-points, perform in-depth analysis, and make critical information available to relevant stakeholders.

The retail banking industry is undergoing revolutionary change. There are many players and competition is tough. Customer Relationship Management is an important weapon in this fight. The ability to mass customize the customer experience and refresh the value proposition is necessary to retain the right to do business with the customer. Consolidation and technology would become must for sustenance and growth. The pressure will be on banks to integrate data from every channel and know what customers say so that the banks deliver what they want. As the competitions increase, banks will require the robust CRM functionalities in order to manage their most valued asset – their customers.

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